

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2018



TOWN OF VIENNA,
VIRGINIA

- Introductory Section -

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TOWN OF VIENNA, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2018

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, 2018

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TOWN OF VIENNA, VIRGINIA

TOWN OFFICIALS

TOWN COUNCIL

Laurie A. DiRocco, Mayor

Tara Bloch, Vice Mayor

Linda J. Colbert

Douglas Noble

Pasha M. Majdi

Carey J. Sienicki

Howard J. Springsteen

MANAGEMENT TEAM

Town Manager

Mercury T. Payton

Town Attorney

Steven D. Briglia

Town Clerk

Melanie J. Clark

Michael Gallagher, P.E.

Director of Public Works

Maggie Kain

Director of Human Resources

James Morris

Chief of Police

Cindy Petkac, AICP

Director of Planning and Zoning

Antoine Mull

Director of Information Technology

Leslie Herman

Director of Parks and Recreation

Marion K. Serfass, CPA

Director of Finance / Treasurer

INDEPENDENT AUDITORS

Robinson, Farmer, Cox Associates

Certified Public Accountants

Fredericksburg, Virginia

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

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Department of Finance

November 29, 2018

To the Citizens of the Town of Vienna:

The Town of Vienna's comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2018 is hereby submitted. Town Code, Section 2.6 requires the Town Treasurer to arrange for an annual audit of the books by such persons as Town Council may designate for this purpose. In addition, Section 15.2-2511 of the Code of Virginia requires that an independent certified public accountant, in accordance with specifications furnished by the Auditor of Public Accounts of the Commonwealth of Virginia, conduct an annual audit of accounts and records for all counties, cities, and towns with populations greater than 3,500. This report is formally submitted in fulfillment of those requirements.

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

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

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

The Town's financial statements have been audited by Robinson, Farmer, Cox Associates, a certified public accounting firm. An independent audit is conducted to provide reasonable assurance that the Town's financial statements for the fiscal year ended June 30, 2018 are free of material misstatements. The independent audit involved examining, on a test basis, evidence supporting amounts and disclosures in financial statements; assessing accounting principles used and significant estimates made by Town management; and evaluating the overall financial statement presentation. The independent auditor's report is presented in the first part of this report's financial section.

FINANCIAL REPORTING ENTITY

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

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

ECONOMIC CONDITION AND OUTLOOK

Local Economy

Situated in northern Virginia near Washington, D.C., Vienna is located in one of the country's more stable areas. With its close proximity to the Dulles airport corridor and the area's metropolitan transit systems, Vienna continues to enjoy a relatively stable economic base. Existing property values have increased in each of the previous seven years. Construction of upscale homes and residential renovations have continued in many areas of Town. Vienna continues to attract new restaurants and commercial businesses as well. The area's relatively low unemployment rate of 2.7 percent, according to the Bureau of Labor Statistics as of June 30, 2018, compares favorably with the state's 3.3 percent rate and a national rate of 4.0 percent. Local and state unemployment rates fell 0.5 percent and .06 percent, respectively, from 2017, which, coupled with a 0.3 percent decrease in the national rate, continues to create a favorable economic outlook for the area. According to the U.S. Census Bureau for 2010 (the last year available), the area's median household income is \$103,000 with 52.6 percent of households having incomes of at least \$100,000 and 31.2 percent having incomes of at least \$150,000.

Revenue trends for recurring items were favorable in 2018. Assessed property values increased 5.0 percent from last year, marking the seventh consecutive year of increases. The Town's tax rate was held constant from last year at \$0.225, which resulted in a 3.2 percent increase in property tax revenue. This is a reflection of the pace at which newly constructed and remodeled homes are being constructed in Town, about 75 in fiscal 2018, as well as renovation of the largest commercial property in Town. Other favorable trends in 2018 include zoning fees, which increased 29.7 percent over 2017; interest revenue, which increased 58 percent due to rising interest rates; and meals taxes, which increased 4.5 percent. The reopening of the renovated community center contributed a 32 percent increase in revenues due to resumption of full operations for three-quarters of the year. These increases indicate a positive economic condition in Vienna in 2018. These positive trends were partially offset by a 7.5 percent decrease in fines and forfeitures and a small decrease in grant funds received.

ECONOMIC CONDITION AND OUTLOOK (CONTINUED)

In general, the area's underlying economy remains relatively stable. Software, telecommunications, internet, and other high-technology industries, along with Northern Virginia's proximity to the federal government and related businesses, remain major components of the area's economy. Major commercial expansion continues to occur adjacent to Vienna, in the Tysons and Dulles airport corridor areas. Fairfax County continues to approve mixed-use commercial and residential developments in the adjacent Tysons area and forecasts an additional 100,000 residents and 200,000 jobs in the region by 2050. The announcement in late 2018 of Amazon's establishment of HQ2 in nearby Arlington also bodes well for the Town's economic future.

Long-Term Financial Planning and Outlook

Town Council meets periodically with Town staff to discuss vision and long-term financial planning. Town staff is exploring ways to capitalize on expansion of the Washington-area Metro subway system and an increase in commercial development in the nearby edge city of Tysons 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 related project to develop comprehensive design guidelines for the corridor was begun in fiscal year 2018.

Construction on the first Maple Avenue Corridor (MAC) project began during 2018, and several mixed-use projects on Maple Avenue were submitted for rezoning approval. These projects are expected to begin construction in fiscal year 2019. The Town has agreed to invest in development of a parking garage adjacent to the Church Street commercial district and was awarded a grant from the Northern Virginia Transportation Authority to offset 50 percent of project cost. Town staff also met with Fairfax County to discuss plans to redevelop and add parking to the existing county library branch at a key intersection along Maple Avenue. Feasibility work has begun on this project, which is slated for fiscal year 2022 construction.

A budget committee, comprised of department heads from finance, human resources, and public works as well as the Town Manager, additional finance staff, and two other rotating department heads, was established in 2012. This committee performs an intensive review of the Town's annual operating budget and presents Council with a conservative, achievable budget. The budget committee also works with Council to develop and refine long-term capital project planning. Projects have been identified and prioritized for potential debt offerings over the next 20 years.

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

Relevant Financial Policies

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

ECONOMIC CONDITION AND OUTLOOK (CONTINUED)

Town Council has strongly supported maintaining adequate reserves within the general and debt service funds in order to buffer against financial emergencies and economic downturns. This policy has helped Vienna continue to provide quality services within the limits of sound fiscal management and has enabled the Town to retain its coveted AAA bond rating. In 2018, Council amended its fund balance policy. The new policy requires that the Town to have an unassigned general fund balance of at least 15 percent of the subsequent year's budget. For This year, 18.0 percent of the FY 2018 budget was allocated to unassigned fund balance, well in excess of the Town's adopted policy and the Government Finance Officers Association's suggested best practice of 16.7 percent, or two months of expenditures.

Major Initiatives

Among significant initiatives undertaken during this past fiscal year were sidewalk, curb and gutter, street repaving, and storm drainage projects, several of which were financed in conjunction with grants from the Virginia Department of Transportation, Northern Virginia Transportation Authority, and state stormwater grants. In addition, several underground water lines were repaired and upgraded. The newly renovated community center reopened in the fall of 2017 (early in fiscal year 2018) and was embraced by the community for its expanded facilities and programs. Efforts to add municipal parking have moved forward with an agreement to invest in a floor of public parking just off the Church Street commercial corridor.

The Town completed a water and sewer rate study, which resulted in modest increases in consumption costs and provided for reserves to improve water and sewer infrastructure in the future. The Town's AAA bond rating was reaffirmed by Moody's and Standard and Poor's during the year. In January the Town issued almost \$8.0 million in general obligation debt. The main projects financed by the bonds included architectural and engineering services to design a new police station as well as improvements to parks, water and sewer infrastructure, and miscellaneous road projects.

The Town continued to promote commercial construction and renovation along the Maple Avenue and Church Street corridors to spur revitalization. Standards for zoning in the main commercial area were updated in early 2015, while still retaining Vienna's small-town feel; these standards are being reviewed again and visual design guidelines are being developed. These redevelopment projects will continue to improve the Maple Avenue commercial area, making it a destination of choice for the region.

Implementation of the Town's new financial software system was completed in 2018. Customer portal development started in 2018 and will go live within the first quarter of fiscal 2019, allowing customers to look up and pay bills online. The Vienna Public Art Commission, established in 2015, began implementing beautification projects and completed its first donation-funded public art project, installed at the renovated community center. The Town also is continuing to work on updating its a strategic plan and long-term vision.

Bond financing is planned every other year. As noted above, the Town issued almost \$8.0 million in general obligation bonds during fiscal year 2018 to finance design of a new police station, plus other smaller parks, water and sewer and street projects. A capital lease to finance vehicle purchases for \$730,000 was completed during the year at an interest rate of 1.67 percent. This low rate confirms the Town's credit worthiness.

OTHER INFORMATION

Independent Audit

The Town Charter requires an annual audit by independent certified public accountants. Robinson, Farmer, Cox Associates performed the audit for the fiscal year ending June 30, 2018. The auditor's report on basic financial statements, combining and individual fund statements and schedules, is included in the financial section of this report.

Awards and Designations

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, 2017; this was the 31st year in a row that the Town has received this recognition. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The Town believes that its current comprehensive annual financial report continues to meet Certificate of Achievement requirements and is submitting this report to GFOA to determine its eligibility for another certificate.

GFOA Distinguished Budget Presentation Award

For the 24th year in a row, the Town received GFOA's Distinguished Budget Presentation Award for the FY 2017-18 Budget. This award is presented to local governments who prepare a budget that satisfies rigorous criteria that defines the budget document as a policy document, operations guide, financial plan, and communications device. Submitted budgets are reviewed by GFOA and selected outside reviewers with experience in public-sector budgeting. In July 2018, the Town submitted its FY 2018-19 budget documents for consideration for the award.

Tree City USA

The National Arbor Day Foundation recognized Vienna as a Tree City USA for the 16th consecutive year, confirming Vienna's commitment to its tree canopy and environmental stewardship.

Virginia Municipal League's Green Government Award

Recognizing the Town's commitment to conducting business in environmentally friendly ways, the Town received the Virginia Municipal League's Green Government Recognition Award in 2018. The award was received in recognition of the Town's effort to reduce carbon emissions, the positive impact of the annual Green Expo event, and Vienna's commitment to developing biking and walking traffic-calming alternatives.

Other Awards

5th Safest City in Virginia – Safewise.com

Safewise, an authority on safety and home security news, rated the Commonwealth of Virginia as the third-lowest state for violent crime and the tenth-lowest state for property crime. Safewise rated Vienna as the 5th safest place to live in Virginia for 2018, based on FBI crime statistics.

2nd Safest among 2018 Safest Cities in Virginia – National Council for Home Safety and Security

For the second year in a row, Vienna was named one of the safest cities in Virginia, based on its low violent crime and property crime rates.

Northern Virginia Magazine's top 24 most sought-after places to live

According to Northern Virginia Magazine, Vienna is the most sought after location in eastern Fairfax County, attracting buyers who previously may have chosen Great Falls or Oakton. Proximity to Metro, excellent schools and a strong sense of community make Vienna a great place to live.

7th Best Place to retire in Virginia – Smart Asset

Vienna's location near Washington, D.C. and close to parks, cultural events, and golf courses makes it a natural choice for retirees.

Among the top 1% of cities with the highest credit scores – WalletHub.com

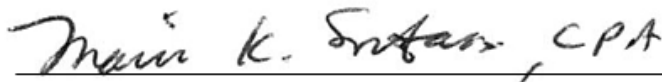
WalletHub, a free credit score service, lists the Town of Vienna among the top 1% of cities and towns with the highest credit scores.

ACKNOWLEDGEMENTS

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



Mercury T. Payton
Town Manager



Marion K. Serfass, CPA
Director of Finance/Treasurer



Government Finance Officers Association

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

Presented to

**Town of Vienna
Virginia**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

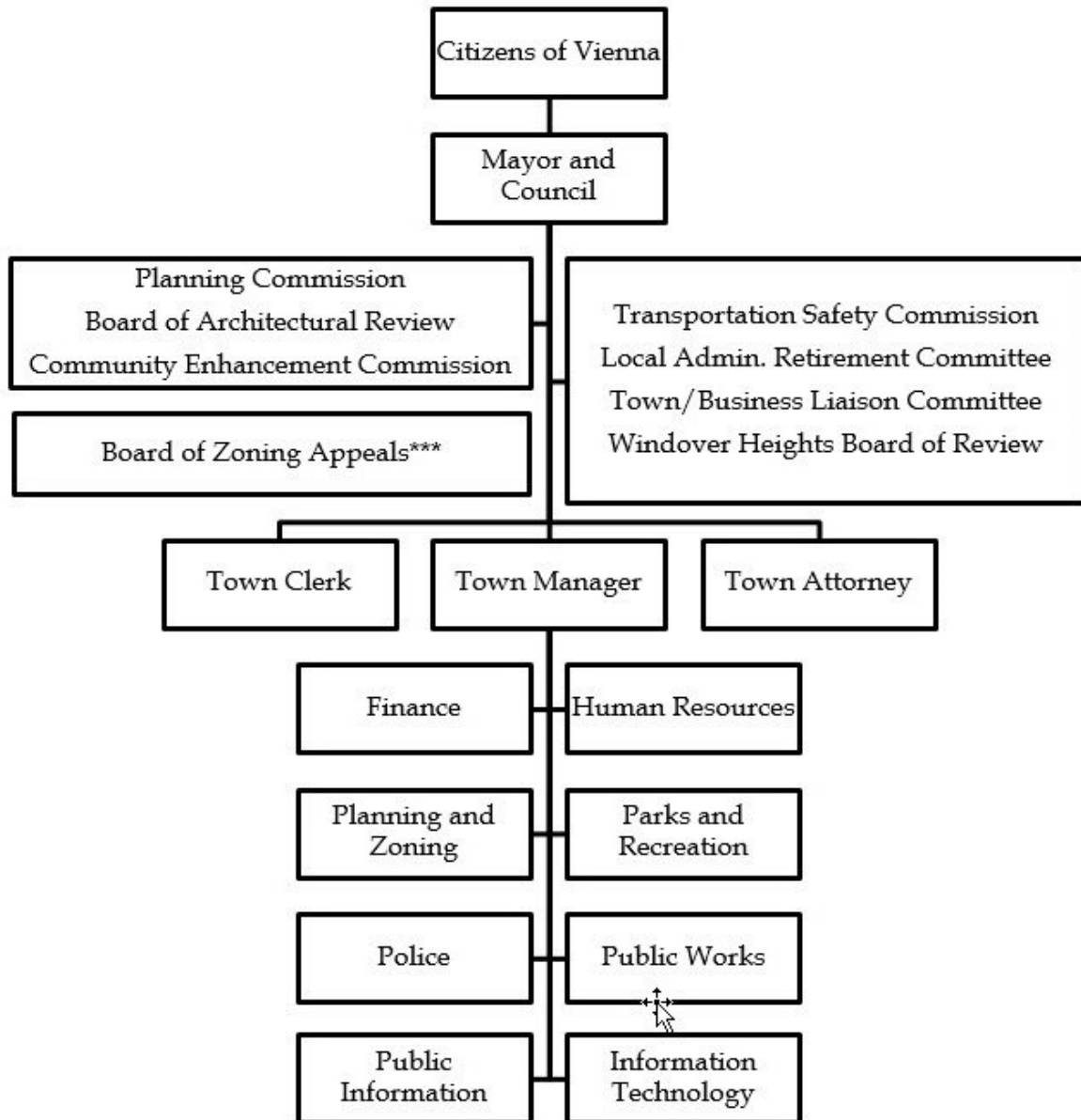
June 30, 2017

Christopher P. Morill

Executive Director/CEO

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Town of Vienna, Virginia Organizational Chart



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

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- Financial Section -

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ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Vienna, Virginia, as of and for the year ended June 30, 2018 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, 2018, 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 2018, the Town adopted new accounting guidance, GASB Statement Nos. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, and 85 *Omnibus 2017*. Our opinion is not modified with respect to this matter.

Restatement of Beginning Balances

As described in Note 1 to the financial statements, in 2018, the Town restated beginning balances to reflect the requirements of GASB Statement No. 75. 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, 109-110, and 111-125 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.

Supplementary and 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.

Supplementary and Other Information (continued)

The other supplementary information is the responsibility of management and was 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 is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2018, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Town of Vienna, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Vienna, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Fredericksburg, Virginia
November 29, 2018

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

To Honorable Town Council Members and Town of Vienna Citizens

The Town of Vienna offers readers of the Town's financial statements this narrative overview and analysis of the Town's financial activities for the fiscal year ended June 30, 2018. Readers are encouraged to consider information presented in this analysis in conjunction with additional information furnished in the letter of transmittal.

Financial Highlights

- Total net position on June 30, 2018 was \$62,224,756, compared to \$58,846,946 in 2017 (as restated due to pension accounting changes). Total net position increased by \$3,377,810 or 5.7 percent, mainly due to receipt of bond proceeds in 2018 and investment in capital assets from bond proceeds received in 2016 and 2018, plus the impact of applying new pension and OPEB accounting changes. The Town's unrestricted net position decreased by \$1,826,178 due to the accounting changes noted above. Unrestricted net position funds may be appropriated by Town Council to meet ongoing obligations to citizens, water and sewer customers, and creditors.
- As of the close of the reported fiscal year, the Town's governmental funds balance sheet (Exhibit 3) reported a combined ending fund balance of \$24,251,259, an increase of \$4,968,066 or 25.8 percent compared to the prior year. The increase is due primarily to an increase in cash and receivables from other governments plus a decrease in accounts payable as bond proceeds were converted to capital assets and new capital projects with matching funds were started. \$7,261,003 of the debt service fund's balance is assigned to retirement of current and future debt issues while the remaining \$182,678 is nonspendable, and the \$7,091,714 balance of the capital projects fund is assigned for completion of capital projects. The \$1,146,678 fund balance in non-major governmental funds consists of \$480,793 restricted for stormwater projects and \$665,885 restricted for projects sponsored by the Northern Virginia Regional Gang Task Force. The general fund balance includes \$4,578,960 in unassigned balance. This represents 18.0 percent of total fiscal year 2019 General Fund budgeted expenditures.
- The Town's long-term obligations, which are due across multiple years, increased by \$5,764,101 or 14.7 percent during last fiscal year. This increase is due primarily to the issuance of bonds in 2018. Long-term obligations due in more than one year totaled \$44,937,671 at year-end. Of this amount, outstanding bonds and notes totaled \$27,352,207; capital leases totaled \$1,262,331; and pension and post-employment benefits totaled \$16,182,710. The above amounts do not include the Town's obligations related to accounts payable and total compensated absences, which totaled \$3,456,501 and \$1,404,231, respectively, at year-end. Accounts payable and an amount estimated at \$1,263,808 for compensated absences will be retired from current resources and were not included in long-term liabilities. Total compensated absences decreased by \$138,424 or 9.0 percent over the preceding year.
- Excluding pension trust funds, total cash and cash equivalents increased by \$2,810,450 when compared to the prior fiscal year. This increase is mainly attributed to bond issuance and revenues over expenses in several funds in 2018. Water and sewer fund operating and non-operating revenues, capital contributions, and incoming transfers exceeded operating and non-operating expenses and outgoing transfers by \$2,273,335. Pension fund contributions and interest earnings exceeded benefits payments by \$28,045. The following table denotes cash increases and decreases by fund.

Fund	FY 18 Cash	FY 17 Cash	Increase (Decrease)
General	\$ 11,292,721	\$ 10,705,059	\$ 587,662
Debt Service	6,971,460	6,425,246	546,214
Capital Projects	6,179,946	4,623,530	1,556,416
Special Transportation	1,151,554	928,562	222,992
Nonmajor Governmental	1,428,334	1,184,618	243,716
Water & Sewer	1,108,469	1,455,019	(346,550)
Total Cash	<u>\$ 28,132,484</u>	<u>\$ 25,322,034</u>	<u>\$ 2,810,450</u>
Pension Trust	<u>\$ 5,592,292</u>	<u>\$ 5,564,334</u>	<u>\$ 27,958</u>

Overview of Financial Statements

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

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

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

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

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

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

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

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

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

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

Government-wide Financial Analysis

As noted earlier, net position may serve as a useful indicator of a government's financial position. The Town's total assets and deferred outflows exceeded total liabilities and deferred inflows of resources by \$62,224,756 at year-end. Of the total net position, governmental activities totaled \$50,263,148, down \$1,104,475 or 2.3 percent, while business-type activities totaled \$11,961,608, an increase of \$2,273,335 or 23.5 percent. The decrease in net position of governmental activities is due primarily to increased pension liabilities from the application of new accounting standards, partially offset by increased cash from the issuance of bonds in 2018. The increase in net position of business-type activities is due to investments in water and sewer infrastructure from bond proceeds, partially offset by increased obligations due to other governments.

The Town's investment in capital assets such as land, buildings, and equipment, net of depreciation, totaled \$86,826,431 on June 30, 2018, of which governmental activities totaled \$71,289,245, an increase of \$3,090,855 or 4.5 percent. The increase is due primarily to investments in infrastructure and other capital projects completed in 2018. The Town uses these capital assets to provide services to citizens and, consequently, these assets are not available for future spending. Although capital assets are reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources since capital assets themselves cannot be used to liquidate these liabilities.

The following table provides an overview of the Town's Statement of Net Position for fiscal year 2018.

<p style="text-align: center;">Town of Vienna, Virginia Schedule of Assets, Liabilities, Deferred Inflows and Net Position</p>						
	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
<u>Assets:</u>						
Current and other assets	\$ 30,870,191	\$ 26,577,104	\$ 2,738,624	\$ 3,272,791	\$ 33,608,815	\$ 29,849,895
Capital assets	71,289,245	68,198,390	15,537,186	14,618,096	86,826,431	82,816,486
Total assets	\$ 102,159,436	\$ 94,775,494	\$ 18,275,810	\$ 17,890,887	\$ 120,435,246	\$ 112,666,381
Deferred Inflows of Resources	\$ 2,106,567	\$ 3,285,913	\$ 178,168	\$ 399,291	\$ 2,284,735	\$ 3,685,204
<u>Liabilities:</u>						
Long-term liabilities outstanding	\$ 45,539,354	\$ 38,174,690	\$ 4,213,723	\$ 5,300,889	\$ 49,753,077	\$ 43,475,579
Other liabilities	6,633,750	7,382,170	2,139,342	2,959,899	8,773,092	10,342,069
Total liabilities	\$ 52,173,104	\$ 45,556,860	\$ 6,353,065	\$ 8,260,788	\$ 58,526,169	\$ 53,817,648
Deferred Inflows of Resources	\$ 1,829,751	\$ 776,886	\$ 139,305	\$ 135,263	\$ 1,969,056	\$ 912,149
<u>Net Position:</u>						
Net investment in capital assets	\$ 49,536,591	\$ 46,259,237	\$ 12,774,095	\$ 11,096,338	\$ 62,310,686	\$ 57,355,575
Restricted	2,312,174	2,063,297	-	-	2,312,174	2,063,297
Unrestricted	(1,585,617)	3,405,127	(812,487)	(1,202,211)	(2,398,104)	2,202,916
Total net position	\$ 50,263,148	\$ 51,727,661	\$ 11,961,608	\$ 9,894,127	\$ 62,224,756	\$ 61,621,788

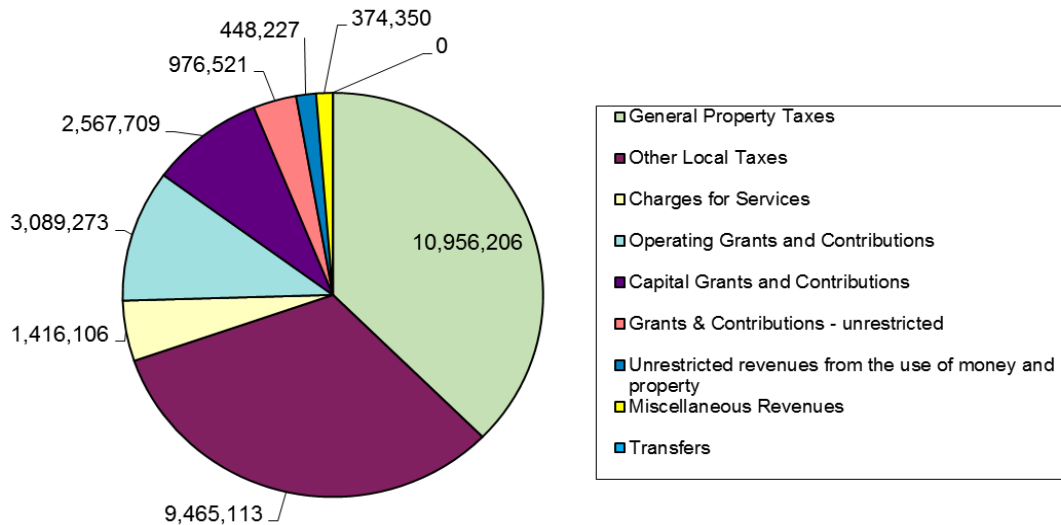
At the end of the most recent fiscal year, the Town of Vienna is able to report positive balances in net position for the Town as a whole.

Governmental Activities - Governmental activities reflect a decrease in net position of \$1,104,475 and business-type activities increased by \$2,273,335. The following table provides an overview of revenues, expenses, and changes in net position for the fiscal year.

Town of Vienna, Virginia Changes in Net Position						
	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charges for services	\$ 1,416,106	\$ 1,193,180	\$ 7,526,619	\$ 7,386,960	\$ 8,942,725	\$ 8,580,140
Operating grants and contributions	3,089,273	3,108,013	-	-	3,089,273	3,108,013
Capital grants and contributions	2,567,709	4,102,140	-	486,400	2,567,709	4,588,540
General revenues:						
Property taxes	10,956,206	10,621,309	-	-	10,956,206	10,621,309
Other local taxes	9,465,113	9,204,160	-	-	9,465,113	9,204,160
Grants & contributions - unrestricted	976,521	1,008,803	-	-	976,521	1,008,803
Unrestricted revenues from the use of money and property	448,227	215,206	15,181	8,997	463,408	224,203
Miscellaneous	374,350	565,965	344,566	319,789	718,916	885,754
Total revenues	\$ 29,293,505	\$ 30,018,776	\$ 7,886,366	\$ 8,202,146	\$ 37,179,871	\$ 38,220,922
Expenses:						
General government administration	\$ 5,170,292	\$ 5,094,803	\$ -	\$ -	\$ 5,170,292	\$ 5,094,803
Public safety	7,382,560	7,363,849	-	-	7,382,560	7,363,849
Public works	9,060,173	10,566,449	-	-	9,060,173	10,566,449
Health and welfare	222,844	232,186	-	-	222,844	232,186
Parks, recreation and cultural	3,487,948	3,100,416	-	-	3,487,948	3,100,416
Community development	931,277	850,738	-	-	931,277	850,738
Interest on long-term debt	649,611	473,480	-	-	649,611	473,480
Water and sewer	-	-	6,897,356	7,022,326	6,897,356	7,022,326
Total Expenses	\$ 26,904,705	\$ 27,681,921	\$ 6,897,356	\$ 7,022,326	\$ 33,802,061	\$ 34,704,247
Net Position:						
Income before capital contributions and transfers	\$ 2,388,800	\$ 2,336,855	\$ 989,010	\$ 1,179,820	\$ 3,377,810	\$ 3,516,675
Transfers	(1,284,325)	657,548	1,284,325	(657,548)	-	-
Increase (Decrease) in net position	\$ 1,104,475	\$ 2,994,403	\$ 2,273,335	\$ 522,272	\$ 3,377,810	\$ 3,516,675
Net position, beginning of year, as restated	49,158,673	48,733,258	9,688,273	9,371,855	58,846,946	58,105,113
Net position, end of year	\$ 50,263,148	\$ 51,727,661	\$ 11,961,608	\$ 9,894,127	\$ 62,224,756	\$ 61,621,788

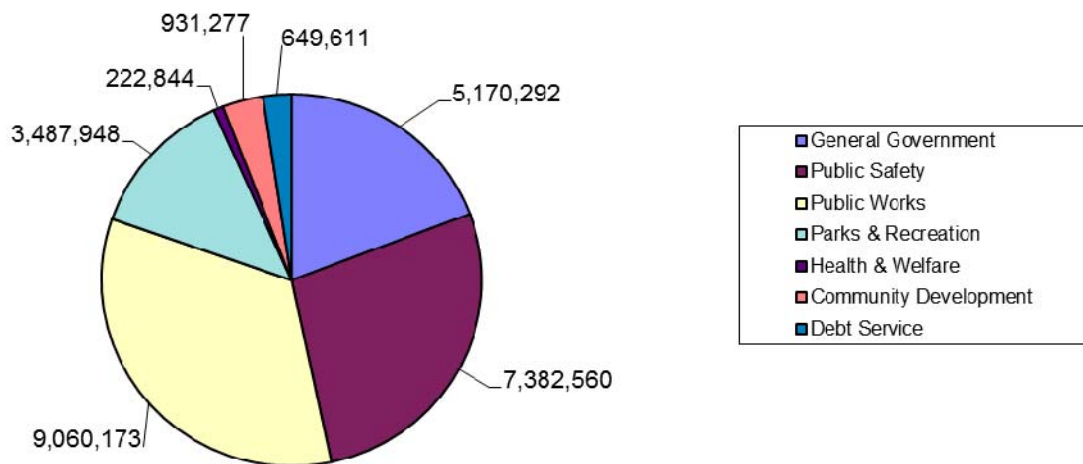
Program, general revenues, and transfers for governmental activities totaled \$28,009,180, a decrease of \$2,667,144 or 8.7 percent from the previous fiscal year. Of that amount, property tax revenue totaled \$10,956,206 and other local taxes totaled \$9,465,113. The 3.2 percent increase in property tax revenue is due to new residential and commercial construction plus a 5.0 percent increase in assessments. The 2.8 percent increase in other local taxes primarily reflects increases in all line items, the largest dollar amounts being a 4.5 percent increase in meals taxes and a 7.6 percent increase in consumer utility taxes. Capital grants and contributions totaled \$2,567,709, a decrease of \$1,534,431 from the previous year. The \$1,284,325 worth of transfers between governmental activities and business-type activities netted to \$626,777 more than the preceding year. Transfers from the water and sewer fund to the debt service fund, cover the water and sewer fund's share of debt retirement; transfers to the general fund represent the general fund's cost related to support of water and sewer operations. These transfers are netted against those from the capital project fund to the water and sewer fund, resulting from capitalization of water and sewer project completions. The net increase is due primarily to increased capital assets transferred to the water and sewer fund compared to 2017. The chart below provides an overview of FY 2018 revenues by program source.

Governmental Activities Revenues by Source



The government-wide statement of activities (Exhibit 2) reports expenses and revenues in a format that focuses on the cost of providing services by function. Expenses associated with individual functions are compared to non-tax revenues generated by charges for services and intergovernmental grants. As indicated in the Statement of Activities, governmental activities expenses totaled \$26,904,705, a decrease of \$777,216 or 2.8 percent. Directly supporting these expenditures were charges for services, which generated \$1,416,106, plus operating grants and contributions totaling \$3,089,273, and capital grants and contributions of \$2,567,709 for total program revenues of \$7,073,088. This represents a decrease from 2017 of \$1,330,245 or 15.8 percent due mainly to a decline in funds received for capital grants and contributions from outside entities. General revenue support of these activities decreased by \$1,336,899 or 6.0 percent, mainly due to a decrease in transfers partially offset by increases in real property taxes and other taxes and revenue from the use of money and property. 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 \$2,273,335 to end the year with a net position balance of \$11,961,608 (before net transfers of \$1,284,325 to the general and debt service funds and from the capital projects fund, 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 \$632,766. Key contributors to the increase in net position are the bond proceeds payoff of sewer debt and restatement of pension expenses due to a change in accounting, partially offset by slightly higher sewer treatment fees.

Financial Analysis of the Town's Funds

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. As noted above, the Town employs six funds:

- general fund
- debt service fund
- capital projects fund
- gang task force fund
- special transportation fund
- 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 FY 2018, the Town's six governmental funds reported combined ending fund balances of \$24,251,259, an increase of \$4,968,066 or 25.8 percent from the prior year. The change is mainly the result of increased cash due to a bond issuance in 2018 and decreased accounts payable. \$19,672,299 or 81.1 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 \$4,578,960 or 18.9 percent of the total available for spending by Council appropriation.

Debt service fund revenues were up \$166,035 or 6.0 percent, primarily because of rising meals and lodging tax collections and increased revenues from the use of money and property. Transfers from the general fund and water and sewer fund decreased by \$10,622, mainly due to declining balances as debt issues mature. Expenditures declined by 7.3 percent for the same reason. The capital project fund balance increased by \$3,813,247, reflecting the 2018 bond proceeds. The balance at year-end is reserved for various projects for which 2018 debt was issued. The reserved portions of fund balances are not available for new spending because they already have been committed for expenditures, as follows:

Town of Vienna, Virginia	
Fund Balance Components	
General, Debt Service, Capital Projects, and Special Revenue Funds	
Nonspendable:	
Inventory	\$ 113,876
Prepaid items	193,037
Total Nonspendable	<u>\$ 306,913</u>
Restricted:	
Unappropriated PEG Funds	\$ 1,095,835
E-911	69,661
Gang task force funds	665,885
Stormwater funds	480,793
Total Restricted	<u>\$ 2,312,174</u>
Committed:	
VRP reserves	\$ 730,000
Subsequent year budget support	550,000
Total Committed	<u>\$ 1,280,000</u>
Assigned:	
Carryforward	\$ 109,250
Encumbrances	140,413
Federal AF Funds	387,597
State AF Funds	297,285
Other postemployment benefits	485,950
Debt service	7,261,003
Capital projects	7,091,714
Total Assigned	<u>\$ 15,773,212</u>
Unassigned:	
General fund	\$ 4,578,960
Total Fund Balance	<u><u>\$ 24,251,259</u></u>

The general fund is the primary operating fund of the Town. At the end of the fiscal year, the fund balance of the general fund totaled \$8,569,186, which equates to 35.3 percent of the \$24,251,259 combined fund balance of the six funds employed by the Town. 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 \$4,578,960 represents 19.6 percent of total general fund expenditures, while total fund balance represents 36.3 percent of that same amount.

The total fund balance for the general fund increased \$303,334 or 3.7 percent from the previous fiscal year. The unassigned component of fund balance was \$4,578,960 at year-end, an increase over the prior fiscal year of \$303,334 or 3.7 percent. Both changes were functions of the following:

- Overall, general fund revenues were up by \$844,697 or 3.8 percent, primarily as a result of increased real estate assessments, increased service charges from new programs at the reopened community center, increased sales taxes, and increased revenue from the use of money and property, partially offset by slight decreases in fines and forfeitures and telecommunications taxes in 2018.
- General fund expenditures increased by \$662,589 or 2.9 percent over the previous year. Increased health insurance costs and community center operations, partially offset by savings in public works salary and paving expenses carried forward to 2019, accounted for most of the increase.

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

General Fund Budgetary Highlights

During the year, various budget amendments resulted in differences between the original and final FY 2018 budgets. These differences totaled \$71,327 for revenues and \$375,487 for expenditures. Donations for police and parks and recreation projects account for most of the miscellaneous revenue budget amendments. Expenditure-related budget amendments account for public safety grants and information technology expenditures during 2018. Details are summarized in the following table:

	<u>Amount Amended</u>
Revenues:	
Miscellaneous	\$ 39,258
Charges for services	32,069
Total	<u>\$ 71,327</u>
Expenditures:	
General government administration	\$ 123,296
Public safety	117,135
Public works	30,630
Parks, recreation and cultural	51,276
Community development	53,150
Total	<u>\$ 375,487</u>

General Fund Budgetary Variances

General fund actual revenues were \$342,538 or 1.5 percent more than amended budgetary estimates. The difference is due largely to favorable real estate tax revenue and revenue from use of money and property, partially offset by lower bank stock and fines and forfeitures. General fund actual expenditures were \$1,050,416 or 4.3 percent less than amended budgets. The majority of budgetary expenditure savings occurred in parks and recreation, public works, and public safety due to open positions; a decreased cost in risk management; and postponed paving costs due to rainy weather. This was partially offset by higher health insurance costs.

Capital Assets and Debt Administration

Capital assets - The Town's investment in capital assets for governmental activities totaled \$71,289,245 (net of accumulated depreciation), an increase of \$3,090,855 or 4.5 percent. Capital assets for business-type activities increased by \$384,923 or 2.2 percent. The increases are due to spending increases from 2016 bond proceeds and matching grants as well as initial spending for bond proceeds received in January 2018. 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			
	2018	2017	2018	2017	2018	2017
Land	\$ 3,389,034	\$ 3,032,919	\$ -	\$ -	\$ 3,389,034	\$ 3,032,919
Land improvements	4,989,090	2,834,770	-	-	4,989,090	2,834,770
Construction in progress	3,093,262	16,067,798	110,672	83,606	3,203,934	16,151,404
Buildings and improvements	20,818,077	8,056,614	-	-	20,818,077	8,056,614
Infrastructure	32,588,740	32,501,260	14,799,636	13,890,434	47,388,376	46,391,694
Office and other equipment	3,377,938	3,008,100	-	-	3,377,938	3,008,100
Automotive and other equipment	3,033,104	2,696,929	626,878	644,056	3,659,982	3,340,985
Total assets - net of depreciation	\$ 71,289,245	\$ 68,198,390	\$ 15,537,186	\$ 14,618,096	\$ 86,826,431	\$ 82,816,486

Long-term obligations - At the conclusion of the fiscal year, long-term obligations totaled \$41,074,451 for governmental activities and \$3,863,220 for business-type activities. Of these amounts, outstanding bonds totaled \$30,199,558 and capital leases totaled \$1,966,578. These amounts do not include the Town's obligations related to accounts payable and compensated absences, which totaled \$3,456,501 and \$1,263,808, respectively, at year-end. Except for \$140,423 worth of compensated absences, these obligations will be paid from current resources and are not included in long-term liabilities. Additional information relative to the Town's long-term obligations can be found in Note 9 of the Notes to Financial Statements.

Economic Factors and Next Year's Budget and Rates

Located in northern Virginia, approximately 10 miles west of Washington D.C., the Town of Vienna is situated in one of the more economically stable regions of the country. Vienna continues to enjoy a healthy economic base given, its metropolitan transit system and its close proximity to the Dulles airport corridor and Washington D.C. Existing property values have increased over the past several years, climbing by 5.0 percent in FY 2018, mainly due to continued construction of upscale homes and residential renovations, plus a significant improvement to the largest commercial property in town. Overall property values increased by 5.0 percent during the past calendar year and are projected to increase modestly during the next several years. The Town continues to enjoy the benefits of the area's relatively low unemployment rate, which at the end of the fiscal year, according to the Bureau of Labor Statistics, was 2.7 percent as compared to 3.3 percent and 4.0 percent for Virginia and the nation, respectively. According to the U.S. Census Bureau for 2010 (the last year available), the area's median household income is \$103,000 with 52.6 percent of households having incomes of at least \$100,000 and 31.2 percent having incomes of at least \$150,000.

The general fund revenue budget for the fiscal year ending June 30, 2019 totals \$25,463,090, which equates to an increase of \$1,255,780 or 5.2 percent from the previous fiscal year. Increases are mainly due to increased operating costs at the expanded community center, offset by revenue increases, salary increases, and an 18 percent increase in health insurance costs. General property tax revenue is expected to increase \$556,490 or 5.1 percent. The tax rate for fiscal year 2019 is \$0.2250, which is the same rate it has been since fiscal year 2016. The following table provides a comparison of the Town's FY 2018 actual revenue and FY 2019 adopted revenue budget.

Revenue Source	FY 2019 Budget	FY 2018 Budget	Expected Increase (Decrease)
Property taxes	\$ 11,396,490	\$ 10,840,000	\$ 556,490
Other local taxes	6,730,000	6,681,000	49,000
Permits, fees & licenses	314,000	242,200	71,800
Fines and forfeitures	417,000	409,000	8,000
Use of money & property	279,500	152,000	127,500
Charges for services	969,600	770,000	199,600
State revenues	3,213,560	3,278,410	(64,850)
Federal revenues	85,000	85,000	-
Transfers-in	358,140	323,900	34,240
Other	109,800	109,800	-
Prior year reserves	550,000	616,000	(66,000)
Equip. Repl. Reserve/PEG	1,040,000	700,000	340,000
Total Revenue Budget	<u>\$ 25,463,090</u>	<u>\$ 24,207,310</u>	<u>\$ 1,255,780</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, 2018. Questions concerning information provided in this report or requests for additional financial information should be addressed to the Director of Finance, 127 Center Street S, Vienna, Virginia 22180. Information relative to the Town of Vienna government also may be obtained by visiting the Town of Vienna website at www.viennava.gov.

Basic Financial Statements:

- Government-wide Financial Statements -

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TOWN OF VIENNA, VIRGINIA

Statement of Net Position
At June 30, 2018

	Governmental Activities	Business-type Activities	Total
Assets:			
Cash and cash equivalents	\$ 24,958,916	\$ 1,108,469	\$ 26,067,385
Receivables, (net of allowances for uncollectibles):	670,534	1,607,144	2,277,678
Prepaid items	193,037	-	193,037
Due from other governments	2,868,729	-	2,868,729
Inventory, at cost	113,876	23,011	136,887
Restricted:			
Cash and cash equivalents	2,065,099	-	2,065,099
Capital assets:			
Land	3,389,034	-	3,389,034
Construction in progress	3,093,262	110,672	3,203,934
Other capital assets, net of accumulated depreciation	64,806,949	15,426,514	80,233,463
Capital assets, net	\$ 71,289,245	\$ 15,537,186	\$ 86,826,431
Total assets	\$ 102,159,436	\$ 18,275,810	\$ 120,435,246
Deferred outflows of resources:			
Pension related items	\$ 2,018,286	\$ 171,449	\$ 2,189,735
OPEB related items	88,281	6,719	95,000
Total deferred outflows of resources	\$ 2,106,567	\$ 178,168	\$ 2,284,735
Liabilities:			
Accounts payable and accrued expenses	\$ 2,363,913	\$ 1,092,588	\$ 3,456,501
Unearned revenue	2,168,683	-	2,168,683
Escrow and other deposits	2,101,154	124,511	2,225,665
Due to other governments	-	922,243	922,243
Long-term liabilities:			
Due within one year:			
Bonds payable	2,702,073	118,000	2,820,073
Notes payable	-	27,278	27,278
Capital leases	595,558	108,689	704,247
Compensated absences	1,167,272	96,536	1,263,808
Due in more than one year:			
Bonds payable	25,029,039	1,012,000	26,041,039
Notes payable	-	1,311,168	1,311,168
Capital leases	1,076,375	185,956	1,262,331
Net OPEB liability	3,060,421	229,672	3,290,093
Net pension liability	11,778,919	1,113,698	12,892,617
Compensated absences	129,697	10,726	140,423
Total liabilities	\$ 52,173,104	\$ 6,353,065	\$ 58,526,169
Deferred Inflows of Resources:			
Pension related items	\$ 1,378,841	\$ 128,688	\$ 1,507,529
OPEB related items	184,522	10,617	195,139
Deferred revenue - property taxes	266,388	-	266,388
Total deferred inflows of resources	\$ 1,829,751	\$ 139,305	\$ 1,969,056
Net Position:			
Net investment in capital assets	\$ 49,536,591	\$ 12,774,095	\$ 59,763,687
Restricted	2,312,174	-	2,312,174
Unrestricted	(1,585,617)	(812,487)	148,895
Total net position	\$ 50,263,148	\$ 11,961,608	\$ 62,224,756

A. The sum of the columns does not equal the Total column by a difference of \$2,546,999 because the bonds payable related to the Business-type Activities are reflected in the Governmental Activities column reducing unrestricted net position. The assets are reflected in the Business-type Activities column as net investment in capital assets. The Total column matches the assets with the debt and reports the net amount of the net investment in capital assets.

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

TOWN OF VIENNA, VIRGINIA

Statement of Activities
Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary Government							
Governmental activities							
General government administration	\$ 5,170,292	\$ 32,774	\$ -	\$ -	\$ (5,137,518)	\$ -	\$ (5,137,518)
Public safety	7,382,560	675,194	876,916	-	(5,830,450)	-	(5,830,450)
Public works	9,060,173	-	2,179,653	2,567,709	(4,312,811)	-	(4,312,811)
Health and welfare	222,844	-	-	-	(222,844)	-	(222,844)
Parks, recreation and cultural	3,487,948	708,138	-	-	(2,779,810)	-	(2,779,810)
Community development	931,277	-	-	-	(931,277)	-	(931,277)
Interest on long-term debt	649,611	-	32,704	-	(616,907)	-	(616,907)
Total governmental activities	\$ 26,904,705	\$ 1,416,106	\$ 3,089,273	\$ 2,567,709	\$ (19,831,617)	\$ -	\$ (19,831,617)
Business-type activities							
Water and sewer	6,897,356	7,526,619	-	-	-	629,263	629,263
Total Primary Government	\$ 33,802,061	\$ 8,942,725	\$ 3,089,273	\$ 2,567,709	\$ (19,831,617)	\$ 629,263	\$ (19,202,354)
General Revenues							
Taxes:							
General real property taxes					\$ 10,956,206	\$ -	\$ 10,956,206
Local sales and use taxes					1,455,924	-	1,455,924
Consumer utility taxes					704,729	-	704,729
Business license taxes					2,263,860	-	2,263,860
Meals and lodging taxes					2,811,930	-	2,811,930
Bank franchise taxes					1,127,691	-	1,127,691
Other					1,100,979	-	1,100,979
Grants and contributions not restricted to specific programs					976,521	-	976,521
Unrestricted revenues from the use of money and property					448,227	15,181	463,408
Miscellaneous					374,350	344,566	718,916
Transfers					(1,284,325)	1,284,325	-
Total general revenues and transfers					\$ 20,936,092	\$ 1,644,072	\$ 22,580,164
Change in net position					\$ 1,104,475	\$ 2,273,335	\$ 3,377,810
Net position, beginning of year, as restated					49,158,673	9,688,273	58,846,946
Net position, end of year					\$ 50,263,148	\$ 11,961,608	\$ 62,224,756

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, 2018

	Major Funds					Total Governmental Funds
	General	Debt Service	Capital Projects	Special Transportation Fund	Nonmajor Funds	
Assets:						
Cash and cash equivalents	\$ 11,292,721	\$ 6,971,460	\$ 6,179,946	\$ -	\$ 514,789	\$ 24,958,916
Receivables (net of allowance for uncollectibles):						
Taxes including penalties	47,322	-	-	-	-	47,322
Accounts	333,669	289,543	-	-	-	623,212
Prepaid items	10,359	182,678	-	-	-	193,037
Due from other governments	502,821	-	2,365,908	-	-	2,868,729
Inventory, at cost	113,876	-	-	-	-	113,876
Restricted:						
Cash and cash equivalents	-	-	-	1,151,554	913,545	2,065,099
Total assets	<u>\$ 12,300,768</u>	<u>\$ 7,443,681</u>	<u>\$ 8,545,854</u>	<u>\$ 1,151,554</u>	<u>\$ 1,428,334</u>	<u>\$ 30,870,191</u>
Liabilities:						
Accounts payable	\$ 665,371	\$ -	\$ 731,453	\$ -	\$ 32,099	\$ 1,428,923
Accrued liabilities	354,627	-	-	-	249,557	604,184
Escrow and other deposits	2,101,154	-	-	-	-	2,101,154
Unearned revenue	294,442	-	722,687	1,151,554	-	2,168,683
Total liabilities	<u>\$ 3,415,594</u>	<u>\$ -</u>	<u>\$ 1,454,140</u>	<u>\$ 1,151,554</u>	<u>\$ 281,656</u>	<u>\$ 6,302,944</u>
Deferred Inflows of Resources:						
Unavailable revenue - property taxes	<u>\$ 315,988</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 315,988</u>
Fund Balance:						
Nonspendable:						
Inventory	\$ 113,876	\$ -	\$ -	\$ -	\$ -	\$ 113,876
Prepaid items	10,359	182,678	-	-	-	193,037
Restricted:						
Unappropriated PEG Funds	1,095,835	-	-	-	-	1,095,835
E-911	69,661	-	-	-	-	69,661
Stormwater funds	-	-	-	-	480,793	480,793
Gang task force funds	-	-	-	-	665,885	665,885
Committed:						
VRP reserves	730,000	-	-	-	-	730,000
Subsequent year budget support	550,000	-	-	-	-	550,000
Assigned:						
Encumbrances	140,413	-	-	-	-	140,413
Carryforward	109,250	-	-	-	-	109,250
Federal AF funds	387,597	-	-	-	-	387,597
State AF funds	297,285	-	-	-	-	297,285
Other postemployment benefits	485,950	-	-	-	-	485,950
Debt service	-	7,261,003	-	-	-	7,261,003
Capital projects	-	-	7,091,714	-	-	7,091,714
Unassigned	<u>4,578,960</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,578,960</u>
Total fund balance	<u>\$ 8,569,186</u>	<u>\$ 7,443,681</u>	<u>\$ 7,091,714</u>	<u>\$ -</u>	<u>\$ 1,146,678</u>	<u>\$ 24,251,259</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 12,300,768</u>	<u>\$ 7,443,681</u>	<u>\$ 8,545,854</u>	<u>\$ 1,151,554</u>	<u>\$ 1,428,334</u>	<u>\$ 30,870,191</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, 2018

Total fund balances for governmental funds (Exhibit 3)	\$	24,251,259
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	\$	3,389,034
Construction in progress		3,093,262
Depreciable capital assets, net of accumulated depreciation		<u>64,806,949</u>
Total capital assets		71,289,245
Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.		
Pension related items	\$	2,018,286
OPEB related items		<u>88,281</u>
Total		2,106,567
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.		
		49,599
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	\$	(330,805)
Bonds and capital leases payable		(27,563,933)
Unamortized bond premium		(1,839,112)
Net OPEB liability		(3,060,421)
Net pension liability		(11,778,919)
Compensated absences		<u>(1,296,969)</u>
Deferred inflows of resources are not due and payable in the current-period and, therefore, are not reported in the funds.		
Pension related items	\$	(1,378,841)
OPEB related items		<u>(184,522)</u>
Total		(1,563,363)
Total		<u>(45,870,159)</u>
Total net position of governmental activities (Exhibits 1 and 2)	\$	<u><u>50,263,148</u></u>

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

TOWN OF VIENNA, VIRGINIA

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2018

	Major Funds				Nonmajor Funds	Total Governmental Funds
	General	Debt Service	Capital Project	Special Transportation Fund		
Revenues:						
General property taxes	\$ 10,947,071	\$ -	\$ -	\$ -	\$ -	\$ 10,947,071
Other local taxes	6,653,183	2,811,930	-	-	-	9,465,113
Permits, privilege fees and regulatory licenses	314,866	-	-	-	-	314,866
Fines and forfeitures	340,103	-	-	-	-	340,103
Revenue from use of money and property	272,405	83,330	82,085	-	10,407	448,227
Charges for services	761,137	-	-	-	-	761,137
Miscellaneous	355,051	80	16,826	-	2,393	374,350
Intergovernmental	3,337,459	32,704	2,117,171	468,548	677,621	6,633,503
Total revenues	<u>\$ 22,981,275</u>	<u>\$ 2,928,044</u>	<u>\$ 2,216,082</u>	<u>\$ 468,548</u>	<u>\$ 690,421</u>	<u>\$ 29,284,370</u>
Expenditures:						
Current:						
General government administration	\$ 4,792,803	\$ -	\$ -	\$ -	\$ -	\$ 4,792,803
Public safety	6,849,797	-	-	-	387,428	7,237,225
Public works	7,383,572	-	-	12,476	199,039	7,595,087
Health and welfare	222,844	-	-	-	-	222,844
Parks, recreation, and cultural	3,247,183	-	-	-	-	3,247,183
Community development	955,082	-	-	-	-	955,082
Capital projects	-	-	5,716,079	-	-	5,716,079
Debt service:						
Principal retirement	-	2,536,253	-	-	-	2,536,253
Interest and other fiscal charges	-	583,034	-	-	-	583,034
Total expenditures	<u>\$ 23,451,281</u>	<u>\$ 3,119,287</u>	<u>\$ 5,716,079</u>	<u>\$ 12,476</u>	<u>\$ 586,467</u>	<u>\$ 32,885,590</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (470,006)</u>	<u>\$ (191,243)</u>	<u>\$ (3,499,997)</u>	<u>\$ 456,072</u>	<u>\$ 103,954</u>	<u>\$ (3,601,220)</u>
Other financing sources (uses):						
Issuance of capital lease	\$ 605,900	\$ -	\$ -	\$ -	\$ -	\$ 605,900
Issuance of bonds	-	-	7,900,000	-	-	7,900,000
Premium on issuance of bonds	-	-	1,347,711	-	-	1,347,711
Transfers in	950,000	938,774	612,532	-	-	2,501,306
Transfers out	(782,560)	-	(2,546,999)	(456,072)	-	(3,785,631)
Total other financing sources (uses)	<u>\$ 773,340</u>	<u>\$ 938,774</u>	<u>\$ 7,313,244</u>	<u>\$ (456,072)</u>	<u>\$ -</u>	<u>\$ 8,569,286</u>
Net changes in fund balances	\$ 303,334	\$ 747,531	\$ 3,813,247	\$ -	\$ 103,954	\$ 4,968,066
Fund balances at beginning of year	<u>8,265,852</u>	<u>6,696,150</u>	<u>3,278,467</u>	<u>-</u>	<u>1,042,724</u>	<u>19,283,193</u>
Fund balances at end of year	<u>\$ 8,569,186</u>	<u>\$ 7,443,681</u>	<u>\$ 7,091,714</u>	<u>\$ -</u>	<u>\$ 1,146,678</u>	<u>\$ 24,251,259</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, 2018**

Net change in fund balances - total governmental funds (Exhibit 5)	\$	4,968,066
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. The following details support this adjustment:

Capital outlay	\$ 6,195,518	
Depreciation expense	<u>(2,992,947)</u>	3,202,571

The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is to increase net position.		(111,716)
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Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Property taxes		9,135
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Bond and capital lease proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases the long term liabilities and does not affect the statement of activities. Similarly, the repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.

Debt issued:		
General obligation bonds	\$ (9,247,711)	
Capital leases	(605,900)	
Repayments:		
General obligation bonds	1,937,000	
Capital leases	<u>599,253</u>	
Net adjustment		(7,317,358)

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	\$ 87,494	
OPEB expense	(47,160)	
Bond premium	83,461	
Pension expense	380,020	
Accrued interest payable	<u>(150,038)</u>	
Net adjustment		<u>353,777</u>

Change in net position of governmental activities (Exhibit 2)	\$	<u><u>1,104,475</u></u>
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The accompanying notes to financial statements are an integral part of this statement.

TOWN OF VIENNA, VIRGINIA

Statement of Net Position
Proprietary Fund
At June 30, 2018

	Business-type Activities Enterprise Fund Water & Sewer Fund
Assets:	
Current assets:	
Cash and cash equivalents	\$ 1,108,469
Receivables: (net of allowance for uncollectibles)	
Accounts	773,624
Unbilled service charges	833,520
Inventory, at cost	23,011
Total current assets	\$ 2,738,624
Other capital assets, net of accumulated depreciation	15,537,186
Total assets	\$ 18,275,810
Deferred outflows of resources:	
Pension related items	\$ 171,449
OPEB related items	6,719
Total deferred outflows of resources	\$ 178,168
Liabilities:	
Current liabilities:	
Accounts payable	\$ 1,052,405
Accrued liabilities	40,183
Escrow and other deposits	124,511
Due to other governments	922,243
Compensated absences - current portion	96,536
Note payable - current portion	27,278
Bonds payable - current portion	118,000
Capital leases - current portion	108,689
Total current liabilities	\$ 2,489,845
Noncurrent liabilities:	
Compensated absences - noncurrent portion	\$ 10,726
Net OPEB liability	229,672
Net pension liability	1,113,698
Note payable - noncurrent portion	1,311,168
Bonds payable - noncurrent portion	1,012,000
Capital leases - noncurrent portion	185,956
Total noncurrent liabilities	\$ 3,863,220
Total liabilities	\$ 6,353,065
Deferred Inflows of Resources:	
Pension related items	\$ 128,688
OPEB related items	10,617
Total deferred outflows of resources	\$ 139,305
Net Position:	
Net investment in capital assets	\$ 12,774,095
Unrestricted	(812,487)
Total net position	\$ 11,961,608

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, 2018

	Business-type Activities Enterprise Fund
	Water & Sewer Fund
Operating revenues:	
Charges for services	\$ 7,526,619
Operating expenses:	
Personal services	\$ 1,371,500
Fringe benefits	203,995
Contractual services	4,253,338
Other charges	172,418
Materials and supplies	325,358
Depreciation	567,244
Total operating expenses	\$ 6,893,853
Operating income (loss)	\$ 632,766
Nonoperating revenues (expenses):	
Interest income	\$ 15,181
Miscellaneous income	344,566
Interest expense	(3,503)
Net nonoperating revenues (expenses)	\$ 356,244
Income (loss) before transfers	\$ 989,010
Transfers:	
Transfers in	\$ 2,546,999
Transfers (out)	(1,262,674)
Net transfers	\$ 1,284,325
Change in net position	\$ 2,273,335
Net position, beginning of year, as restated	9,688,273
Net position, end of year	\$ 11,961,608

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, 2018

	Business-type Activities Enterprise Fund
	Water & Sewer Fund
Cash flows from operating activities:	
Receipts from customers	\$ 8,004,708
Payments to and for employees	(1,884,889)
Payments to suppliers	(5,861,937)
Other receipts	372,459
Net cash provided by operating activities	\$ 630,341
Cash flows from investing activities:	
Interest income	\$ 15,181
Cash flows from capital and related financing activities:	
Purchase of capital assets	\$ (1,514,227)
Issuance of capital lease	124,100
Issuance of bonds payable	1,338,446
Principal payments on capital lease	(97,951)
Principal payments on note and bonds payable	(2,123,262)
Interest expense	(3,503)
Net cash provided by (used for) capital and related financing activities	\$ (2,276,397)
Cash flows from noncapital financing activities:	
Transfers from other funds	\$ 2,546,999
Transfers (to) other funds	(1,262,674)
Net cash provided by (used for) noncapital financing activities	\$ 1,284,325
Net increase (decrease) in cash and cash equivalents	\$ (346,550)
Cash and cash equivalents at beginning of year	1,455,019
Cash and cash equivalents at end of year	\$ 1,108,469

TOWN OF VIENNA, VIRGINIA

Statement of Cash Flows
Proprietary Fund
Year Ended June 30, 2018 (continued)

	Business-type Activities Enterprise Fund
	Water & Sewer Fund
Reconciliation of operating income to net cash provided by (used for) operating activities:	
Operating income	\$ 632,766
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:	
Depreciation	567,244
Miscellaneous income	344,566
(Gain) loss on Disposal of capital assets	27,893
Increase (decrease) in allowance for uncollectibles	
Changes in operating accounts:	
Accounts receivable	226,071
Unbilled service charges	(32,972)
Inventory	(5,482)
Deferred outflows - pension items	227,842
Deferred outflows - OPEB items	(766)
Accounts payable	(1,105,341)
Accrued liabilities	(206)
Escrow and other deposits	(5,038)
Due to other governments	290,028
Net OPEB obligation	(35,272)
Net pension liability	(454,104)
Deferred inflows - pension items	(6,575)
Deferred inflows - OPEB items	10,617
Compensated absences	(50,930)
Net cash provided by (used for) operating activities	\$ <u>630,341</u>

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

TOWN OF VIENNA, VIRGINIA

Statement of Fiduciary Net Position
Pension Trust Funds
At June 30, 2018

Assets:

Investment in State Treasurer's Local Government Investment Pool	\$ <u>5,592,292</u>
Total assets	\$ <u>5,592,292</u>

Liabilities:

Accounts payable	\$ <u>265</u>
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Net Position:

Held in trust for pension benefits	\$ <u><u>5,592,027</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, 2018

Additions:

Contributions:

Employer	\$ 385,412
Plan members	<u>42,676</u>
Total contributions	\$ 428,088

Investment income:

Interest earned on investments	<u>81,565</u>
Total additions	<u>\$ 509,653</u>

Deductions:

Pension benefit payments	\$ 467,815
Other charges	<u>13,793</u>
Total deductions	<u>\$ 481,608</u>

Net increase in plan assets	\$ 28,045
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Net position held in trust for pension benefits:

Balance, beginning of year	<u>5,563,982</u>
Balance, end of year	<u>\$ 5,592,027</u>

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

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements June 30, 2018

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, 2018 (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, 2018 (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, 2018 (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 2018.

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, 2018 (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, 2018 (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, 2018 (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, 2018.
10. There were no additional appropriations that would have a material effect on the financial statements at June 30, 2018.

E. Encumbrances

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

F. Cash Equivalents

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

G. Investments

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

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements June 30, 2018 (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 2018. 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 and OPEB assets or liabilities. These include differences between expected and actual experience, change in assumptions, and the net difference between projected and actual earnings on pension and OPEB plan investments. Lastly the Town reports contributions to the pension and OPEB plans 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 and OPEB asset or liability next fiscal year. For more detailed information on these items, reference the pension and OPEB notes.

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements June 30, 2018 (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 and OPEB liabilities 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 and OPEB plan investments. For more detailed information on these items, reference the pension and OPEB notes.

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 \$180,695 at June 30, 2018 and is comprised of the following:

General Fund:	
Property taxes receivable	\$ 5,000
Other	7,695
Total general fund	<u>\$ 12,695</u>
Water and Sewer Fund:	
Accounts receivable	<u>168,000</u>
Grand total	<u>\$ 180,695</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, 2018 (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, 2018 (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, 2018 (continued)

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

V. Adoption of Accounting Principles

Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pension

The Town implemented the provisions of the above Statement during the fiscal year ended June 30, 2018. 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. The implementation of this Statement resulted in the following restatements of net position:

	Governmental Activities	Business-Type Activities
Net Position as reported June 30, 2017	\$ 51,727,661	\$ 9,894,127
Implementation of GASB 75	(2,568,988)	(205,854)
Net Position as restated June 30, 2017	<u>\$ 49,158,673</u>	<u>\$ 9,688,273</u>

Governmental Accounting Standards Board Statement No. 85, Omnibus

The Town implemented the provisions of the above Statement during the fiscal year ended June 30, 2018. This Statement addresses practice issues identified during implementation and application of certain GASB statements for a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)).

NOTE 2 - DEPOSITS AND INVESTMENTS:

Deposits

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

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements June 30, 2018 (continued)

NOTE 2 - DEPOSITS AND INVESTMENTS: (continued)

Investments

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

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

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

Custodial Credit Risk (Investments)

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

The Town’s investments at June 30, 2018 consisted of investment in the Commonwealth of Virginia Local Government Investment Pool and investments in the State Non-Arbitrage Pool (SNAP).

Credit Risk of Debt Securities

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

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

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements June 30, 2018 (continued)

NOTE 2 - DEPOSITS AND INVESTMENTS: (continued)

Credit Risk of Debt Securities (continued)

The Town's rated debt instruments as of June 30, 2018 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)	\$ 24,143,892
Virginia State Non-Arbitrage Program	6,303,728
	<u>\$ 30,447,620</u>

Reconciliation of Deposits and Investments

Cash and cash equivalents - Per Exhibit 1 (1)	\$ 28,132,484
Fiduciary funds	5,592,292
Total cash and investments	<u>\$ 33,724,776</u>
Cash:	
Deposits	\$ 3,276,306
Cash on hand and cash items	850
Total cash	<u>\$ 3,277,156</u>
Investments	<u>\$ 30,447,620</u>
Total cash and investments	<u>\$ 33,724,776</u>

(1) Includes temporarily restricted cash of \$2,065,099

External Investment Pools

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 and SNAP are not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. LGIP and SNAP are amortized cost basis portfolios under the provisions of GASB Statement No. 79. There are no withdrawal limitations or restrictions imposed on participants.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than 1 Year</u>
Local Government Investment Pool	\$ 24,143,892	\$ 24,143,892
Virginia State Non-Arbitrage Program	6,303,728	6,303,728
Total	<u>\$ 30,447,620</u>	<u>\$ 30,447,620</u>

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements June 30, 2018 (continued)

NOTE 3 - PROPERTY TAXES:

Real property taxes are levied on July 1 at a rate enacted by the Town Council on the assessed value of property as determined by the Supervisor of Assessments of Fairfax County. The Town does not levy personal property taxes. Neither the Town Charter nor the State of Virginia impose a limitation on the tax rate. Assessed value of all property is 100 percent of fair market value. Each year all property is reassessed as of January 1. The Town's tax rate for fiscal year 2017 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	Total	Water & Sewer Fund
Property taxes	\$ 52,322	\$ -	\$ 52,322	\$ -
Consumer utility taxes	56,766	-	56,766	-
PEG funds	41,718	-	41,718	-
Business license fees	67,873	-	67,873	-
Meals taxes	-	289,543	289,543	-
Vehicle license fees	55,923	-	55,923	-
Water and sewer charges	-	-	-	941,624
Unbilled revenues	-	-	-	833,520
Other	119,084	-	119,084	-
Total	\$ 393,686	\$ 289,543	\$ 683,229	\$ 1,775,144
Less: Allowance for uncollectibles	(12,695)	-	(12,695)	(168,000)
Net receivables	<u>\$ 380,991</u>	<u>\$ 289,543</u>	<u>\$ 670,534</u>	<u>\$ 1,607,144</u>

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements June 30, 2018 (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	\$ -	\$ 2,304,701	\$ 2,304,701
Department of Environmental Quality	-	61,207	61,207
Other	1,322	-	1,322
Federal Government:			
FEMA grant	20,737	-	20,737
County of Fairfax, Virginia:			
Local sales tax	256,434	-	256,434
Communications tax	156,758	-	156,758
Court fines and forfeitures	21,948	-	21,948
County of Loudoun, Virginia:			
Gang grants	45,622	-	45,622
Total	<u>\$ 502,821</u>	<u>\$ 2,365,908</u>	<u>\$ 2,868,729</u>

NOTE 6 – INTERFUND TRANSFERS:

Details of interfund transfers as of June 30, 2018 are as follows:

Transfers to/from other funds:

Transfers to the General Fund from the Water and Sewer Fund to supplement General Fund operations	\$ 950,000
Transfers to the Capital Projects Fund from the Special Transportation Fund for Capital Projects	456,072
Transfers to the Water and Sewer Fund from the Capital Projects Fund to fund capital projects	2,546,999
Transfers to the Debt Service Fund from the General Fund to supplement debt service funding for general long-term obligation debt	626,100
Transfers to the Capital Projects Fund from the General Fund for Capital Projects	156,460
Transfers to the Debt Service Fund from the Water and Sewer Fund to supplement debt service funding for general long-term obligation debt	<u>312,674</u>
Total transfers	<u>\$ 5,048,305</u>

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements June 30, 2018 (continued)

NOTE 7 - CAPITAL ASSETS:

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

Governmental Activities:

	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018
Capital assets not being depreciated:				
Land	\$ 3,032,919	\$ 356,115	\$ -	\$ 3,389,034
Construction in progress - infrastructure	1,231,479	1,842,344	277,470	2,796,353
Construction in progress - other	14,836,319	1,551,535	16,090,945	296,909
Total capital assets not being depreciated	\$ 19,100,717	\$ 3,749,994	\$ 16,368,415	\$ 6,482,296
Other capital assets:				
Land improvements	\$ 3,335,970	\$ 2,269,772	\$ -	\$ 5,605,742
Buildings and improvements	16,560,556	13,362,628	-	29,923,184
Infrastructure	91,256,934	1,549,270	-	92,806,204
Office and other equipment	5,522,235	1,044,294	-	6,566,529
Automotive and other equipment	5,777,868	587,975	365,557	6,000,286
Total other capital assets	\$ 122,453,563	\$ 18,813,939	\$ 365,557	\$ 140,901,945
Accumulated depreciation:				
Land improvements	\$ 501,200	\$ 115,452	\$ -	\$ 616,652
Buildings and improvements	8,503,942	601,165	-	9,105,107
Infrastructure	58,755,674	1,461,790	-	60,217,464
Office and other equipment	2,514,135	674,456	-	3,188,591
Automotive and other equipment	3,080,939	140,084	253,841	2,967,182
Total accumulated depreciation	\$ 73,355,890	\$ 2,992,947	\$ 253,841	\$ 76,094,996
Net capital assets	\$ 68,198,390	\$ 19,570,986	\$ 16,480,131	\$ 71,289,245
Depreciation expense has been allocated as follows:				
General government administration		\$ 308,726		
Public safety		290,509		
Public works		2,030,210		
Parks and recreation		357,983		
Community development		5,519		
Total depreciation expense		\$ 2,992,947		

Business-type Activities:

	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018
Capital assets not being depreciated:				
Construction in progress	\$ 83,606	\$ 27,066	\$ -	\$ 110,672
Other capital assets:				
Automotive and other equipment	\$ 1,402,380	\$ 106,980	\$ 117,998	\$ 1,391,362
Improvements	25,977,704	1,380,181	-	27,357,885
Total other capital assets	\$ 27,380,084	\$ 1,487,161	\$ 117,998	\$ 28,749,247
Accumulated depreciation:				
Automotive and other equipment	\$ 758,324	\$ 96,265	\$ 90,105	\$ 764,484
Improvements	12,087,270	470,979	-	12,558,249
Total accumulated depreciation	\$ 12,845,594	\$ 567,244	\$ 90,105	\$ 13,322,733
Net capital assets	\$ 14,618,096	\$ 946,983	\$ 27,893	\$ 15,537,186

Assets acquired under capital leases included in above:

	Cost	Depreciation Expense	Accumulated Depreciation
Equipment:			
Governmental activities	\$ 3,666,817	\$ 287,030	\$ 729,766
Business activities	563,183	37,384	116,232
Total	\$ 4,230,000	\$ 324,414	\$ 845,998

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements June 30, 2018 (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	\$ -	\$ 49,600
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.	266,388	266,388
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	1,151,554	1,151,554
E. <i>Unearned revenues</i> - Capital Projects Fund	722,687	722,687
F. <i>Other</i> - unearned vehicle license fee revenue	27,828	27,828
Total	<u>\$ 2,435,071</u>	<u>\$ 2,484,671</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
2019	\$ 2,462,000	\$ 860,504	\$ 595,558	\$ 26,303
2020	2,467,000	809,424	456,966	17,076
2021	2,467,000	726,081	464,150	9,892
2022	2,137,000	640,328	155,259	2,593
2023	2,132,000	564,818	-	-
2024	2,132,000	489,905	-	-
2025	2,127,000	415,699	-	-
2026	2,092,000	342,105	-	-
2027	1,792,000	276,216	-	-
2028	1,792,000	217,378	-	-
2029	1,372,000	163,276	-	-
2030	935,000	113,400	-	-
2031	935,000	72,800	-	-
2032	525,000	39,375	-	-
2033	525,000	13,125	-	-
Total	<u>\$ 25,892,000</u>	<u>\$ 5,744,434</u>	<u>\$ 1,671,933</u>	<u>\$ 55,864</u>

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements June 30, 2018 (continued)

NOTE 9 - LONG-TERM OBLIGATIONS: (continued)

Business-type Activities:

Year Ending June 30,	General Obligation Bonds		Capital Leases		Note Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 118,000	\$ 29,745	\$ 108,689	\$ 4,256	\$ 27,278	\$ 42,696
2020	121,000	26,860	76,539	2,702	28,148	41,826
2021	124,000	23,902	77,617	1,624	29,046	40,928
2022	127,000	20,870	31,800	531	29,972	40,002
2023	130,000	17,765	-	-	30,929	39,046
2024	45,000	14,586	-	-	31,915	38,059
2025	46,000	13,299	-	-	32,933	37,041
2026	47,000	11,983	-	-	33,984	35,990
2027	49,000	10,639	-	-	35,068	34,906
2028	50,000	9,238	-	-	36,187	33,788
2029	52,000	7,808	-	-	37,341	32,633
2030	53,000	6,321	-	-	38,532	31,442
2031	54,000	4,805	-	-	39,761	30,213
2032	56,000	3,260	-	-	41,030	28,945
2033	58,000	1,659	-	-	42,339	27,636
2034	-	-	-	-	43,689	26,285
2035	-	-	-	-	45,083	24,891
2036	-	-	-	-	46,521	23,453
2037	-	-	-	-	48,005	21,969
2038	-	-	-	-	49,536	20,438
2039	-	-	-	-	51,117	18,858
2040	-	-	-	-	52,747	17,227
2041	-	-	-	-	54,430	15,544
2042	-	-	-	-	56,166	13,808
2043	-	-	-	-	57,958	12,016
2044	-	-	-	-	59,807	10,168
2045	-	-	-	-	61,715	8,260
2046	-	-	-	-	63,683	6,291
2047	-	-	-	-	65,715	4,259
2048	-	-	-	-	67,811	-
Total	<u>\$ 1,130,000</u>	<u>\$ 202,740</u>	<u>\$ 294,645</u>	<u>\$ 9,113</u>	<u>\$ 1,338,446</u>	<u>\$ 758,618</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, 2018.

	Bonds	Capital Leases	Total
Balance, July 1, 2017	\$ 20,503,862	\$ 1,665,286	\$ 22,169,148
Issuances/Increases:			
General obligation bonds	\$ 7,900,000	\$ -	\$ 7,900,000
Bond premium	1,347,711	-	1,347,711
Capital leases	-	605,900	605,900
Total issuances/increases	<u>\$ 9,247,711</u>	<u>\$ 605,900</u>	<u>\$ 9,853,611</u>
Retirements/decreases:			
General obligation bonds	\$ 1,937,000	\$ -	\$ 1,937,000
Bond premium	83,461	-	83,461
Capital leases	-	599,253	599,253
Total retirements/decreases	<u>\$ 2,020,461</u>	<u>\$ 599,253</u>	<u>\$ 2,619,714</u>
Balance, June 30, 2018	<u>\$ 27,731,112</u>	<u>\$ 1,671,933</u>	<u>\$ 29,403,045</u>

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements June 30, 2018 (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, 2018.

	Note Payable	Bonds	Capital Leases	Total
Balance, July 1, 2017	\$2,008,262	\$ 1,245,000	\$ 268,496	\$ 3,521,758
Issuances/Increases:				
Notes payable	\$ 1,338,446	\$ -	\$ -	\$ 1,338,446
Capital leases	-	-	124,100	124,100
Total issuances/increases	\$ 1,338,446	\$ -	\$ 124,100	\$ 1,462,546
Retirements/decreases:				
Bonds payable	\$ -	\$ 115,000	\$ -	\$ 115,000
Notes payable	2,008,262	-	-	2,008,262
Capital leases	-	-	97,951	97,951
Total retirements/decreases	\$ 2,008,262	\$ 115,000	\$ 97,951	\$ 2,221,213
Balance, June 30, 2018	\$ 1,338,446	\$ 1,130,000	\$ 294,645	\$ 2,763,091

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%	\$ 990,000	\$ 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%	335,000	335,000
\$2,310,000 issued July 28, 2010, maturing in annual installments of \$335,000 from August 1, 2019 through August 1, 2025 with interest payable semiannually at rates from 4.00% to 4.70%	2,310,000	-
\$6,310,000 issued July 18, 2012, maturing in annual installments of \$425,000 through July 15, 2014, and \$420,000 from July 15, 2015 through July 15, 2027, interest payable semiannually at rates from 2.0% to 2.50%	4,200,000	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%	4,807,000	437,000
\$6,180,000 issued December 23, 2015, maturing in annual installments ranging from \$410,000 to \$415,000 through August 1, 2030, interest payable semiannually at rates from 2.00% to 4.00%	5,350,000	415,000.00
\$7,900,000 issued February 28, 2018, maturing in annual installments ranging from \$525,000 to \$530,000 through August 1, 2032, interest payable semiannually at 5.00%	7,900,000	525,000.00
Total public improvement bonds	\$ 25,892,000	\$ 2,462,000

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements June 30, 2018 (continued)

NOTE 9 - LONG-TERM OBLIGATIONS: (continued)

Details of Long-Term Obligations (continued)

	<u>Amount Outstanding</u>	<u>Amount Due In One Year</u>
<u>Governmental activities: (continued)</u>		
<u>Capital Leases:</u>		
\$518,000 capital lease obligations due in annual installments of \$133,513 through October 14, 2020, interest payable at 1.232%	\$ 390,869	\$ 128,698
\$605,900 capital lease obligations due in annual installments of \$157,851 through September 14, 2021, interest payable at 1.670%	605,900	147,732
\$570,028 capital lease obligations due in annual installments of \$147,818 through October 3, 2018, interest payable at 1.48%	145,663	145,663
\$700,000 capital lease obligations due in annual installments of \$182,678 through July 1, 2020, interest payable at 1.74%	<u>529,501</u>	<u>173,465</u>
Total capital leases	\$ <u>1,671,933</u>	\$ <u>595,558</u>
Unamortized bond premiums	\$ <u>1,839,112</u>	\$ <u>240,073</u>
Total general long-term obligations from governmental activities	\$ <u>29,403,045</u>	\$ <u>3,297,631</u>
<u>Business-type activities:</u>		
<u>Notes Payable:</u>		
Note payable to Fairfax County for Town share of Fairfax plant upgrade, maturing in various semiannual installments through July 1, 2047, interest at 3%	\$ <u>1,338,446</u>	\$ <u>27,278</u>
<u>Public Improvement Bonds:</u>		
\$794,000 refunding bonds issued November 14, 2013, maturing in annual installments ranging from \$73,000 to \$87,000 through June 1, 2023, interest payable semiannually at 2.24%	\$ 415,000	\$ 79,000
\$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>715,000</u>	<u>39,000</u>
Total public improvement bonds	\$ <u>1,130,000</u>	\$ <u>118,000</u>
<u>Capital Leases:</u>		
\$182,000 capital lease obligations due in annual installments of \$46,910 through October 14, 2020, interest payable at 1.232%	\$ 137,332	\$ 45,218
\$124,100 capital lease obligations due in annual installments of \$32,331 through September 14, 2021, interest payable at 1.670%	124,100	30,258
\$129,972 capital lease obligations due in annual installments of \$33,704 through October 3, 2018, interest payable at 1.48%	<u>33,213</u>	<u>33,213</u>
Total capital leases	\$ <u>294,645</u>	\$ <u>108,689</u>
Total general long-term obligations from business-type activities	\$ <u>2,763,091</u>	\$ <u>253,967</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, 2018 (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, 2017	\$ 1,384,463	\$ 158,192	\$ 1,542,655
Increases	1,296,969	107,262	1,404,231
Decreases	(1,384,463)	(158,192)	(1,542,655)
Balance, June 30, 2018	<u>\$ 1,296,969</u>	<u>\$ 107,262</u>	<u>\$ 1,404,231</u>
Amounts due within one year	\$ 1,167,272	\$ 96,536	\$ 1,263,808
Amounts due after one year	129,697	10,726	140,423
Total	<u>\$ 1,296,969</u>	<u>\$ 107,262</u>	<u>\$ 1,404,231</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, 2018 (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") <ul style="list-style-type: none">• The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.• The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.

TOWN OF VIENNA, VIRGINIA

**Notes to Financial Statements
June 30, 2018 (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.) <ul style="list-style-type: none"> • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.
<p>Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013 and they have not taken a refund.</p> <p>Hybrid Opt-In Election VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p>Eligible Members Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p>Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> • Political subdivision employees* • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014. <p>*Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements
June 30, 2018 (continued)

NOTE 11 - PENSION PLANS: (continued)

Plan Description (Continued)

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

TOWN OF VIENNA, VIRGINIA

**Notes to Financial Statements
June 30, 2018 (continued)**

NOTE 11 - PENSION PLANS: (continued)

Plan Description (Continued)

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

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements
June 30, 2018 (continued)

NOTE 11 - PENSION PLANS: (continued)

Plan Description (Continued)

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

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements
June 30, 2018 (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. <ul style="list-style-type: none"> • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. 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, 2018 (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, 2018 (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, 2018 (continued)**

NOTE 11 - PENSION PLANS: (continued)

Plan Description (Continued)

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

TOWN OF VIENNA, VIRGINIA

**Notes to Financial Statements
June 30, 2018 (continued)**

NOTE 11 - PENSION PLANS: (continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins. 	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1 and Plan 2.</p>

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements June 30, 2018 (continued)

NOTE 11 - PENSION PLANS: (continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>	<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>	<p>Disability Coverage Employees of political subdivisions (including Plan 1 and Plan2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.</p> <p>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>
<p>Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.</p>	<p>Purchase of Prior Service Same as Plan 1.</p>	<p>Purchase of Prior Service <u>Defined Benefit Component:</u> Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> • Hybrid Retirement Plan members are ineligible for ported service. • The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation. • Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost. <p><u>Defined Contribution Component:</u> Not applicable.</p>

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-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, 2018 (continued)

NOTE 11 - PENSION PLANS: (continued)

Employees Covered by Benefit Terms

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

Inactive members or their beneficiaries currently receiving benefits	119
Inactive members:	
Vested inactive members	22
Non-vested inactive members	45
Inactive members active elsewhere in VRS	<u>17</u>
Total inactive members	84
Active members	<u>172</u>
Total covered employees	<u><u>375</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, 2018 was 11.04% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Town were \$1,318,106 and \$1,323,288 for the years ended June 30, 2018 and June 30, 2017, respectively.

Net Pension Liability

The Town's net pension liabilities were measured as of June 30, 2017. The total pension liabilities used to calculate the net pension liabilities were determined by an actuarial valuation performed as of June 30, 2016, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements June 30, 2018 (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, 2016, 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, 2017.

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:

Largest 10 – Non-Hazardous Duty: 20% of deaths are assumed to be service related

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

All Others (Non 10 Largest) – Non-Hazardous Duty: 15% of deaths are assumed to be service related

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements June 30, 2018 (continued)

NOTE 11 - PENSION PLANS: (continued)

Actuarial Assumptions – General Employees (Continued)

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

All Others (Non 10 Largest) – Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

Actuarial Assumptions – Public Safety Employees with Hazardous Duty Benefits

The total pension liability for Public Safety employees with hazardous duty benefits in the Town's Retirement Plan was based on an actuarial valuation as of June 30, 2016, 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, 2017.

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*

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements June 30, 2018 (continued)

NOTE 11 - PENSION PLANS: (continued)

Actuarial Assumptions – Public Safety Employees with Hazardous Duty Benefits (Continued)

* 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.

Largest 10 – Hazardous Duty: 70% of deaths are assumed to be service related

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year, 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

All Others (Non 10 Largest) – Hazardous Duty: 45% of deaths are assumed to be service related

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year, 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements June 30, 2018 (continued)

NOTE 11 - PENSION PLANS: (continued)

Actuarial Assumptions – Public Safety Employees with Hazardous Duty Benefits (Continued)

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Increased rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

All Others (Non 10 Largest) – Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

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:

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements June 30, 2018 (continued)

NOTE 11 - PENSION PLANS: (continued)

Long-Term Expected Rate of Return (Continued)

<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>
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.30%

* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

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, 2019, 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, 2019 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.

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements June 30, 2018 (continued)

NOTE 11 - PENSION PLANS: (continued)

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, 2016	\$ 62,707,748	\$ 50,368,833	\$ 12,338,915
Changes for the year:			
Service cost	\$ 1,219,128	\$ -	\$ 1,219,128
Interest	4,272,698	-	4,272,698
Changes in assumptions	(253,374)	-	(253,374)
Differences between expected and actual experience	130,678	-	130,678
Contributions - employer	-	1,295,257	(1,295,257)
Contributions - employee	-	641,798	(641,798)
Net investment income	-	6,064,351	(6,064,351)
Benefit payments, including refunds of employee contributions	(3,338,412)	(3,338,412)	-
Administrative expenses	-	(35,661)	35,661
Other changes	-	(5,374)	5,374
Net changes	\$ 2,030,718	\$ 4,621,959	\$ (2,591,241)
Balances at June 30, 2017	\$ 64,738,466	\$ 54,990,792	\$ 9,747,674

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		
	(6.00%)	(7.00%)	(8.00%)
Town Net Pension Liability	\$ 17,829,733	\$ 9,747,674	\$ 3,004,373

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

For the year ended June 30, 2018, the Town recognized pension expense of \$896,694. At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements June 30, 2018 (continued)

NOTE 11 - PENSION PLANS: (continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 226,395	\$ 194,196
Change of assumptions	-	187,563
Net difference between projected and actual earnings on pension plan investments	-	777,689
Employer contributions subsequent to the measurement date	<u>1,318,106</u>	<u>-</u>
Total	<u><u>\$ 1,544,501</u></u>	<u><u>\$ 1,159,448</u></u>

\$1,318,106 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, 2019. 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>	
2019	\$ (519,033)
2020	134,587
2021	(30,802)
2022	(517,805)

Town Retirement Plans

A. Plan Description

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

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

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements June 30, 2018 (continued)

NOTE 11 - PENSION PLANS: (continued)

Town Retirement Plans (continued)

A. Plan Description (continued)

The plans do not issue separate financial statements.

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

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

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

Local Retirement Plan

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

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

Police Retirement Plan

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

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

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements June 30, 2018 (continued)

NOTE 11 - PENSION PLANS: (continued)

Town Retirement Plans (continued)

B. Other Information

The Town's membership in the Local and Police Plans at July 1, 2017 is as follows:

	Local Retirement Plan	Police Retirement Plan
Terminated vested members	70	-
Retired/disabled	43	25
Active members	14	39
Total	127	64

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

	Pension Trust Funds		
	Local Retirement Fund	Police Retirement Fund	Totals
Assets:			
Investments - LGIP	\$ 2,454,453	\$ 3,137,839	\$ 5,592,292
Total assets	\$ 2,454,453	\$ 3,137,839	\$ 5,592,292
Liabilities:			
Accounts payable	\$ -	\$ 265	\$ 265
Net Position:			
Net position held in trust for pension benefits	\$ 2,454,453	\$ 3,137,574	\$ 5,592,027
Additions:			
Contributions:			
Employer	\$ 194,043	\$ 191,369	\$ 385,412
Plan members	-	42,676	42,676
Total contributions	\$ 194,043	\$ 234,045	\$ 428,088
Investment income:			
Interest earned on investments	35,136	46,429	81,565
Total additions	\$ 229,179	\$ 280,474	\$ 509,653
Deductions:			
Pension benefit payments	\$ 183,318	\$ 284,497	\$ 467,815
Other charges	4,483	9,310	13,793
Total deductions	\$ 187,801	\$ 293,807	\$ 481,608
Net increase (decrease) in plan assets	\$ 41,378	\$ (13,333)	\$ 28,045
Net position held in trust for pension benefits:			
Balance, beginning of year	2,413,075	3,150,907	5,563,982
Balance, end of year	\$ 2,454,453	\$ 3,137,574	\$ 5,592,027

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements June 30, 2018 (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, 2018, 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, 2018, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 1.5%. 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, 2018, were as follows:

	<u>Civilian</u>	<u>Police</u>	<u>Total</u>
Total pension liability	\$ 3,764,419	\$ 4,972,500	\$ 8,736,919
Plan fiduciary net position	<u>(2,454,453)</u>	<u>(3,137,574)</u>	<u>(5,592,027)</u>
Authority's net pension liability	\$ <u>1,309,966</u>	\$ <u>1,834,926</u>	\$ <u>3,144,892</u>
Plan fiduciary net position as a percentage of the total pension liability	65.20%	63.10%	64.00%

Actuarial assumptions. The total pension liability was determined by an actuarial valuation as of July 1, 2017, 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, 2018 (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, 2018 (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, 2017	\$ 4,249,090	\$ 2,413,075	\$ 1,836,015
Changes for the year:			
Service cost	\$ 21,151	\$ -	\$ 21,151
Interest	157,241	-	157,241
Differences between expected and actual experience	(479,745)	-	(479,745)
Contributions - employer	-	194,043	(194,043)
Net investment income	-	35,136	(35,136)
Benefit payments, including refunds of employee contributions	(183,318)	(183,318)	-
Administrative expenses	-	(4,483)	4,483
Net changes	\$ (484,671)	\$ 41,378	\$ (526,049)
Balances at June 30, 2018	\$ 3,764,419	\$ 2,454,453	\$ 1,309,966

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements June 30, 2018 (continued)

NOTE 11 - PENSION PLANS: (continued)

Town Retirement Plans (continued)

D. Net Pension Liability of the Town (continued)

Changes in net pension liability (continued)

	Sworn Officer's Plan		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2017	\$ 4,624,344	\$ 3,150,907	\$ 1,473,437
Changes for the year:			
Service cost	\$ 220,615	\$ -	\$ 220,615
Interest	208,577	-	208,577
Differences between expected and actual experience	46,235	-	46,235
Changes in benefit terms	157,277	-	157,277
Contributions - employer	-	191,369	(191,369)
Contributions - employee	-	42,676	(42,676)
Net investment income	-	46,429	(46,429)
Benefit payments, including refunds of employee contributions	(284,497)	(284,497)	-
Administrative expenses	-	(9,310)	9,310
Net changes	\$ 348,207	\$ (13,333)	\$ 361,540
Balances at June 30, 2018	\$ 4,972,551	\$ 3,137,574	\$ 1,834,977

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 4.25%, 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 (3.25%) or 1 percentage-point higher (5.25%) than the current rate:

Civilian Plan			
	1% Decrease (3.25%)	Current Discount Rate (4.25%)	1% Increase (5.25%)
Net pension liability	\$ 1,770,182	\$ 1,309,966	\$ 926,349
Sworn Officer's Plan			
	1% Decrease (3.25%)	Current Discount Rate (4.25%)	1% Increase (5.25%)
Net pension liability	\$ 2,492,940	\$ 1,834,977	\$ 1,294,926

TOWN OF VIENNA, VIRGINIA**Notes to Financial Statements
June 30, 2018 (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, 2018, the Town recognized pension expense of (\$327,827) and \$493,763 for the Civilian and Police Plans, respectively. At June 30, 2018, 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	\$ -	\$ -	\$ -	\$ 307,702
Change in assumptions	-	-	231,106	-
Net difference between projected and actual earnings on pension plan investments	164,285	-	209,463	-
Total	<u>\$ 164,285</u>	<u>\$ -</u>	<u>\$ 440,569</u>	<u>\$ 307,702</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
2019	\$ 71,741	\$ 73,299
2020	48,775	44,635
2021	30,257	21,399
2022	13,512	(390)
2023	-	(17,637)
Thereafter	-	11,561

Combined Town Pension Items

	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources
Virginia Retirement System	\$ 9,747,674	\$ 1,544,501	\$ 1,159,448
Civilian Plan	1,309,966	164,285	-
Sworn Officer's Plan	1,834,977	440,569	307,702
Total	<u>\$ 12,892,617</u>	<u>\$ 2,149,355</u>	<u>\$ 1,467,150</u>

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements June 30, 2018 (continued)

NOTE 12 - DEFINED CONTRIBUTION CIVILIAN RETIREMENT PLAN:

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

Total employer contributions to the plan totaled \$316,127, and employee contributions were \$154,912 for fiscal year 2018.

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 \$18,500 in 2018. Employees who are age 50 or older may defer up to \$24,500 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, 2018, 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 \$2,534 per month during the year ended June 30, 2018 under the lease agreements. Total rental expense under all operating leases for the year ended June 30, 2018 approximated \$30,412.

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements June 30, 2018 (continued)

NOTE 16 - CONTINGENCIES:

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

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

State and Federal Programs

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

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

NOTE 17 - RISK MANAGEMENT:

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

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

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

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

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

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

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements June 30, 2018 (continued)

NOTE 18 - OTHER POSTEMPLOYMENT BENEFITS - HEALTH INSURANCE:

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.

Benefits Provided

Retirees under 65 can choose from either BC/BS KA-250 Comp, BC/BS KA-500 Comp or Kaiser HMO. Retirees may elect to cover their spouse. Retirees over 65 may choose from one of two Medicare Supplement plans. Benefits are available for the lifetime of the retiree only.

It is assumed that the total cost of coverage for most pre-65 retirees is higher than the premium amount resulting in implicitly subsidized costs. It is also assumed that the total cost of coverage for post-65 retirees is equal to the premium amount. It is assumed that the total cost of the dental insurance is equal to the premium (i.e. no implicit subsidy).

Plan Membership

At January 1, 2017 (valuation date), the following employees were covered by the benefit terms:

Active	\$	141
Retired		14
Spouses		<u>5</u>
Total	\$	<u><u>160</u></u>

Contributions

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. The amount paid by the Town for OPEB as the benefits came due during the year ended June 30, 2018 was \$60,973 (including an estimate of implicit rate subsidy).

Total OPEB Liability

The Town's total OPEB liability was measured as of June 30, 2018.

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements June 30, 2018 (continued)

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

Actuarial Assumptions

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary Increases	2.50% per year
Discount Rate	3.62%
Investment Rate of Return	N/A

Mortality rates: RP 2000 table projected to 2027 with scale BB.

The date of the most recent actuarial experience study for which significant assumptions were based is not available.

Discount Rate

The discount rate used to measure the total OPEB liability was 3.62%. There is no prefunding of benefits in an OPEB trust for this plan, therefore the discount rate is equal to the yield on a 20 year municipal bond Aa index as of June 30, 2018. The source of the discount rate was the Fidelity general obligation municipal bond index. The final equivalent single discount rate used for this year's valuation is 3.62% as of the end of the fiscal year with the expectation that the Town will continue contributing the Actuarially Determined Contribution and paying the pay-go cost from the OPEB Trust.

Changes in Total OPEB Liability

		<u>Primary Government Total OPEB Liability</u>
Balances at June 30, 2017	\$	1,719,493
Changes for the year:		
Service cost		51,767
Interest		61,980
Difference between expected and actual experience		(10,154)
Contributions - employer		-
Benefit payments		(60,993)
Net changes		<u>42,600</u>
Balances at June 30, 2018	\$	<u><u>1,762,093</u></u>

TOWN OF VIENNA, VIRGINIA**Notes to Financial Statements
June 30, 2018 (continued)****NOTE 18 - OTHER POSTEMPLOYMENT BENEFITS - HEALTH INSURANCE: (CONTINUED)*****Sensitivity of the Total OPEB Liability to Changes in the Discount Rate***

The following amounts present the total OPEB liability of the Town, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.62%) or one percentage point higher (4.62%) than the current discount rate:

Rate		
1% Decrease (2.62%)	Current Discount Rate (3.62%)	1% Increase (4.62%)
\$ 1,949,386	\$ 1,762,093	\$ 1,615,641

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the Town, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (5.00% decreasing to an ultimate rate of 3.25%) or one percentage point higher (7.00% decreasing to an ultimate rate of 5.25%) than the current healthcare cost trend rates:

Rates		
1% Decrease (5.00% decreasing to 3.25%)	Healthcare Cost Trend (6.00% decreasing to 4.25%)	1% Increase (7.00% decreasing to 5.25%)
\$ 1,575,886	\$ 1,762,093	\$ 2,003,936

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2018, the Town recognized OPEB expense in the amount of \$112,712. At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ -	\$ 9,139

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements June 30, 2018 (continued)

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

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2019	\$ (1,015)
2020	(1,015)
2021	(1,015)
2022	(1,015)
2023	(1,015)
Thereafter	(4,064)

Additional disclosures on changes in net OPEB liability, related ratios, and employer contributions can be found in the required supplementary information following the notes to the financial statements.

Summary of Net OPEB Liabilities, Deferred Outflows of Resources and Deferred Inflows of Resources

	<u>Net OPEB Liability</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Town Pay-as-you-go (Note 18)	\$ 1,762,093	\$ -	\$ 9,139
Group Life (Note 19)	978,000	72,000	109,000
LODA (Note 20)	550,000	23,000	77,000
Total	<u>\$ 3,290,093</u>	<u>\$ 95,000</u>	<u>\$ 195,139</u>

NOTE 19 - GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN):

Plan Description

All full-time, salaried permanent employees of the state agencies, teachers, and employees of participating political subdivisions are automatically covered by the VRS Group Life Insurance Program upon employment. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

In addition to the Basic Group Life Insurance benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional Group Life Insurance Program. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured program, it is not included as part of the Group Life Insurance Program OPEB.

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements June 30, 2018 (continued)

NOTE 19 - GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)

Plan Description (Continued)

The specific information for Group Life Insurance Program OPEB, including eligibility, coverage and benefits is set out in the table below:

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS
<p data-bbox="110 600 373 636">Eligible Employees</p> <p data-bbox="110 657 1451 762">The Group Life Insurance Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement:</p> <ul data-bbox="159 766 566 947" style="list-style-type: none">• City of Richmond• City of Portsmouth• City of Roanoke• City of Norfolk• Roanoke City School Board <p data-bbox="110 972 1511 1077">Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their member contributions and accrued interest.</p> <p data-bbox="110 1102 342 1138">Benefit Amounts</p> <p data-bbox="110 1159 1240 1194">The benefits payable under the Group Life Insurance Program have several components.</p> <ul data-bbox="159 1199 1511 1549" style="list-style-type: none">• <u>Natural Death Benefit</u> - The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled.• <u>Accidental Death Benefit</u> - The accidental death benefit is double the natural death benefit.• <u>Other Benefit Provisions</u> - In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include:<ul data-bbox="256 1377 753 1549" style="list-style-type: none">○ Accidental dismemberment benefit○ Safety belt benefit○ Repatriation benefit○ Felonious assault benefit○ Accelerated death benefit option
<p data-bbox="110 1575 524 1610">Reduction in Benefit Amounts</p> <p data-bbox="110 1635 1511 1776">The benefit amounts provided to members covered under the Group Life Insurance Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.</p>
<p data-bbox="110 1801 1029 1837">Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)</p> <p data-bbox="110 1862 1511 1969">For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at \$8,000 by statute. The amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and is currently \$8,111.</p>

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements June 30, 2018 (continued)

NOTE 19 - GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)

Contributions

The contribution requirements for the Group Life Insurance Program are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% x 60%) and the employer component was 0.52% (1.31% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2018 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the Group Life Insurance Program from the Town were \$65,000 and \$61,000 for the years ended June 30, 2018 and June 30, 2017, respectively.

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB

At June 30, 2018, the Town reported a liability of \$978,000, for their proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2017 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the Town's proportion was .006498% as compared to .006454% at June 30, 2016.

For the year ended June 30, 2018, the Town recognized GLI OPEB expense of \$12,000. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2018, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 22,000
Net difference between projected and actual earnings on GLI OPEB program investments	-	37,000
Change in assumptions	-	50,000
Changes in proportion	7,000	-
Employer contributions subsequent to the measurement date	65,000	-
Total	<u>\$ 72,000</u>	<u>\$ 109,000</u>

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements June 30, 2018 (continued)

NOTE 19 - GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB (Continued)

\$65,000 reported as deferred outflows of resources related to the GLI OPEB resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2019	\$ (21,000)
2020	(21,000)
2021	(21,000)
2022	(21,000)
2023	(12,000)
Thereafter	(6,000)

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2016, 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, 2017.

Inflation	2.5%
Salary increases, including inflation:	
General state employees	3.5% – 5.35%
Teachers	3.5%-5.95%
SPORS employees	3.5%-4.75%
VaLORS employees	3.5%-4.75%
JRS employees	4.5%
Locality - General employees	3.5%-5.35%
Locality - Hazardous Duty employees	3.5%-4.75%
Investment rate of return	7.0%, net of investment expenses, 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 OPEB liabilities.

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements June 30, 2018 (continued)

NOTE 19 - GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)

Actuarial Assumptions (Continued)

Mortality Rates – General State Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% increase compounded from ages 70 to 85.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males 115% of rates; females 130% of rates.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%

Mortality Rates – Teachers

Pre-Retirement:

RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement:

RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements June 30, 2018 (continued)

NOTE 19 - GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)

Actuarial Assumptions (Continued)

Mortality Rates – Teachers (Continued)

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; 115% of rates for males and females.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

Mortality Rates – SPORS Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements June 30, 2018 (continued)

NOTE 19 - GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)

Actuarial Assumptions (Continued)

Mortality Rates – SPORS Employees (Continued)

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%

Mortality Rates – VaLORS Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements June 30, 2018 (continued)

NOTE 19 - GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)

Actuarial Assumptions (Continued)

Mortality Rates – JRS Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% compounding increase from ages 70 to 85.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males 115% of rates; females 130% of rates.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Decreased rates at first retirement eligibility
Withdrawal Rates	No change
Disability Rates	Removed disability rates
Salary Scale	No change

Mortality Rates – Largest Ten Locality Employers – General Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements June 30, 2018 (continued)

NOTE 19 - GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)

Actuarial Assumptions (Continued)

Mortality Rates – Largest Ten Locality Employers – General Employees (Continued)

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

Mortality Rates – Non-Largest Ten Locality Employers – General Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements June 30, 2018 (continued)

NOTE 19 - GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)

Actuarial Assumptions (Continued)

Mortality Rates – Non-Largest Ten Locality Employers – General Employees (Continued)

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

Mortality Rates – Largest Ten Locality Employers – Hazardous Duty Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements June 30, 2018 (continued)

NOTE 19 - GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)

Actuarial Assumptions (Continued)

Mortality Rates – Non-Largest Ten Locality Employers – Hazardous Duty Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements June 30, 2018 (continued)

NOTE 19 - GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)

NET GLI OPEB Liability

The net OPEB liability (NOL) for the Group Life Insurance Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2017, NOL amounts for the Group Life Insurance Program is as follows (amounts expressed in thousands):

		Group Life Insurance OPEB Program
Total GLI OPEB Liability	\$	2,942,426
Plan Fiduciary Net Position		1,437,586
Employers' Net GLI OPEB Liability (Asset)	\$	<u>1,504,840</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		48.86%

The total GLI OPEB liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net GLI OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to the financial statements and required supplementary information.

Long-Term Expected Rate of Return

The long-term expected rate of return on the System's 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 System's 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:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	<u>100.00%</u>		<u>4.80%</u>
		Inflation	2.50%
		*Expected arithmetic nominal return	<u>7.30%</u>

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements June 30, 2018 (continued)

NOTE 19 - GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)

Long-Term Expected Rate of Return (Continued)

*The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance 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, 2019, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

Sensitivity of the Employer's Proportionate Share of the Net GLI OPEB Liability to Changes in the Discount Rate

The follow presents the employer's proportionate share of the net GLI OPEB liability using the discount rate of 7.00%, as well as what the employer's proportionate share of the net GLI OPEB 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		
	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
Proportionate share of the Group Life Insurance Program			
Net OPEB Liability	\$ 1,265,000	\$ 978,000	\$ 745,000

Group Life Insurance Program Fiduciary Net Position

Detailed information about the Group Life Insurance Program's Fiduciary Net Position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-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, 2018 (continued)

NOTE 20 - LINE OF DUTY ACT (LODA) PROGRAM:

Plan Description

All paid employees and volunteers in hazardous duty positions in Virginia localities and hazardous duty employees who are covered under the Virginia Retirement System (VRS), the State Police Officers' Retirement System (SPORS), or the Virginia Law Officers' Retirement System (VALORS) are automatically covered by the Line of Duty Act Program (LODA). As required by statute, the Virginia Retirement System (the System) is responsible for managing the assets of the program. Participating employers made contributions to the program beginning in FY 2012. The employer contributions are determined by the System's actuary using anticipated program costs and the number of covered individuals associated with all participating employers.

The specific information for the LODA Program OPEB, including eligibility, coverage and benefits is set out in the table below:

LINE OF DUTY ACT PROGRAM PLAN PROVISIONS	
Eligible Employees	
The eligible employees of the Line of Duty Act Program are paid employees and volunteers in hazardous duty positions in Virginia localities and hazardous duty employees who are covered under the Virginia Retirement System (VRS), the State Police Officers' Retirement System (SPORS), or the Virginia Law Officers' Retirement System (VALORS).	
Benefit Amounts	
The Line of Duty Act Program provides death and health insurance benefits for eligible individuals:	
<ul style="list-style-type: none">• <u>Death</u> – The Line of Duty Act program death benefit is a one-time payment made to the beneficiary or beneficiaries of a covered individual. Amounts vary as follows:<ul style="list-style-type: none">○ \$100,000 when a death occurs as the direct or proximate result of performing duty as of January 1, 2006, or after.○ \$25,000 when the cause of death is attributed to one of the applicable presumptions and occurred earlier than five years after the retirement date.○ An additional \$20,000 benefit is payable when certain members of the National Guard and U.S. military reserves are killed in action in any armed conflict on or after October 7, 2001.• <u>Health Insurance</u> – The Line of Duty Act program provides health insurance benefits.<ul style="list-style-type: none">○ Prior to July 1, 2017, these benefits were managed through the various employer plans and maintained the benefits that existed prior to the employee's death or disability. These premiums were reimbursed to the employer by the LODA program.○ Beginning July 1, 2017, the health insurance benefits are managed through the Virginia Department of Human Resource Management (DHRM). The health benefits are modeled after the State Employee Health Benefits Program plans and provide consistent, premium-free continued health plan coverage for LODA-eligible disabled individuals, survivors, and family members. Individuals receiving the health insurance benefits must continue to meet eligibility requirements as defined by the Line of Duty Act.	

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements June 30, 2018 (continued)

NOTE 20 - LINE OF DUTY ACT (LODA) PROGRAM: (CONTINUED)

Contributions

The contribution requirements for the Line of Duty Act Program are governed by §9.1-400.1 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each employer's contractually required employer contribution rate for the Line of Duty Act Program for the year ended June 30, 2018 was \$567.37 per covered full-time-equivalent employee. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015 and represents the pay-as-you-go funding rate and not the full actuarial cost of the benefits under the program. The actuarially determined pay-as-you-go rate was expected to finance the costs and related expenses of benefits payable during the year. Contributions to the Line of Duty Act Program from the entity were \$23,000 and \$22,000 for the years ended June 30, 2018 and June 30, 2017, respectively.

LODA OPEB Liabilities, LODA OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the LODA OPEB

At June 30, 2018, the entity reported a liability of \$550,000 for its proportionate share of the Net LODA OPEB Liability. The Net LODA OPEB Liability was measured as of June 30, 2017 and the total LODA OPEB liability used to calculate the Net LODA OPEB Liability was determined by an actuarial valuation as of that date. The entity's proportion of the Net LODA OPEB Liability was based on the entity's actuarially determined pay-as-you-go employer contributions to the LODA OPEB plan for the year ended June 30, 2017 relative to the total of the actuarially determined pay-as-you-go employer contributions for all participating employers. At June 30, 2017, the entity's proportion was .20911% as compared to .21670% at June 30, 2016.

For the year ended June 30, 2018, the entity recognized LODA OPEB expense of \$46,000. Since there was a change in proportionate share between measurement dates, a portion of the LODA OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2018, the entity reported deferred outflows of resources and deferred inflows of resources related to the LODA OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ -
Net difference between projected and actual earnings on LODA OPEB plan investments	-	1,000
Change in assumptions	-	57,000
Change in proportion	-	19,000
Employer contributions subsequent to the measurement date	<u>23,000</u>	<u>-</u>
Total	<u>\$ 23,000</u>	<u>\$ 77,000</u>

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements June 30, 2018 (continued)

NOTE 20 - LINE OF DUTY ACT (LODA) PROGRAM: (CONTINUED)

LODA OPEB Liabilities, LODA OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the LODA OPEB (Continued)

\$23,000 reported as deferred outflows of resources related to the LODA OPEB resulting from the entity's contributions subsequent to the measurement date will be recognized as a reduction of the Net LODA OPEB Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the LODA OPEB will be recognized in LODA OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2019	\$ (9,000)
2020	(9,000)
2021	(9,000)
2022	(9,000)
2023	(9,000)
Thereafter	(32,000)

Actuarial Assumptions

The total LODA OPEB liability was based on an actuarial valuation as of June 30, 2016, 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, 2017.

Inflation	2.5%
Salary increases, including inflation:	
General state employees	3.50%-5.35%
SPORS employees	3.50%-4.75%
VaLORS employees	3.50%-4.75%
Locality employees	3.50%-4.75%
Medical cost trend rates assumption:	
Under age 65	7.75%-5.00%
Ages 65 and older	5.75%-5.00%
Investment rate of return	3.56%, net of OPEB plan investment expenses, including inflation*

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements June 30, 2018 (continued)

NOTE 20 - LINE OF DUTY ACT (LODA) PROGRAM: (CONTINUED)

Actuarial Assumptions (Continued)

*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 3.56%. However, since the difference was minimal, a more conservative 3.56% investment return assumption has been used. Since LODA is funded on a current-disbursement basis, the assumed annual rate of return of 3.56% was used since it approximates the risk-free rate of return.

Mortality rates – General State Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% increase compounded from ages 70 to 85.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males 115% of rates; females 130% of rates.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements June 30, 2018 (continued)

NOTE 20 - LINE OF DUTY ACT (LODA) PROGRAM: (CONTINUED)

Actuarial Assumptions (Continued)

Mortality rates – SPORS Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%

Mortality rates – VaLORS Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements June 30, 2018 (continued)

NOTE 20 - LINE OF DUTY ACT (LODA) PROGRAM: (CONTINUED)

Actuarial Assumptions (Continued)

Mortality rates – VaLORS Employees (Continued)

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%

Mortality Rates – Largest Ten Locality Employers with Public Safety Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements June 30, 2018 (continued)

NOTE 20 - LINE OF DUTY ACT (LODA) PROGRAM: (CONTINUED)

Actuarial Assumptions (Continued)

Mortality Rates – Largest Ten Locality Employers with Public Safety Employees (Continued)

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

Mortality Rates – Non-Largest Ten Locality Employers with Public Safety Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements June 30, 2018 (continued)

NOTE 20 - LINE OF DUTY ACT (LODA) PROGRAM: (CONTINUED)

Changes to the LODA Program Associated with HB 1345 (2016) and HB 2243 (2017)

The following changes were made to the LODA Program as a result of legislation in 2016 and 2017, but were specifically not considered in the June 30, 2016 actuarial valuation results which were rolled forward to the measurement date of June 30, 2017. There was no current actuarial experience on which to base the adjustments and the combined impact of the changes was not considered to be material to the final results. These changes will be factored into future actuarial valuations for the LODA Program.

- The discontinuance of spouse health care coverage, if a covered spouse divorces a disabled employee or a covered surviving spouse remarries.
- The potential for VRS's periodic review of the disability status of a disabled employee.
- For those beneficiaries who become eligible for health care benefits as the result of a disability occurring after June 30, 2017, the suspension of health care benefits in years when VRS certifies current income exceeds salary at the time of the disability, indexed for inflation.
- The extension of health care benefits for dependent children to age 26.
- The expansion of the definition of presumption of death or disability to include infectious diseases.

Net LODA OPEB Liability

The net OPEB liability (NOL) for the Line of Duty Act Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2017, NOL amounts for the Line of Duty Act Program is as follows (amounts expressed in thousands):

	<u>LODA Program</u>
Total LODA OPEB Liability	\$ 266,252
Plan Fiduciary Net Position	<u>3,461</u>
Employers' Net OPEB Liability (Asset)	<u><u>\$ 262,791</u></u>
Plan Fiduciary Net Position as a Percentage of the Total LODA OPEB Liability	1.30%

The total LODA OPEB liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to the financial statements and required supplementary information.

Long-Term Expected Rate of Return

The long-term expected rate of return on LODA OPEB Program's investments was set at 3.56% for this valuation. Since LODA is funded on a current-disbursement basis, it is not able to use the VRS Pooled Investments 7.00% assumption. Instead, the assumed annual rate of return of 3.56% was used since it approximates the risk-free rate of return. This Single Equivalent Interest Rate (SEIR) is the applicable municipal bond index rate based on the Bond Buyer General Obligation 20-year Municipal Bond Index published monthly by the Board of Governors of the Federal Reserve System as of the measurement date of June 30, 2017.

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements June 30, 2018 (continued)

NOTE 20 - LINE OF DUTY ACT (LODA) PROGRAM: (CONTINUED)

Discount Rate

The discount rate used to measure the total LODA OPEB liability was 3.56%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made per the VRS Statutes and that they will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2019, the rate contributed by participating employers to the LODA OPEB Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly.

Sensitivity of the Covered Employer's Proportionate Share of the Net LODA OPEB Liability to Changes in the Discount Rate

The following presents the covered employer's proportionate share of the net LODA OPEB liability using the discount rate of 3.56%, as well as what the covered employer's proportionate share of the net LODA OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.56%) or one percentage point higher (4.56%) than the current rate:

		Discount Rate		
		1% Decrease (2.56%)	Current (3.56%)	1% Increase (4.56%)
Town's proportionate share of the total LODA Net OPEB Liability		\$ 623,000	\$ 550,000	\$ 488,000

Sensitivity of the Covered Employer's Proportionate Share of the Net LODA OPEB Liability to Changes in the Health Care Trend Rate

Because the Line of Duty Act Program contains a provision for the payment of health insurance premiums, the liabilities are also impacted by the health care trend rates. The following presents the covered employer's proportionate share of the net LODA OPEB liability using the health care trend rate of 7.75% decreasing to 5.00%, as well as what the covered employer's proportionate share of the net LODA OPEB liability would be if it were calculated using a health care trend rate that is one percentage point lower (6.75% decreasing to 4.00%) or one percentage point higher (8.75% decreasing to 6.00%) than the current rate:

		Health Care Trend Rates		
		1% Decrease (6.75% decreasing to 4.00%)	Current (7.75% decreasing to 5.00%)	1% Increase (8.75% decreasing to 6.00%)
Town's proportionate share of the total LODA Net OPEB Liability		\$ 467,000	\$ 550,000	\$ 653,000

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements June 30, 2018 (continued)

NOTE 20 - LINE OF DUTY ACT (LODA) PROGRAM: (CONTINUED)

LODA OPEB Fiduciary Net Position

Detailed information about the Line of Duty Act Program Fiduciary Net Position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

NOTE 21 – SUBSEQUENT EVENTS:

In November 2018 the Town issued a capital lease in the amount of \$820,000.

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- Required Supplementary Information -

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TOWN OF VIENNA, VIRGINIA

**Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2018**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues				
General property taxes	\$ 10,880,000	\$ 10,880,000	\$ 10,947,071	\$ 67,071
Other local taxes	6,641,000	6,641,000	6,653,183	12,183
Permits, privilege fees and regulatory licenses	263,200	263,200	314,866	51,666
Fines and forfeitures	388,000	388,000	340,103	(47,897)
Revenue from the use of money and property	152,000	152,000	272,405	120,405
Charges for services	770,000	802,069	761,137	(40,932)
Miscellaneous	109,800	149,058	355,051	205,993
Intergovernmental:				
Commonwealth	3,278,410	3,278,410	3,189,565	(88,845)
Federal Government	85,000	85,000	147,894	62,894
Total revenues	<u>\$ 22,567,410</u>	<u>\$ 22,638,737</u>	<u>\$ 22,981,275</u>	<u>\$ 342,538</u>
Expenditures				
Current:				
General Government Administration:				
Legislative	\$ 417,060	\$ 416,910	\$ 411,796	\$ 5,114
General and financial administration	<u>4,412,400</u>	<u>4,535,846</u>	<u>4,381,007</u>	<u>154,839</u>
Total general government administration	<u>\$ 4,829,460</u>	<u>\$ 4,952,756</u>	<u>\$ 4,792,803</u>	<u>\$ 159,953</u>
Public Safety:				
Law enforcement and traffic control	\$ 6,713,084	\$ 6,830,219	\$ 6,690,622	\$ 139,597
Fire and rescue	60,910	60,910	62,444	(1,534)
Other protection	<u>89,530</u>	<u>89,530</u>	<u>96,731</u>	<u>(7,201)</u>
Total public safety	<u>\$ 6,863,524</u>	<u>\$ 6,980,659</u>	<u>\$ 6,849,797</u>	<u>\$ 130,862</u>
Public Works:				
Maintenance of streets, highways, bridges and sidewalks	\$ 3,218,700	\$ 3,224,530	\$ 2,911,186	\$ 313,344
Sanitation and waste removal	1,804,460	1,779,660	1,831,371	(51,711)
Maintenance of buildings and grounds	<u>2,847,926</u>	<u>2,897,526</u>	<u>2,641,015</u>	<u>256,511</u>
Total public works	<u>\$ 7,871,086</u>	<u>\$ 7,901,716</u>	<u>\$ 7,383,572</u>	<u>\$ 518,144</u>

TOWN OF VIENNA, VIRGINIA

**Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2018 (continued)**

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Expenditures: (continued)				
Health and Welfare:				
Welfare/Social Services	\$ 234,700	\$ 234,700	\$ 222,844	\$ 11,856
Parks, recreation and cultural:				
Parks and recreation	\$ 3,345,790	\$ 3,397,066	\$ 3,247,183	\$ 149,883
Community Development:				
Planning and community development	\$ 981,650	\$ 1,034,800	\$ 955,082	\$ 79,718
Total expenditures	\$ 24,126,210	\$ 24,501,697	\$ 23,451,281	\$ 1,050,416
Excess (deficiency) of revenues over (under) expenditures	\$ (1,558,800)	\$ (1,862,960)	\$ (470,006)	\$ 1,392,954
Other Financing Sources (Uses)				
Issuance of capital lease	\$ 700,000	\$ 730,000	\$ 605,900	\$ (124,100)
Transfers in	950,000	950,000	950,000	-
Transfers out	(626,100)	(626,100)	(782,560)	(156,460)
Total other financing sources (uses)	\$ 1,023,900	\$ 1,053,900	\$ 773,340	\$ (280,560)
Net change in fund balance	\$ (534,900)	\$ (809,060)	\$ 303,334	\$ 1,112,394
Fund balance, beginning of year	534,900	809,060	8,265,852	7,456,792
Fund balance, end of year	\$ -	\$ -	\$ 8,569,186	\$ 8,569,186

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 Changes in the Net Pension Liability and Related Ratios

	Civilian	Sworn Officers'	Total 2018	Civilian	Sworn Officers'	Total 2017	Civilian	Sworn Officers'	Total 2016	Civilian	Sworn Officers'	Total 2015	Civilian	Sworn Officers'	Total 2014
Total pension liability															
Service cost	\$ 21,151	\$ 220,615	\$ 241,766	\$ 26,020	\$ 216,357	\$ 242,377	\$ 26,838	\$ 202,475	\$ 229,313	\$ 27,877	\$ 191,175	\$ 219,052	\$ 29,828	\$ 185,157	\$ 214,985
Interest	157,241	208,577	365,818	175,572	193,477	369,049	174,950	185,520	360,470	187,309	216,781	404,090	184,058	208,131	392,189
Differences between expected and actual experience	(479,745)	46,235	(433,510)	-	-	-	73,228	(557,051)	(483,823)	-	-	-	-	-	-
Change in benefit terms	-	157,277	157,277	-	-	-	-	-	-	-	-	-	-	-	-
Changes in assumptions	-	-	-	-	-	-	241,295	369,772	611,067	-	-	-	-	-	-
Benefit payments, including refunds of member contributions	(183,318)	(284,497)	(467,815)	(163,029)	(221,514)	(384,543)	(160,052)	(226,973)	(387,025)	(156,534)	(178,081)	(334,615)	(137,515)	(273,360)	(410,875)
Net change in total pension liability	(484,671)	348,207	(136,464)	38,563	188,320	226,883	356,259	(26,257)	330,002	58,652	229,875	288,527	76,371	119,928	196,299
Total pension liability - beginning	4,249,090	4,624,344	8,873,434	4,210,527	4,436,024	8,646,551	3,854,268	4,462,281	8,316,549	3,795,616	4,232,406	8,028,022	3,719,245	4,112,478	7,831,723
Total pension liability - ending (a)	\$ 3,764,419	\$ 4,972,551	\$ 8,736,970	\$ 4,249,090	\$ 4,624,344	\$ 8,873,434	\$ 4,210,527	\$ 4,436,024	\$ 8,646,551	\$ 3,854,268	\$ 4,462,281	\$ 8,316,549	\$ 3,795,616	\$ 4,232,406	\$ 8,028,022
Plan fiduciary net position															
Contributions - employer	\$ 194,043	\$ 191,369	\$ 385,412	\$ 194,186	\$ 208,791	\$ 402,977	\$ 170,324	\$ 322,248	\$ 492,572	\$ 163,000	\$ 191,369	\$ 354,369	\$ 161,780	\$ 182,694	\$ 344,474
Contributions - member	-	42,676	42,676	-	46,296	46,296	-	38,552	38,552	-	43,064	43,064	-	42,225	42,225
Net investment income	35,136	46,429	81,565	17,518	23,418	40,936	7,434	9,498	16,932	2,544	3,163	5,707	2,354	(998)	1,356
Benefit payments, including refunds of member contributions	(183,318)	(284,497)	(467,815)	(163,029)	(221,514)	(384,543)	(160,052)	(226,973)	(387,025)	(156,534)	(178,081)	(334,615)	(137,515)	(273,360)	(410,875)
Administrative expense	(4,483)	(9,310)	(13,793)	(4,224)	(7,585)	(11,809)	(1,800)	(1,800)	(3,600)	(980)	(2,120)	(3,100)	(4,499)	-	(4,499)
Net change in plan fiduciary net position	41,378	(13,333)	28,045	44,451	49,406	93,857	15,906	141,525	157,431	8,030	57,395	65,425	22,120	(49,439)	(27,319)
Plan fiduciary net position - beginning	2,413,075	3,150,907	5,563,982	2,368,624	3,101,501	5,470,125	2,352,718	2,959,976	5,312,694	2,344,687	2,902,581	5,247,268	2,322,567	2,952,020	5,274,587
Plan fiduciary net position - ending (b)	\$ 2,454,453	\$ 3,137,574	\$ 5,592,027	\$ 2,413,075	\$ 3,150,907	\$ 5,563,982	\$ 2,368,624	\$ 3,101,501	\$ 5,470,125	\$ 2,352,717	\$ 2,959,976	\$ 5,312,693	\$ 2,344,687	\$ 2,902,581	\$ 5,247,268
Net pension liability (a) - (b)	\$ 1,309,966	\$ 1,834,977	\$ 3,144,943	\$ 1,836,015	\$ 1,473,437	\$ 3,309,452	\$ 1,841,903	\$ 1,334,523	\$ 3,176,426	\$ 1,501,551	\$ 1,502,305	\$ 3,003,856	\$ 1,450,929	\$ 1,329,825	\$ 2,780,754
Plan fiduciary net position as a percentage of the total pension liability	65.2%	63.1%	64.0%	56.8%	68.1%	62.7%	56.3%	69.9%	63.3%	61.0%	66.3%	63.9%	61.8%	68.6%	65.4%
Covered - payroll	\$ 578,624	\$ 3,282,770	\$ 3,861,394	\$ 739,312	\$ 3,138,408	\$ 3,877,720	\$ 739,312	\$ 3,138,408	\$ 3,877,720	\$ 1,115,015	\$ 2,820,889	\$ 3,935,904	\$ 1,178,949	\$ 2,732,096	\$ 3,911,045
Net Pension Liability as a percentage of covered - payroll	226.4%	55.9%	81.4%	248.3%	46.9%	85.3%	249.1%	42.5%	81.9%	134.7%	53.3%	76.3%	123.1%	48.7%	71.1%

Note: The Town implemented GASB 67 in fiscal year 2014. Information for the previous 5 years is unavailable.

TOWN OF VIENNA, VIRGINIA

Schedule of Employer Contributions
Last Ten Fiscal Years

Civilian Plan:	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Actuarially determined contribution	\$ 194,186	\$ 167,445	\$ 167,445	\$ 165,879	\$ 161,780	\$ 148,159	\$ 137,817	\$ 143,200	\$ 138,196	\$ 155,751
Contributions in relation to the actuarially determined contribution	194,043	194,186	170,324	163,000	161,780	148,159	137,817	143,200	138,196	155,751
Contribution deficiency (excess)	\$ <u>143</u>	\$ <u>(26,741)</u>	\$ <u>(2,879)</u>	\$ <u>2,879</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Covered - payroll	\$ 578,624	\$ 687,551	\$ 739,312	\$ 1,115,015	\$ 1,178,949	\$ 1,559,568	\$ 1,701,444	\$ 1,835,897	\$ 1,919,389	\$ 1,971,532
Contributions as a percentage of covered - payroll	33.5%	28.2%	23.0%	14.6%	13.7%	9.5%	8.1%	7.8%	7.2%	7.9%
Sworn Officers' Plan:	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Actuarially determined contribution	\$ 275,096	\$ 264,970	\$ 258,507	\$ 255,110	\$ 182,694	\$ 167,299	\$ 172,524	\$ 133,248	\$ 136,942	\$ 148,117
Contributions in relation to the actuarially determined contribution	191,369	208,791	322,248	191,369	182,694	167,299	172,524	133,248	136,942	148,117
Contribution deficiency (excess)	\$ <u>83,727</u>	\$ <u>56,179</u>	\$ <u>(63,741)</u>	\$ <u>63,741</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Covered - payroll	\$ 3,282,770	\$ 3,216,868	\$ 3,138,408	\$ 2,820,889	\$ 2,732,096	\$ 2,987,482	\$ 2,738,476	\$ 2,664,960	\$ 2,794,735	\$ 2,794,660
Contributions as a percentage of covered - payroll	5.8%	6.5%	10.3%	6.8%	6.7%	5.6%	6.3%	5.0%	4.9%	5.3%

Notes to Schedule

Valuation date:

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

Methods and assumptions used to determine contribution rates:

	Civilian Plan	Sworn Officers' Plan
Actuarial cost method	Entry age normal	Entry age normal
Amortization method	Level dollar (closed)	Level dollar (open)
Remaining amortization period	13 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% first 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.	20 years of creditable 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

	2018	2017	2016	2015	2014
Civilian Plan	1.50%	0.70%	0.30%	0.10%	0.10%
Sworn Officers' Plan	1.50%	0.70%	0.30%	0.10%	0.10%

Note: The Town implemented GASB 67 in fiscal year 2014.
Information for the previous 5 years is unavailable.

TOWN OF VIENNA, VIRGINIA

Schedule of Components of and Changes in Net Pension Liability and Related Ratios
VRS Pension Plan
For the Years Ended June 30, 2015 through June 30, 2018

	<u>2017</u>		<u>2016</u>		<u>2015</u>		<u>2014</u>
Total pension liability							
Service cost	\$ 1,219,128	\$	1,177,978	\$	1,159,362	\$	1,111,037
Interest	4,272,698		4,148,614		3,962,616		3,809,732
Differences between expected and actual experience	130,678		(375,688)		476,957		-
Changes in assumptions	(253,374)		-		-		-
Benefit payments, including refunds of employee contributions	(3,338,412)		(3,018,142)		(2,865,505)		(2,607,904)
Net change in total pension liability	\$ 2,030,718	\$	1,932,762	\$	2,733,430	\$	2,312,865
Total pension liability - beginning	<u>62,707,748</u>		<u>60,774,986</u>		<u>58,041,556</u>		<u>55,728,691</u>
Total pension liability - ending (a)	<u>\$ 64,738,466</u>	\$	<u>62,707,748</u>	\$	<u>60,774,986</u>	\$	<u>58,041,556</u>
Plan fiduciary net position							
Contributions - employer	\$ 1,295,257	\$	1,413,920	\$	1,356,538	\$	1,365,804
Contributions - employee	641,798		602,967		567,236		546,977
Net investment income	6,064,351		867,305		2,242,886		6,777,243
Benefit payments, including refunds of employee contributions	(3,338,412)		(3,018,142)		(2,865,505)		(2,607,904)
Administrative expense	(35,661)		(31,539)		(31,154)		(36,819)
Other	(5,374)		(369)		(471)		357
Net change in plan fiduciary net position	\$ 4,621,959	\$	(165,858)	\$	1,269,530	\$	6,045,658
Plan fiduciary net position - beginning	<u>50,368,833</u>		<u>50,534,691</u>		<u>49,265,161</u>		<u>43,219,503</u>
Plan fiduciary net position - ending (b)	<u>\$ 54,990,792</u>	\$	<u>50,368,833</u>	\$	<u>50,534,691</u>	\$	<u>49,265,161</u>
Town's net pension liability - ending (a) - (b)	\$ 9,747,674	\$	12,338,915	\$	10,240,295	\$	8,776,395
Plan fiduciary net position as a percentage of the total pension liability	84.94%		80.32%		83.15%		84.88%
Covered payroll	\$ 11,986,303	\$	11,598,748	\$	11,075,000	\$	10,962,381
Town's net pension liability as a percentage of covered payroll	81.32%		106.38%		92.46%		80.06%

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

TOWN OF VIENNA, VIRGINIA

Schedule of Employer Contributions - VRS
For the Years Ended June 30, 2009 through June 30, 2018

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)
2018	\$ 1,318,106	\$ 1,318,106	\$ -	\$ 12,404,281	10.63%
2017	1,323,288	1,323,288	-	11,986,303	11.04%
2016	1,428,966	1,428,966	-	11,598,748	12.32%
2015	1,364,440	1,364,440	-	11,075,000	12.32%
2014	1,366,884	1,366,884	-	10,961,381	12.47%
2013	1,296,157	1,296,157	-	10,394,199	12.47%
2012	959,768	959,768	-	9,793,554	9.80%
2011	963,357	963,357	-	9,830,170	9.80%
2010	1,015,873	1,015,873	-	10,038,271	10.12%
2009	1,004,962	1,004,962	-	9,930,448	10.12%

Notes to Required Supplementary Information
For the Year Ended June 30, 2018

Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this is a fairly new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2017 are not material.

Changes of assumptions – The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

Largest 10 – Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

Largest 10 – Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Increased rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

All Others (Non 10 Largest) – Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

All Others (Non 10 Largest) – Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

Component Unit School Board - Professional Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

Schedule of Town of Vienna, Virginia's Share of Net OPEB Liability
 Group Life Insurance Program
 For the Year Ended June 30, 2018

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
Primary Government					
2017	0.006498% \$	978,000 \$	11,986,303	8.16%	48.86%

Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available. However, additional years will be included as they become available.

Schedule of Employer Contributions

Group Life Insurance Program

For the Years Ended June 30, 2009 through June 30, 2018

Date	Contributions in Relation to				Contributions as a % of Covered Payroll (5)
	Contractually Required Contribution (1)	Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	
Primary Government					
2018	\$ 64,502	\$ 64,502	\$ -	\$ 12,404,281	0.52%
2017	62,329	62,329	-	11,986,303	0.52%
2016	55,674	55,674	-	11,598,748	0.48%
2015	53,160	53,160	-	11,075,000	0.48%
2014	52,657	52,657	-	10,961,381	0.48%
2013	49,941	49,941	-	10,394,199	0.48%
2012	27,422	27,422	-	9,793,554	0.28%
2011	27,537	27,537	-	9,830,170	0.28%
2010	20,329	20,329	-	10,038,271	0.20%
2009	26,816	26,816	-	9,930,448	0.27%

Notes to Required Supplementary Information
Group Life Insurance Program
For the Year Ended June 30, 2018

Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions – The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

General State Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%

Teachers

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

SPORS Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%

VaLORS Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%

Notes to Required Supplementary Information
Group Life Insurance Program
For the Year Ended June 30, 2018 (Continued)

JRS Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Decreased rates at first retirement eligibility
Withdrawal Rates	No change
Disability Rates	Removed disability rates
Salary Scale	No change

Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

Non-Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

Largest Ten Locality Employers - Hazardous Duty Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

Non-Largest Ten Locality Employers - Hazardous Duty Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

Schedule of Employer's Share of Net LODA OPEB Liability
Line of Duty Act Program (LODA)
For the Year Ended June 30, 2018

Date (1)	Employer's Proportion of the Net LODA OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net LODA OPEB Liability (Asset) (3)	Covered- Employee Payroll * (4)	Employer's Proportionate Share of the Net LODA OPEB Liability (Asset) as a Percentage of its Covered-Employee Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total LODA OPEB Liability (6)
2017	0.20911% \$	550,000 \$	Not Applicable	Not Applicable	1.30%

* The contributions for the Line of Duty Act Program are based on the number of participants in the Program using a per capita-based contribution versus a payroll-based contribution. Therefore, covered-employee payroll is the relevant measurement, which is the total payroll of the employees in the OPEB plan. However, when volunteers and part-time employees make up a significant percentage of the employer's members in the plan, the employer may determine that covered-employee payroll is misleading and, therefore, not applicable for disclosure.

Schedule is intended to show information for 10 years. Since 2018 is the first year for this presentation, only one year of data is available. However, additional years will be included as they become available.

Schedule of Employer Contributions

Line of Duty Act Program (LODA)

For the Years Ended June 30, 2009 through June 30, 2018

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Covered- Employee Payroll * (4)	Contributions as a % of Covered - Employee Payroll (5)
2018	\$ 23,000	\$ 23,000	-	\$ Not Applicable	Not Applicable
2017	22,000	22,000	-	Not Applicable	Not Applicable

*

The contributions for the Line of Duty Act Program are based on the number of participants in the Program using a per capita-based contribution versus a payroll-based contribution. Therefore, covered-employee payroll is the relevant measurement, which is the total payroll of employees in the OPEB plan. However, when volunteers and part-time employees make up a significant percentage of the employer's members in the plan, the employer may determine that covered-employee payroll is misleading and, therefore, not applicable for disclosure.

Schedule is intended to show information for 10 years. Additional years will be included as they become available.

Notes to Required Supplementary Information
Line of Duty Act Program (LODA)
For the Year Ended June 30, 2018

Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions – The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

General State Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%

SPORS Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%

VaLORS Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%

Employees in the Largest Ten Locality Employers with Public Safety Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

Employees in the Non-Largest Ten Locality Employers with Public Safety Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

Schedule of Changes in Total OPEB Liability and Related Ratios
For the Year Ended June 30, 2018

	<u>2018</u>
Total OPEB liability	
Service cost	\$ 51,767
Interest	61,980
Changes in assumptions	-
Differences between expected and actual experience	(10,154)
Benefit payments	(60,993)
Net change in total OPEB liability	\$ 42,600
Total OPEB liability - beginning	<u>1,719,493</u>
Total OPEB liability - ending	<u><u>\$ 1,762,093</u></u>
 Covered-employee payroll	 \$ 13,170,890
 Town's total OPEB liability as a percentage of covered-employee payroll	 13.4%

Schedule is intended to show information for 10 years. Additional years will be included as they become available.

Notes to Required Supplementary Information - Town OPEB
For the Year Ended June 30, 2018

Valuation Date: 1/1/2017

Measurement Date: 6/30/2018

No assets are accumulated in a trust that meets the criteria in GASB 75 to pay related benefits.

Methods and assumptions used to determine OPEB liability:

Actuarial Cost Method	Entry age normal level % of salary
Discount Rate	3.62%
Inflation	2.50%
Healthcare Trend Rate	The healthcare trend rate assumption starts at 6.00% in 2018 and gradually declines to 4.25%
Salary Increase Rates	2.50% per year
Retirement Age	50 with 20 years of service for Public Safety, 50 with 30 years of service for Civilian
Mortality Rates	Mortality rates: RP 2000 table projected to 2027 with scale

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- Other Supplementary Information -

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TOWN OF VIENNA, VIRGINIA

Combining Balance Sheet
Nonmajor Governmental Funds
At June 30, 2018

	Special Revenue Funds		Total
	Stormwater Fund	Gang Task Force Fund	Nonmajor Governmental Funds
Assets:			
Cash and cash equivalents	\$ 514,789	\$ -	\$ 514,789
Restricted:			
Cash and cash equivalents	-	913,545	913,545
Total assets	<u>\$ 514,789</u>	<u>\$ 913,545</u>	<u>\$ 1,428,334</u>
Liabilities:			
Accounts payable	\$ 32,099	\$ -	\$ 32,099
Accrued liabilities	<u>1,897</u>	<u>247,660</u>	<u>249,557</u>
Total liabilities	<u>\$ 33,996</u>	<u>\$ 247,660</u>	<u>\$ 281,656</u>
Fund Balance:			
Restricted:			
Stormwater funds	\$ 480,793	\$ -	\$ 480,793
Gang task force funds	<u>-</u>	<u>665,885</u>	<u>665,885</u>
Total fund balance	<u>\$ 480,793</u>	<u>\$ 665,885</u>	<u>\$ 1,146,678</u>
Total liabilities and fund balance	<u>\$ 514,789</u>	<u>\$ 913,545</u>	<u>\$ 1,428,334</u>

TOWN OF VIENNA, VIRGINIA

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2018

	Special Revenue Funds		Total
	Stormwater	Gang	Nonmajor
	Fund	Task Force	Governmental
	Fund	Fund	Funds
Revenues:			
Revenue from use of money and property	\$ 3,019	\$ 7,388	\$ 10,407
Miscellaneous	2,393	-	2,393
Intergovernmental	352,621	325,000	677,621
Total revenues	\$ 358,033	\$ 332,388	\$ 690,421
Expenditures:			
Current:			
Public safety	\$ -	\$ 387,428	\$ 387,428
Public works	199,039	-	199,039
Total expenditures	\$ 199,039	\$ 387,428	\$ 586,467
Excess (deficiency) of revenues over (under) expenditures	\$ 158,994	\$ (55,040)	\$ 103,954
Net changes in fund balances	\$ 158,994	\$ (55,040)	\$ 103,954
Fund balances at beginning of year	321,799	720,925	1,042,724
Fund balances at end of year	\$ 480,793	\$ 665,885	\$ 1,146,678

TOWN OF VIENNA, VIRGINIA

Fiduciary Funds

Combining Statement of Fiduciary Net Position
At June 30, 2018

	Pension Trust Funds		
	Local Retirement Fund	Police Retirement Fund	Total
Assets:			
Investment in State Treasurer's Local Government Investment Pool	\$ 2,454,453	\$ 3,137,839	\$ 5,592,292
Total assets	\$ 2,454,453	\$ 3,137,839	\$ 5,592,292
Liabilities:			
Accounts payable	\$ -	\$ 265	\$ 265
Total liabilities	\$ -	\$ 265	\$ 265
Net Position:			
Held in trust for pension benefits	\$ 2,454,453	\$ 3,137,574	\$ 5,592,027

TOWN OF VIENNA, VIRGINIA

Fiduciary Funds

Combining Statement of Changes in Fiduciary Net Position
Year Ended June 30, 2018

	Local Retirement Fund	Police Retirement Fund	Total
Additions:			
Contributions:			
Employer	\$ 194,043	\$ 191,369	\$ 385,412
Plan members	<u>-</u>	<u>42,676</u>	<u>42,676</u>
Total contributions	\$ 194,043	\$ 234,045	\$ 428,088
Investment income:			
Interest earned on investments	<u>35,136</u>	<u>46,429</u>	<u>81,565</u>
Total additions	<u>\$ 229,179</u>	<u>\$ 280,474</u>	<u>\$ 509,653</u>
Deductions:			
Pension benefit payments	\$ 183,318	\$ 284,497	\$ 467,815
Other charges	<u>4,483</u>	<u>9,310</u>	<u>13,793</u>
Total deductions	<u>\$ 187,801</u>	<u>\$ 293,807</u>	<u>\$ 481,608</u>
Net increase in plan assets	\$ 41,378	\$ (13,333)	\$ 28,045
Net position held in trust for pension benefits:			
Balance, beginning of year	<u>2,413,075</u>	<u>3,150,907</u>	<u>5,563,982</u>
Balance, end of year	<u><u>\$ 2,454,453</u></u>	<u><u>\$ 3,137,574</u></u>	<u><u>\$ 5,592,027</u></u>

TOWN OF VIENNA, VIRGINIA

Governmental Funds

Schedule of Revenues - Budget and Actual
Year Ended June 30, 2018

Fund, Major and Minor Revenue Source	Original Budget	Amended Budget	Actual	Variance Positive (Negative)
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 10,720,000	\$ 10,720,000	\$ 10,779,795	\$ 59,795
Public service corporation taxes:				
Real property	92,000	92,000	96,703	4,703
Penalties and interest	68,000	68,000	70,573	2,573
Total general property taxes	\$ 10,880,000	\$ 10,880,000	\$ 10,947,071	\$ 67,071
Other local taxes:				
Local sales and use taxes	\$ 1,400,000	\$ 1,400,000	\$ 1,455,924	\$ 55,924
Consumer utility taxes	665,000	665,000	704,729	39,729
Business license tax	2,320,000	2,320,000	2,263,860	(56,140)
Motor vehicle license tax	380,000	380,000	392,166	12,166
Bank franchise taxes	1,250,000	1,250,000	1,127,691	(122,309)
Tobacco tax	260,000	260,000	242,497	(17,503)
Fiber-optic franchise tax	32,000	32,000	41,908	9,908
Telecommunications tax	125,000	125,000	194,631	69,631
Media general franchise fees and related taxes	150,000	150,000	169,406	19,406
Utility consumption taxes	59,000	59,000	60,371	1,371
Total other local taxes	\$ 6,641,000	\$ 6,641,000	\$ 6,653,183	\$ 12,183
Permits, privilege fees and regulatory licenses:				
Animal licenses	\$ 15,000	\$ 15,000	\$ 12,743	\$ (2,257)
Other permits, privilege fees and regulatory licenses	248,200	248,200	302,123	53,923
Total permits, privilege fees and regulatory licenses	\$ 263,200	\$ 263,200	\$ 314,866	\$ 51,666
Fines and Forfeitures:				
Court fines and forfeitures	\$ 388,000	\$ 388,000	\$ 340,103	\$ (47,897)

Governmental Funds

Schedule of Revenues - Budget and Actual
Year Ended June 30, 2018 (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	\$ 40,000	\$ 40,000	\$ 110,361	\$ 70,361
Concessions and rentals	<u>112,000</u>	<u>112,000</u>	<u>162,044</u>	<u>50,044</u>
Total revenue from use of money and property	<u>\$ 152,000</u>	<u>\$ 152,000</u>	<u>\$ 272,405</u>	<u>\$ 120,405</u>
Charges for services:				
Recreation fees	\$ 735,000	\$ 749,744	\$ 708,138	\$ (41,606)
Police reimbursements	-	17,325	20,225	2,900
Special service fees	<u>35,000</u>	<u>35,000</u>	<u>32,774</u>	<u>(2,226)</u>
Total charges for services	<u>\$ 770,000</u>	<u>\$ 802,069</u>	<u>\$ 761,137</u>	<u>\$ (40,932)</u>
Miscellaneous:				
Miscellaneous income	<u>\$ 109,800</u>	<u>\$ 149,058</u>	<u>\$ 355,051</u>	<u>\$ 205,993</u>
Total revenue from local sources	<u>\$ 19,204,000</u>	<u>\$ 19,275,327</u>	<u>\$ 19,643,816</u>	<u>\$ 368,489</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Non-categorical aid:				
Communication sales and use tax	\$ 1,020,000	\$ 1,020,000	\$ 976,163	\$ (43,837)
Rolling stock tax	<u>-</u>	<u>-</u>	<u>358</u>	<u>358</u>
Total non-categorical aid	<u>\$ 1,020,000</u>	<u>\$ 1,020,000</u>	<u>\$ 976,521</u>	<u>\$ (43,479)</u>
Categorical aid:				
Street and highway maintenance	\$ 1,812,000	\$ 1,812,000	\$ 1,765,896	\$ (46,104)
Law enforcement assistance	7,500	7,500	3,750	(3,750)
FEMA grants	-	-	2,762	2,762
Public safety grants	388,000	388,000	388,192	192
Fire funds	<u>50,910</u>	<u>50,910</u>	<u>52,444</u>	<u>1,534</u>
Total Categorical aid	<u>\$ 2,258,410</u>	<u>\$ 2,258,410</u>	<u>\$ 2,213,044</u>	<u>\$ (45,366)</u>
Total revenue from the Commonwealth	<u>\$ 3,278,410</u>	<u>\$ 3,278,410</u>	<u>\$ 3,189,565</u>	<u>\$ (88,845)</u>

Governmental Funds

Schedule of Revenues - Budget and Actual
Year Ended June 30, 2018 (continued)

Fund, Major and Minor Revenue Source	Original Budget	Amended Budget	Actual	Variance Positive (Negative)
<u>General Fund: (continued)</u>				
Intergovernmental: (continued)				
Revenue from federal government:				
Categorical aid:				
Public safety grants	\$ 65,000	\$ 65,000	\$ 62,877	\$ (2,123)
FEMA grant	-	-	40,364	40,364
DMV grants	20,000	20,000	44,653	24,653
Total revenue from the federal government	\$ 85,000	\$ 85,000	\$ 147,894	\$ 62,894
Total General Fund	\$ 22,567,410	\$ 22,638,737	\$ 22,981,275	\$ 342,538
<u>Debt Service Fund:</u>				
Revenue from local sources:				
Other local taxes:				
Meals and lodging tax	\$ 2,600,000	\$ 2,600,000	\$ 2,811,930	\$ 211,930
Revenue from use of money and property:				
Interest on bank deposits	12,000	12,000	83,330	71,330
Miscellaneous:				
Miscellaneous income	-	-	80	80
Intergovernmental:				
Revenue from federal government:				
Build America Bonds interest subsidy	36,000	36,000	32,704	(3,296)
Total Debt Service Fund	\$ 2,648,000	\$ 2,648,000	\$ 2,928,044	\$ 280,044
<u>Capital Projects Fund:</u>				
Revenue from local sources:				
Revenue from use of money and property:				
Interest on investments	\$ -	\$ -	\$ 82,085	\$ 82,085
Miscellaneous:				
Donations and contributions	\$ -	\$ -	\$ -	\$ -
Other	-	-	16,826	16,826
Total miscellaneous	\$ -	\$ -	\$ 16,826	\$ 16,826
Total revenue from local sources	\$ -	\$ -	\$ 98,911	\$ 98,911
Intergovernmental:				
Fairfax County - streets	\$ -	\$ -	\$ 18,010	\$ 18,010
Revenue from the Commonwealth:				
VDOT grants	\$ 1,328,448	\$ 1,328,448	\$ 1,602,774	\$ 274,326
Stormwater local assistance	-	-	496,387	496,387
Total revenue from the Commonwealth	\$ 1,328,448	\$ 1,328,448	\$ 2,099,161	\$ 770,713
Revenue from federal government:				
Federal transit grants	\$ 789,690	\$ 789,690	\$ -	\$ (789,690)
Total Capital Projects Fund	\$ 2,118,138	\$ 2,118,138	\$ 2,216,082	\$ 97,944
<u>Special Revenue Funds:</u>				
<u>Stormwater Fund</u>				
Revenue from local sources:				
Revenue from use of money and property:				
Interest on investments	\$ -	\$ -	\$ 3,019	\$ 3,019
Miscellaneous:				
Miscellaneous income	-	2,690	2,393	(297)
Intergovernmental:				
Fairfax County - stormwater tax	\$ 313,170	\$ 313,170	\$ 352,621	\$ 39,451
Total Stormwater Fund	\$ 313,170	\$ 315,860	\$ 358,033	\$ 42,173

Governmental Funds

Schedule of Revenues - Budget and Actual
Year Ended June 30, 2018 (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	\$ -	\$ -	\$ 7,388	\$ 7,388
Intergovernmental:				
Local governments	\$ -	\$ -	\$ 325,000	\$ 325,000
Total Gang Task Force Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 332,388</u>	<u>\$ 332,388</u>
Special Transportation Fund				
Intergovernmental:				
Northern Virginia Transportation Authority	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 468,548</u>	<u>\$ 468,548</u>
Total Special Revenue Funds	<u>\$ 313,170</u>	<u>\$ 315,860</u>	<u>\$ 1,158,969</u>	<u>\$ 843,109</u>
Total All Governmental Funds	<u>\$ 27,646,718</u>	<u>\$ 27,720,735</u>	<u>\$ 29,284,370</u>	<u>\$ 1,563,635</u>

TOWN OF VIENNA, VIRGINIA

Governmental Funds

**Schedule of Expenditures - Budget and Actual
Year Ended June 30, 2018**

Fund, Function, Activity and Elements	Original Budget	Revised Budget	Actual	Variance Positive (Negative)
<u>General Fund:</u>				
General Government Administration:				
Legislative:				
Town council	\$ 84,220	\$ 84,035	\$ 76,394	\$ 7,641
Boards and commissions	53,320	52,720	52,774	(54)
Town clerk	279,520	280,155	282,628	(2,473)
Total legislative	<u>\$ 417,060</u>	<u>\$ 416,910</u>	<u>\$ 411,796</u>	<u>\$ 5,114</u>
General and Financial Administration:				
Town manager	\$ 349,090	\$ 350,540	\$ 356,481	\$ (5,941)
Administrative services	468,090	471,050	415,720	55,330
Legal services	295,280	295,230	295,825	(595)
Financial administration	682,200	699,200	703,902	(4,702)
Disbursement operations	196,710	197,510	212,994	(15,484)
Risk management	558,150	543,936	483,051	60,885
Information technology	842,610	885,850	863,241	22,609
Purchasing	165,640	165,640	161,359	4,281
Revenue operations	457,790	457,790	428,420	29,370
Public information	285,690	357,950	347,681	10,269
Central services	61,150	61,150	63,828	(2,678)
PC replacement	50,000	50,000	48,505	1,495
Total general and financial administration	<u>\$ 4,412,400</u>	<u>\$ 4,535,846</u>	<u>\$ 4,381,007</u>	<u>\$ 154,839</u>
Total general government administration	<u><u>\$ 4,829,460</u></u>	<u><u>\$ 4,952,756</u></u>	<u><u>\$ 4,792,803</u></u>	<u><u>\$ 159,953</u></u>
Public Safety:				
Law enforcement and traffic control:				
Police administration	\$ 923,060	\$ 925,620	\$ 808,094	\$ 117,526
Uniform patrol	2,369,400	2,382,354	2,514,403	(132,049)
Communications	1,117,780	1,121,923	1,130,157	(8,234)
Investigations	1,143,630	1,146,114	1,085,871	60,243
Community services	107,280	121,308	115,516	5,792
Traffic unit	740,460	746,716	608,463	138,253
Equipment replacement	222,284	222,284	222,284	-
Gang task force	89,190	78,690	87,992	(9,302)
Other law enforcement and traffic control	-	85,210	117,842	(32,632)
Total law enforcement and traffic control	<u>\$ 6,713,084</u>	<u>\$ 6,830,219</u>	<u>\$ 6,690,622</u>	<u>\$ 139,597</u>

Governmental Funds

Schedule of Expenditures - Budget and Actual
Year Ended June 30, 2018 (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>				
Public Safety: (continued)				
Fire and rescue:				
Volunteer fire department	\$ 60,910	\$ 60,910	\$ 62,444	\$ (1,534)
Other protection:				
Personal property/animal control	\$ 89,530	\$ 89,530	\$ 96,731	\$ (7,201)
Total public safety	<u>\$ 6,863,524</u>	<u>\$ 6,980,659</u>	<u>\$ 6,849,797</u>	<u>\$ 130,862</u>
Public Works:				
Maintenance of streets, highways, bridges, and sidewalks:				
General administration	\$ 725,720	\$ 726,370	\$ 680,065	\$ 46,305
Street maintenance	1,887,630	1,901,210	1,674,557	226,653
Snow removal	247,550	237,650	242,574	(4,924)
Traffic engineering	357,800	359,300	313,990	45,310
Total maintenance of streets, highways, bridges, and sidewalks	<u>\$ 3,218,700</u>	<u>\$ 3,224,530</u>	<u>\$ 2,911,186</u>	<u>\$ 313,344</u>
Sanitation and waste removal:				
Sanitation	\$ 1,719,730	\$ 1,729,330	\$ 1,802,665	\$ (73,335)
Fall/spring cleanup - leaf collection and other	84,730	50,330	28,706	21,624
Total sanitation and waste removal	<u>\$ 1,804,460</u>	<u>\$ 1,779,660</u>	<u>\$ 1,831,371</u>	<u>\$ (51,711)</u>
Maintenance of buildings and grounds:				
Vehicle and equipment maintenance	\$ 1,191,670	\$ 1,193,170	\$ 1,149,098	\$ 44,072
Maintenance equipment	427,196	457,196	306,312	150,884
Maintenance of buildings and grounds	1,229,060	1,247,160	1,185,605	61,555
Total maintenance of buildings and grounds	<u>\$ 2,847,926</u>	<u>\$ 2,897,526</u>	<u>\$ 2,641,015</u>	<u>\$ 256,511</u>
Total public works	<u>\$ 7,871,086</u>	<u>\$ 7,901,716</u>	<u>\$ 7,383,572</u>	<u>\$ 518,144</u>
Health and Welfare:				
Welfare/Social Services:				
Property tax relief for the elderly	<u>\$ 234,700</u>	<u>\$ 234,700</u>	<u>\$ 222,844</u>	<u>\$ 11,856</u>

Governmental Funds

Schedule of Expenditures - Budget and Actual
Year Ended June 30, 2018 (continued)

Fund, Function, Activity and Elements	Original Budget	Revised Budget	Actual	Variance Positive (Negative)
<u>General Fund: (continued)</u>				
Parks, Recreation, and Cultural:				
Parks and recreation:				
Administration	\$ 796,570	\$ 761,470	\$ 750,085	\$ 11,385
Parks and recreation programs	450,590	456,960	414,253	42,707
General maintenance	1,103,640	1,109,239	1,059,315	49,924
Community center	548,400	590,630	601,722	(11,092)
Special events	147,100	180,277	149,291	30,986
Parks and recreation equipment	50,520	50,520	50,520	-
Teen Center	213,470	213,470	189,450	24,020
Historic preservation	35,500	34,500	32,547	1,953
Total parks and recreation	<u>\$ 3,345,790</u>	<u>\$ 3,397,066</u>	<u>\$ 3,247,183</u>	<u>\$ 149,883</u>
Community Development:				
Planning and community development:				
Planning and zoning	\$ 964,600	\$ 1,017,750	\$ 943,532	\$ 74,218
Various contributions	17,050	17,050	11,550	5,500
Total planning and community development	<u>\$ 981,650</u>	<u>\$ 1,034,800</u>	<u>\$ 955,082</u>	<u>\$ 79,718</u>
Total General Fund	<u>\$ 24,126,210</u>	<u>\$ 24,501,697</u>	<u>\$ 23,451,281</u>	<u>\$ 1,050,416</u>
<u>Debt Service Fund:</u>				
Debt Service:				
Principal retirement	\$ 2,540,940	\$ 2,540,940	\$ 2,536,253	\$ 4,687
Interest and fiscal charges	580,465	580,465	583,034	(2,569)
Total Debt Service Fund	<u>\$ 3,121,405</u>	<u>\$ 3,121,405</u>	<u>\$ 3,119,287</u>	<u>\$ 2,118</u>

TOWN OF VIENNA, VIRGINIA

Governmental Funds

Schedule of Expenditures - Budget and Actual
Year Ended June 30, 2018 (continued)

Fund, Function, Activity and Elements	Original Budget	Revised Budget	Actual	Variance Positive (Negative)
<u>Capital Projects Fund:</u>				
Capital projects:				
Facilities projects	\$ -	\$ -	\$ 1,815,651	\$ (1,815,651)
Equipment system project	-	-	249,490	(249,490)
Sidewalk, curb, and gutter projects	-	-	1,277,982	(1,277,982)
Street improvement projects	-	-	1,456,719	(1,456,719)
Stormwater projects	-	-	626,699	(626,699)
Other capital projects and administration	-	-	289,538	(289,538)
Total capital projects	\$ -	\$ -	\$ 5,716,079	\$ (5,716,079)
Total Capital Projects Fund	\$ -	\$ -	\$ 5,716,079	\$ (5,716,079)
<u>Special Revenue Funds:</u>				
<u>Gang Task Force Fund</u>				
Public Safety:				
Law enforcement and traffic control:				
Asset forfeiture program	\$ -	\$ -	\$ 387,428	\$ (387,428)
<u>Stormwater Fund</u>				
Public Works:				
Stormwater	\$ 437,730	\$ 440,420	\$ 199,039	\$ 241,381
<u>Special Transportation Fund</u>				
Public Works:				
NVTA administration	\$ -	\$ -	\$ 12,476	\$ (12,476)
Total Special Revenue Funds	\$ 437,730	\$ 440,420	\$ 598,943	\$ (158,523)
Total All Governmental Funds	\$ 27,685,345	\$ 28,063,522	\$ 32,885,590	\$ (4,822,068)

- 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>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Governmental activities:				
Net investment in capital assets	\$ 37,874,402	\$ 38,411,117	\$ 37,220,697	\$ 36,673,150
Restricted	-	-	455,135	500,716
Unrestricted	<u>14,730,114</u>	<u>13,077,123</u>	<u>13,025,908</u>	<u>14,218,648</u>
Total governmental activities net position	<u><u>\$ 52,604,516</u></u>	<u><u>\$ 51,488,240</u></u>	<u><u>\$ 50,701,740</u></u>	<u><u>\$ 51,392,514</u></u>
Business-type activities:				
Net investment in capital assets	\$ 7,782,540	\$ 7,927,058	\$ 8,069,308	\$ 8,183,057
Unrestricted	<u>1,054,949</u>	<u>287,487</u>	<u>(52,010)</u>	<u>(936,451)</u>
Total business-type activities net position	<u><u>\$ 8,837,489</u></u>	<u><u>\$ 8,214,545</u></u>	<u><u>\$ 8,017,298</u></u>	<u><u>\$ 7,246,606</u></u>
Primary government:				
Net investment in capital assets	\$ 45,656,942	\$ 46,338,175	\$ 45,290,005	\$ 44,856,207
Restricted	-	-	455,135	500,716
Unrestricted	<u>15,785,063</u>	<u>13,364,610</u>	<u>12,973,898</u>	<u>13,282,197</u>
Total primary government net position	<u><u>\$ 61,442,005</u></u>	<u><u>\$ 59,702,785</u></u>	<u><u>\$ 58,719,038</u></u>	<u><u>\$ 58,639,120</u></u>

A. In the 2018 columns the sum of the columns does not equal the Total column by a difference of \$2,546,999, because of bonds payable related to the Business-Type Activities is reflected in the Governmental Activities column reducing unrestricted net position. The assets are reflected in the Business-Type Activities column as net investment in capital assets. The Total column matches the assets with the debt and reports the net amount of the net investment in capital assets.

Table 1

2013	2014	2015	2016	2017	2018
\$ 34,564,184	\$ 33,760,786	\$ 32,229,231	\$ 38,894,331	\$ 44,195,940	\$ 49,536,591
1,400,252	1,369,520	1,678,433	1,875,915	2,063,297	2,312,174
15,676,550	15,163,500	4,763,891	7,963,012	5,468,424	(1,585,617)
<u>\$ 51,640,986</u>	<u>\$ 50,293,806</u>	<u>\$ 38,671,555</u>	<u>\$ 48,733,258</u>	<u>\$ 51,727,661</u>	<u>\$ 50,263,148</u>
\$ 7,911,570	\$ 7,981,491	\$ 9,358,019	\$ 9,846,088	\$ 11,096,338	\$ 12,774,095
(441,240)	(18,296)	(592,683)	(474,233)	(1,202,211)	(812,487)
<u>\$ 7,470,330</u>	<u>\$ 7,963,195</u>	<u>\$ 8,765,336</u>	<u>\$ 9,371,855</u>	<u>\$ 9,894,127</u>	<u>\$ 11,961,608</u>
\$ 42,475,754	\$ 41,742,277	\$ 41,587,250	\$ 48,740,419	\$ 55,292,278	\$ 59,763,687
1,400,252	1,369,520	1,678,433	1,875,915	2,063,297	2,312,174
15,235,310	15,145,204	4,171,208	7,488,779	4,266,213	148,895
<u>\$ 59,111,316</u>	<u>\$ 58,257,001</u>	<u>\$ 47,436,891</u>	<u>\$ 58,105,113</u>	<u>\$ 61,621,788</u>	<u>\$ 62,224,756</u>

TOWN OF VIENNA, VIRGINIA

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

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

Table 2

2012	2013	2014	2015	2016	2017	2018
\$ 3,635,414	\$ 4,147,172	\$ 4,356,498	\$ 4,599,322	\$ 4,922,997	\$ 5,094,803	\$ 5,170,292
6,100,525	6,429,827	7,415,110	6,815,222	7,052,929	7,363,849	7,382,560
9,220,813	10,286,260	10,311,313	10,217,103	8,917,396	10,566,449	9,060,173
275,881	261,658	240,913	236,811	240,410	232,186	222,844
2,863,152	3,228,786	3,110,412	3,271,954	3,040,826	3,100,416	3,487,948
846,444	867,961	857,727	665,881	781,494	850,738	931,277
468,645	602,885	596,719	479,678	707,242	473,480	649,611
\$ 23,410,874	\$ 25,824,549	\$ 26,888,692	\$ 26,285,971	\$ 25,663,294	\$ 27,681,921	\$ 26,904,705
6,223,267	6,151,284	5,907,863	5,713,223	6,096,402	7,022,326	6,897,356
\$ 29,634,141	\$ 31,975,833	\$ 32,796,555	\$ 31,999,194	\$ 31,759,696	\$ 34,704,247	\$ 33,802,061
\$ 21,341	\$ 23,030	\$ 27,895	\$ 27,620	\$ 35,896	\$ 40,719	\$ 32,774
660,559	617,223	629,143	641,051	613,564	651,247	675,194
737,865	754,445	763,033	737,297	536,163	501,214	708,138
2,134,393	3,082,757	3,157,284	3,018,343	3,194,985	3,108,013	3,089,273
497,335	1,610,089	866,348	2,209,526	8,394,653	4,102,140	2,567,709
\$ 4,051,493	\$ 6,087,544	\$ 5,443,703	\$ 6,633,837	\$ 12,775,261	\$ 8,403,333	\$ 7,073,088
\$ 6,065,317	\$ 7,129,668	\$ 6,985,412	\$ 7,018,076	\$ 6,902,605	\$ 7,386,960	\$ 7,526,619
112,490	-	-	264,630	213,405	486,400	-
\$ 6,177,807	\$ 7,129,668	\$ 6,985,412	\$ 7,282,706	\$ 7,116,010	\$ 7,873,360	\$ 7,526,619
\$ 10,229,300	\$ 13,217,212	\$ 12,429,115	\$ 13,916,543	\$ 19,891,271	\$ 16,276,693	\$ 14,599,707
\$ (19,404,841)	\$ (18,758,621)	\$ (20,367,440)	\$ (18,082,651)	\$ (11,868,425)	\$ (18,427,554)	\$ (19,202,354)
\$ 9,055,525	\$ 9,193,705	\$ 9,217,757	\$ 9,820,079	\$ 10,174,969	\$ 10,621,309	\$ 10,956,206
1,259,235	1,320,803	1,350,263	1,465,129	1,484,216	1,425,248	1,455,924
645,869	660,323	667,116	668,218	659,320	654,778	704,729
2,288,730	2,217,307	2,329,139	2,334,987	2,221,072	2,258,387	2,263,860
2,016,210	2,212,543	2,263,450	2,339,686	2,520,856	2,691,356	2,811,930
1,892,753	1,836,673	1,725,943	2,170,698	2,434,700	2,174,391	2,228,670
1,090,891	1,092,804	1,074,053	1,064,604	1,033,119	1,008,803	976,521
199,270	224,039	214,818	265,103	179,769	215,206	448,227
720,327	244,303	350,451	799,340	1,560,383	565,965	374,350
881,345	982,977	904,819	(235,961)	681,332	657,548	(1,284,325)
\$ 20,050,155	\$ 19,985,477	\$ 20,097,809	\$ 20,691,883	\$ 22,949,736	\$ 22,272,991	\$ 20,936,092
\$ 1,327	\$ 2,474	\$ 2,116	\$ 3,240	\$ 6,029	\$ 8,997	\$ 15,181
154,786	225,843	318,019	255,595	262,214	319,789	344,566
(881,345)	(982,977)	(904,819)	235,961	(681,332)	(657,548)	1,284,325
\$ (725,232)	\$ (754,660)	\$ (584,684)	\$ 494,796	\$ (413,089)	\$ (328,762)	\$ 1,644,072
\$ 19,324,923	\$ 19,230,817	\$ 19,513,125	\$ 21,186,679	\$ 22,536,647	\$ 21,944,229	\$ 22,580,164
\$ 690,774	\$ 248,472	\$ (1,347,180)	\$ 1,039,749	\$ 10,061,703	\$ 2,994,403	\$ 1,104,475
(770,692)	223,724	492,865	2,064,279	606,519	522,272	2,273,335
\$ (79,918)	\$ 472,196	\$ (854,315)	\$ 3,104,028	\$ 10,668,222	\$ 3,516,675	\$ 3,377,810

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
2018	\$ 10,956,206	\$ 1,455,924	\$ 704,729	\$ 2,263,860	\$ 2,811,930
2017	10,621,309	1,425,248	654,778	2,258,387	2,691,356
2016	10,174,969	1,484,216	659,320	2,221,072	2,520,856
2015	9,820,079	1,465,129	668,218	2,334,987	2,339,686
2014	9,217,757	1,350,263	667,116	2,329,139	2,263,450
2013	9,193,705	1,320,803	660,323	2,217,307	2,212,543
2012	9,055,525	1,259,235	645,869	2,288,730	2,016,210
2011	8,626,227	1,336,821	660,823	1,964,360	1,795,855
2010	8,668,872	1,285,506	656,858	1,973,781	1,698,298
2009	8,523,543	1,224,471	659,932	2,204,093	1,691,961
2008	7,838,966	1,214,258	660,742	2,095,137	2,385,355

Table 3

Motor Vehicle License Tax	Bank Franchise Tax	Tobacco Taxes	Other Taxes	Total
\$ 392,166	\$ 1,127,691	\$ 242,497	\$ 466,316	\$ 20,421,319
364,648	1,100,576	233,877	475,290	19,825,469
383,469	1,416,573	249,175	385,483	19,495,133
368,070	1,153,976	262,035	386,617	18,798,797
354,312	697,798	302,198	371,635	17,553,668
389,640	761,646	323,901	361,486	17,441,354
382,597	789,721	347,078	373,357	17,158,322
347,963	867,459	350,098	350,190	16,299,796
-	557,561	359,962	362,466	15,563,304
-	444,050	407,741	325,635	15,481,426
12,213	420,385	429,906	318,819	15,375,781

TOWN OF VIENNA, VIRGINIA

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

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

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

Table 4

2012	2013	2014	2015	2016	2017	2018
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
149,756	139,335	130,424	245,742	108,149	111,338	124,235
500,716	543,982	497,367	621,991	798,241	1,020,573	1,165,496
1,854,854	1,740,672	1,593,542	1,508,479	1,620,960	1,406,460	1,280,000
1,769,805	1,869,852	1,918,210	2,042,064	1,183,920	1,258,241	1,420,495
4,585,175	4,715,920	4,243,138	4,768,169	4,447,066	4,469,240	4,578,960
<u>\$ 8,860,306</u>	<u>\$ 9,009,761</u>	<u>\$ 8,382,681</u>	<u>\$ 9,186,445</u>	<u>\$ 8,158,336</u>	<u>\$ 8,265,852</u>	<u>\$ 8,569,186</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	327,000	-	-	-	182,678
4,120,330	4,562,958	4,601,551	4,922,622	6,348,055	6,696,150	7,261,003
<u>\$ 4,120,330</u>	<u>\$ 4,562,958</u>	<u>\$ 4,928,551</u>	<u>\$ 4,922,622</u>	<u>\$ 6,348,055</u>	<u>\$ 6,696,150</u>	<u>\$ 7,443,681</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
6,544,456	7,903,967	12,678,854	8,820,174	10,830,402	3,378,467	7,091,714
<u>\$ 6,544,456</u>	<u>\$ 7,903,967</u>	<u>\$ 12,678,854</u>	<u>\$ 8,820,174</u>	<u>\$ 10,830,402</u>	<u>\$ 3,378,467</u>	<u>\$ 7,091,714</u>
\$ -	\$ 856,270	\$ 872,153	\$ 1,056,442	\$ 1,077,674	\$ 1,042,724	\$ 1,146,678

TOWN OF VIENNA, VIRGINIA

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

	2009	2010	2011	2012
Revenues:				
General property taxes	\$ 8,473,707	\$ 8,689,481	\$ 8,633,014	\$ 9,017,905
Other local taxes	8,071,034	6,894,432	7,673,569	8,102,797
Permits, privilege fees and regulatory licenses	88,388	101,143	117,484	135,197
Fines and forfeitures	277,174	298,921	414,608	512,500
Revenue from use of money and property	411,190	265,712	219,127	199,270
Charges for services	738,987	713,568	734,344	772,068
Miscellaneous	432,804	274,906	262,553	720,327
Intergovernmental	2,450,707	4,363,577	3,937,987	3,722,619
Total revenues	<u>\$ 20,943,991</u>	<u>\$ 21,601,740</u>	<u>\$ 21,992,686</u>	<u>\$ 23,182,683</u>
Expenditures:				
Current:				
General government administration	\$ 3,317,553	\$ 3,545,989	\$ 3,569,339	\$ 3,663,319
Public safety	5,968,972	5,850,604	5,725,283	6,089,459
Public works	6,847,062	6,617,842	6,914,263	6,765,678
Health and welfare	291,386	290,027	284,147	275,187
Parks, recreation, and cultural	2,651,234	2,729,770	2,803,448	2,935,398
Community development	742,287	728,309	722,868	863,380
Capital projects	305,176	1,294,779	1,499,027	1,200,696
Debt service:				
Principal retirement	2,336,039	2,152,250	2,043,511	2,053,478
Interest and other fiscal charges	547,157	458,754	436,827	495,179
Total expenditures	<u>\$ 23,006,866</u>	<u>\$ 23,668,324</u>	<u>\$ 23,998,713</u>	<u>\$ 24,341,774</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (2,062,875)</u>	<u>\$ (2,066,584)</u>	<u>\$ (2,006,027)</u>	<u>\$ (1,159,091)</u>
Other financing sources (uses):				
Issuance of capital lease	\$ 512,025	\$ -	\$ 529,427	\$ 700,000
Long term debt issued	-	-	4,990,000	-
Premium on issuance of long-term obligations	-	-	62,172	-
Transfers in	1,592,104	1,515,425	1,153,957	1,198,168
Transfers out	(549,276)	(720,449)	(278,155)	(316,823)
Total other financing sources (uses)	<u>\$ 1,554,853</u>	<u>\$ 794,976</u>	<u>\$ 6,457,401</u>	<u>\$ 1,581,345</u>
Net changes in fund balances	<u>\$ (508,022)</u>	<u>\$ (1,271,608)</u>	<u>\$ 4,451,374</u>	<u>\$ 422,254</u>
Debt service as a percentage of noncapital expenditures	13.60%	11.99%	11.32%	11.85%

Table 5

2013	2014	2015	2016	2017	2018
\$ 9,280,201	\$ 9,210,898	\$ 9,824,996	\$ 10,149,056	\$ 10,622,903	\$ 10,947,071
8,247,649	8,335,911	8,978,718	9,320,164	9,204,160	9,465,113
152,114	171,876	195,316	268,314	249,733	314,866
449,649	438,510	429,366	331,935	368,135	340,103
224,039	214,818	265,103	179,769	215,206	448,227
792,935	809,685	781,286	585,374	575,312	761,137
244,303	350,451	799,340	1,560,383	565,965	374,350
5,785,650	5,097,685	6,292,473	10,272,286	8,218,956	6,633,503
\$ 25,176,540	\$ 24,629,834	\$ 27,566,598	\$ 32,667,281	\$ 30,020,370	\$ 29,284,370
\$ 4,022,335	\$ 4,462,089	\$ 4,505,608	\$ 4,676,681	\$ 4,635,247	\$ 4,792,803
6,408,461	7,262,830	6,867,167	7,014,272	6,994,087	7,237,225
6,978,990	7,381,367	7,063,724	7,436,218	7,997,698	7,595,087
261,088	240,455	236,416	239,830	232,186	222,844
2,773,680	2,903,353	2,946,390	3,083,069	2,832,486	3,247,183
863,286	851,558	711,077	784,698	840,890	955,082
6,651,007	2,230,105	5,111,855	12,072,085	11,431,288	5,716,079
2,103,421	3,513,686	2,801,394	2,490,860	2,722,249	2,536,253
506,152	675,999	533,590	484,952	641,061	583,034
\$ 30,568,420	\$ 29,521,442	\$ 30,777,221	\$ 38,282,665	\$ 38,327,192	\$ 32,885,590
\$ (5,391,880)	\$ (4,891,608)	\$ (3,210,623)	\$ (5,615,384)	\$ (8,306,822)	\$ (3,601,220)
\$ 653,434	\$ 619,455	\$ 570,028	\$ 700,000	\$ 518,000	\$ 605,900
6,310,000	7,896,613	-	6,180,000	-	7,900,000
253,337	-	-	482,836	-	1,347,711
1,061,487	1,313,015	1,265,748	3,573,591	3,423,690	2,501,306
(78,510)	(408,196)	(1,501,709)	(2,892,259)	(2,766,142)	(3,785,631)
\$ 8,199,748	\$ 9,420,887	\$ 334,067	\$ 8,044,168	\$ 1,175,548	\$ 8,569,286
\$ 2,807,868	\$ 4,529,279	\$ (2,876,556)	\$ 2,428,784	\$ (7,131,274)	\$ 4,968,066
11.24%	16.59%	13.20%	11.59%	12.27%	11.69%

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
2018	\$	10,947,071	\$	1,455,924	\$	704,729	\$	2,263,860	\$	2,811,930
2017		10,622,903		1,425,248		654,778		2,258,387		2,691,356
2016		10,149,056		1,484,216		659,320		2,221,072		2,520,856
2015		9,824,996		1,465,129		668,218		2,334,987		2,339,686
2014		9,210,898		1,350,263		667,116		2,329,139		2,263,450
2013		9,280,201		1,320,803		660,323		2,217,307		2,212,543
2012		9,017,905		1,259,235		645,869		2,288,730		2,016,210
2011		8,633,014		1,336,821		660,823		1,964,360		1,795,855
2010		8,689,481		1,285,506		656,858		1,973,781		1,698,298
2009		8,473,707		1,224,471		659,932		2,204,093		1,691,961

Table 6

Motor Vehicle License	Bank Franchise	Tobacco	Other Taxes	Total
\$ 392,166	\$ 1,127,691	\$ 242,497	\$ 466,316	\$ 20,412,184
364,648	1,100,576	233,877	475,290	19,827,063
383,469	1,416,573	249,175	385,483	19,469,220
368,070	1,153,976	262,035	386,617	18,803,714
354,312	697,798	302,198	371,635	17,546,809
389,640	761,646	323,901	361,486	17,527,850
382,597	789,721	347,078	373,357	17,120,702
347,963	867,459	350,098	350,190	16,306,583
-	557,561	359,962	362,466	15,583,913
-	444,050	407,741	325,635	15,431,590

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	
2018	\$ 4,763,472,880	\$ 4,763,472,880	0.2250	\$ 42,979,305	\$ 42,979,305	\$ 4,806,452,185	\$ 4,806,452,185	100%
2017	4,625,397,360	4,625,397,360	0.2250	41,886,928	41,886,928	4,667,284,288	4,667,284,288	100%
2016	4,428,395,010	4,428,395,010	0.2250	39,797,131	39,797,131	4,468,192,141	4,468,192,141	100%
2015	4,201,089,380	4,201,089,380	0.2288	37,186,660	37,186,660	4,238,276,040	4,238,276,040	100%
2014	3,939,375,260	3,939,375,260	0.2288	35,775,929	37,193,940	3,975,151,189	3,975,151,189	100%
2013	3,756,299,910	3,756,299,910	0.2421	37,193,940	36,325,461	3,793,493,850	3,793,493,850	100%
2012	3,664,249,050	3,664,249,050	0.2421	36,325,461	39,591,839	3,700,574,511	3,700,574,511	100%
2011	3,467,055,990	3,467,055,990	0.2448	39,591,839	40,475,624	3,506,647,829	3,506,647,829	100%
2010	3,760,518,320	3,760,518,320	0.2281	40,475,624	40,806,556	3,800,993,944	3,800,993,944	100%
2009	4,000,023,980	4,000,023,980	0.2091	40,806,556	39,616,343	4,040,830,536	4,040,830,536	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 \$4,763,472,880 is the assessed valuation effective January 1, 2017, which was used as a basis for billing taxes in the fiscal year 2017-2018.

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

Fiscal Year	Town of Vienna	County of Fairfax	Total Tax Rate
2018	0.2250	1.150	1.3750
2017	0.2250	1.130	1.3550
2016	0.2250	1.130	1.3550
2015	0.2288	1.090	1.3188
2014	0.2288	1.090	1.3188
2013	0.2421	1.075	1.3171
2012	0.2421	1.07	1.3121
2011	0.2448	1.09	1.3348
2010	0.2281	1.05	1.2781
2009	0.2091	0.92	1.1291

(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 2018			Fiscal Year 2009		
		2017 Assessed Valuation	Rank	Percentage of Total Assessed Valuation	2008 Assessed Valuation	Rank	Percentage of Total Assessed Valuation
Navy Federal Credit Union		\$ 193,736,840	1	4.07%	\$ 199,959,860	1	4.84%
GI TC 801 Follin Lane	(1)	83,416,130	2	1.75%	29,698,300	4	0.72%
Vienna Park LLC	(2)	41,284,620	3	0.87%	31,865,960	3	0.77%
Maple Avenue Shopping		33,067,660	4	0.69%	36,466,400	2	0.88%
Vienna Shopping Center, LP		26,260,830	5	0.55%	22,236,410	6	0.54%
Maryland Gardens Ltd. Partnership		21,508,220	6	0.45%	26,736,120	5	0.65%
P. Daniel & Diana S. Orlich		17,337,190	7	0.36%	19,704,680	7	0.48%
Frank Zafren & Alec Jacobson, Tr.		15,289,010	8	0.32%	16,407,250	8	0.40%
JBG Vienna Retail Center	(3)	15,192,060	9	0.32%	-	N/A	N/A
GRI Cedar Park LLC		12,275,780	10	0.26%	13,229,380	10	0.32%
BFH Danor Plaza		11,567,790	12	0.24%	11,666,900	12	0.28%
Swart Vienna LLC		11,528,720	11	0.24%	9,045,570	14	0.22%
Westwood Country Club		11,478,180	13	0.24%	12,709,980	11	0.31%
Cubsmart L P		11,024,680	14	0.23%	-	N/A	N/A
Evergreene Companies LLC		7,656,900	15	0.16%	-	N/A	N/A
RDT Electric Avenue LLC		-	N/A	N/A	14,715,650	9	0.36%
Vienna Development Association		-	N/A	N/A	9,851,490	13	0.24%
Storage Partners of Vienna		-	N/A	N/A	8,612,230	15	0.21%
Total		<u>\$ 512,624,610</u>		<u>10.76%</u>	<u>\$ 462,906,180</u>		<u>11.22%</u>

(1) 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) Ownership change from AN WG Vienna LP in 2015

TOWN OF VIENNA, VIRGINIA

Table 10

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
2018	\$ 10,784,780	\$ 10,765,285	99.82%	\$ -	\$ 10,765,285	99.82%
2017	10,459,537	10,440,600	99.78%	5,627	10,446,227	99.87%
2016	9,968,163	9,946,258	99.78%	11,007	9,957,265	99.89%
2015	9,616,236	9,598,815	99.82%	16,389	9,615,204	99.99%
2014	9,017,093	9,002,376	99.84%	13,748	9,016,124	99.99%
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%

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			
2018	\$27,731,112	\$1,671,933	\$2,468,446	\$294,645	\$32,166,136	3.78%	\$2,050
2017	20,503,862	1,665,286	3,253,262	268,496	25,690,906	3.02%	1,638
2016	22,857,586	1,610,535	1,358,000	150,985	25,977,106	3.05%	1,656
2015	18,081,026	1,546,395	1,468,000	214,508	21,309,929	2.50%	1,358
2014	20,304,489	1,587,761	1,576,000	132,398	23,600,648	2.77%	1,504
2013	15,518,686	1,421,711	1,700,733	79,266	18,720,396	2.20%	1,193
2012	10,598,614	1,235,032	1,795,222	76,907	13,705,775	1.76%	874
2011	12,242,174	951,842	925,202	116,027	14,235,245	1.83%	903
2010	8,816,669	839,260	971,427	86,296	10,713,652	1.91%	721
2009	10,443,336	1,364,842	1,015,036	143,999	12,967,213	2.31%	873

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

Table 12

TOWN OF VIENNA, VIRGINIA

**Computation of Direct and Overlapping Bonded Debt -
General Obligation Bonds
At June 30, 2018**

	Net Bonded Debt Outstanding	Percentage Applicable to this Governmental Unit	Share of Debt
Direct Debt:			
Town of Vienna			
General Bonded Debt	\$ 29,403,045	100.00%	\$ 29,403,045
Overlapping Debt: (1)			
County of Fairfax			
General Bonded Debt	<u>2,250,915,000</u>	1.96%	<u>44,208,512</u>
Total direct and overlapping debt	\$ <u><u>2,280,318,045</u></u>		\$ <u><u>73,611,557</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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Table 13

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)
2018	\$ 30,199,558	\$ -	\$ 30,199,558	0.63%	\$ 1,925.13
2017	23,757,124	-	23,757,124	0.51%	1,514.45
2016	24,215,586	-	24,215,586	0.55%	1,543.67
2015	19,549,026	-	19,549,026	0.47%	1,246.19
2014	21,880,489	-	21,880,489	0.56%	1,394.82
2013	15,518,686	-	15,518,686	0.41%	989.27
2012	10,598,614	-	10,598,614	0.30%	675.63
2011	12,242,174	-	12,242,174	0.35%	780.40
2010	8,816,669	-	8,816,669	0.23%	593.72
2009	10,443,336	-	10,443,336	0.26%	703.25

(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**

	2009	2010	2011	2012
Debt limit	\$ 404,083,054	\$ 379,979,764	\$ 370,057,451	\$ 384,150,833
Total net debt applicable to limit	10,443,336	8,816,669	12,242,174	10,598,614
Legal debt margin	<u>\$ 393,639,718</u>	<u>\$ 371,163,095</u>	<u>\$ 357,815,277</u>	<u>\$ 373,552,219</u>
Total net debt applicable to the limit as a percentage of debt limit	2.58%	2.32%	3.31%	2.76%

Table 14

2013	2014	2015	2016	2017	2018
\$ 389,989,663	\$ 412,218,932	\$ 389,989,663	\$ 457,199,173	\$ 457,199,173	\$ 492,898,364
<u>15,518,686</u>	<u>21,880,489</u>	<u>19,549,026</u>	<u>24,215,586</u>	<u>23,757,124</u>	<u>30,199,558</u>
<u>\$ 374,470,977</u>	<u>\$ 390,338,443</u>	<u>\$ 370,440,637</u>	<u>\$ 432,983,587</u>	<u>\$ 433,442,049</u>	<u>\$ 462,698,806</u>
3.98%	5.31%	5.01%	5.30%	5.20%	6.13%

Legal Debt Margin Calculation for Fiscal Year 2018

Assessed value	\$ 4,763,472,880
Add back: exempt real property	<u>165,510,760</u>
Total assessed value	<u>\$ 4,928,983,640</u>
Debt limit (10% of total assessed value)	\$ 492,898,364
Net debt applicable to limit	<u>30,199,558</u>
Legal debt margin	<u>\$ 462,698,806</u>

Table 15

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
2018	\$ 7,886,366	\$ 6,326,609	\$ 1,559,757	\$ -	\$ -	\$ -	N/A
2017	7,715,746	6,353,901	1,361,845	-	-	-	N/A
2016	7,170,848	5,616,292	1,554,556	-	-	-	N/A
2015	7,276,911	5,255,495	2,021,416	-	-	-	N/A
2014	7,305,547	5,464,157	1,841,390	-	-	-	N/A
2013	7,357,985	5,657,285	1,700,700	-	-	-	N/A
2012	6,221,430	5,776,009	445,421	-	-	-	N/A
2011	6,210,489	5,293,086	917,403	-	-	-	N/A
2010	5,943,723	5,299,448	644,275	-	-	-	N/A
2009	5,861,952	4,867,337	994,615	-	-	-	N/A

(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)
2018	15,687	\$851,945,283	\$54,309	40.7	3.20%
2017	15,687	\$851,945,283	\$54,309	40.7	3.20%
2016	15,687	\$851,945,283	54,309	40.7	3.20%
2015	15,687	851,945,283	54,309	40.7	4.40%
2014	15,687	851,945,283	54,309	40.7	4.40%
2013	15,687	851,945,283	54,309	40.7	4.50%
2012	15,687	777,196,728	49,544	40.7	4.30%
2011	15,687	777,196,728	49,544	40.7	4.50%
2010	14,850	560,632,050	37,753	40.0	5.10%
2009	14,850	560,632,050	37,753	40.0	5.90%

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 (1)	Fiscal Year 2018		Fiscal Year 2009	
	Employees	Rank	Employees	Rank
Navy Federal Credit Union	2,500 +	1	2,500 +	1
Fairfax County Public Schools	500 to 999	2	500 to 999	2
Contemporary Electrical Services, Inc	100 to 249	3	100 to 249	7
Giant Foods	100 to 249	4	100 to 249	8
Whole Foods Market Group	100 to 249	5	100 to 249	6
Town of Vienna	100 to 249	6	100 to 249	3
Westwood Country Club	100 to 249	7	100 to 249	5
Wheat's Lawn and Custom Land Inc	100 to 249	8	N/A	9
The Hope Center for Advanced Veterinary Medicine	100 to 249	9	N/A	N/A
U.S. Postal Service	50 to 99	10	100 to 249	10
Cardiovascular Management Group	N/A	N/A	100 to 249	4

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

TOWN OF VIENNA, VIRGINIA

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

Function		2009	2010	2011	2012
Legislative					
	Town Council	0.500	0.500	0.500	0.500
	Town Clerk	2.000	2.000	2.000	2.000
	Town Attorney	0.500	0.500	0.500	0.500
	Subtotal	3.000	3.000	3.000	3.000
Administration					
	Town manager	1.500	1.500	1.500	1.500
	Administrative Services	2.000	2.000	2.000	2.000
	Public Information	1.000	1.000	1.000	1.000
	Information Technology	2.000	2.000	2.000	2.000
	Subtotal	6.500	6.500	6.500	6.500
Finance					
	Administration	3.000	3.000	3.000	3.000
	Disbursement Operations	1.625	1.625	1.625	1.625
	Purchasing	1.625	1.625	1.625	1.625
	Central Services	1.000	1.000	1.000	1.000
	Revenue Operations	3.500	3.500	3.500	3.500
	Gang Task Force	0.000	0.000	0.000	0.000
	Subtotal	10.750	10.750	10.750	10.750
Police					
	Administration	3.000	3.000	3.000	3.000
	Patrol	21.000	21.000	21.000	21.000
	Communications	11.000	11.000	11.000	10.000
	Community Services	1.000	1.000	1.000	1.000
	Traffic	6.000	6.000	6.000	6.000
	Personnel/Accreditation/ Animal Control	1.000	1.000	1.000	1.000
	Investigations	9.000	9.000	9.000	10.000
	Subtotal	52.000	52.000	52.000	52.000
Public Works					
	Administration	6.500	6.500	6.500	6.500
	Street Maintenance	15.000	15.000	15.000	15.000
	Vehicle Maintenance	9.000	9.000	9.000	9.000
	General Maintenance	8.000	8.000	8.000	8.000
	Sanitation	14.000	14.000	14.000	14.000
	Traffic Engineering	2.000	2.000	2.000	2.000
	Subtotal	54.500	54.500	54.500	54.500
Parks and Recreation					
	Administration	4.750	4.750	4.750	4.750
	Parks Maintenance	10.000	10.000	10.000	10.000
	Community Center Operations	4.500	4.500	4.500	4.500
	Teen Center	1.500	1.500	1.500	1.500
	Subtotal	20.750	20.750	20.750	20.750
Planning and Zoning					
	Planning and Zoning	7.000	7.000	7.000	7.000
	Subtotal	7.000	7.000	7.000	7.000
GENERAL FUND TOTAL		154.500	154.500	154.500	154.500
Water and Sewer					
	(1) Water Operations			8.500	8.500
	(1) Sewer Operations			6.000	6.000
	(1) Operations and Maintenance	14.500	14.500		
	Meter Maintenance and Reading	4.000	4.000	4.000	4.000
	Billing/Customer Service	2.000	2.000	2.000	2.000
TOTAL WATER & SEWER FUND		20.500	20.500	20.500	20.500
Storm Water Fund		0.000	0.000	0.000	0.00
GRAND TOTAL		175.000	175.000	175.000	175.000

Source: Town of Vienna Budget

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

Table 18

2013	2014	2015	2016	2017	2018
0.500	0.000	0.000	0.000	0.000	0.000
2.000	2.000	2.000	2.000	2.000	2.000
0.500	0.500	0.500	0.500	0.500	0.500
3.000	2.500	2.500	2.500	2.500	2.500
2.000	2.000	2.000	2.000	2.000	2.000
2.000	2.000	3.000	3.000	3.000	3.000
1.000	1.725	1.725	2.000	2.000	2.000
3.000	3.000	4.000	4.000	4.000	4.000
8.000	8.725	10.725	11.000	11.000	11.000
3.625	3.625	3.625	3.625	3.625	4.000
2.000	2.000	2.000	2.000	2.000	2.000
1.625	1.625	1.625	1.625	1.625	1.625
1.000	1.000	1.000	1.000	1.000	1.000
3.000	3.000	3.500	4.000	5.000	4.000
0.000	1.000	1.000	1.000	1.000	1.000
11.250	12.250	12.750	13.250	14.250	13.625
3.000	3.000	3.000	3.000	3.000	3.000
21.000	21.000	21.000	21.000	21.000	21.000
11.000	11.000	11.000	10.000	10.000	10.000
1.000	1.000	1.000	1.000	1.000	1.000
6.000	6.000	6.000	6.000	6.000	6.000
1.000	1.000	1.000	1.000	1.000	1.000
9.000	9.000	9.000	9.000	9.000	9.000
52.000	52.000	52.000	51.000	51.000	51.000
6.500	7.500	6.500	6.500	8.000	8.000
13.000	12.000	12.000	12.000	12.000	13.000
9.000	9.000	8.000	8.000	8.000	8.000
8.000	8.000	9.000	9.000	9.000	9.000
16.000	16.000	16.000	16.000	16.000	17.000
2.000	2.000	2.000	2.000	2.000	2.000
54.500	54.500	53.500	53.500	55.000	57.000
4.750	4.750	4.500	4.500	5.000	6.000
10.000	10.000	10.000	10.000	10.000	10.000
4.500	4.000	4.000	4.000	4.000	4.000
1.500	1.800	1.800	1.800	2.000	2.000
20.750	20.550	20.300	20.300	21.000	22.000
7.000	7.000	7.000	7.000	7.000	8.000
7.000	7.000	7.000	7.000	7.000	8.000
156.500	157.525	158.775	158.550	161.750	165.125
8.500	8.500	8.000	7.000	7.000	7.500
6.000	6.000	6.000	7.000	7.000	7.000
4.000	4.000	4.000	4.000	4.000	4.000
2.000	2.000	2.000	2.000	2.000	2.000
20,500	20,500	20.000	20.000	20.000	20.500
0.000	1.000	1.000	1.000	1.000	2.000
177.000	179.025	179.775	179.550	182.750	187.625

TOWN OF VIENNA, VIRGINIA

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

Function	(1)	2009	2010	2011	2012
General Government Administration					
Administrative Service					
Job applications processed		586	620	675	1,294
Public Information					
Information requests responded to		1,600	1,600	1,225	-
Press releases per year		254	254	245	585
(a) Web Site Visits		-	-	-	-
(b) Twitter and Facebook followers		-	-	1,547	2,430
Finance					
Real Estate bills processed		12,300	12,300	12,300	12,400
Water and Sewer bills processed		38,000	38,000	38,000	38,000
(c) Vehicle license fee bills processed		-	-	12,395	12,810
(d) Payroll checks/Direct Deposits		8,915	7,870	7,311	6,956
(d) Vendor check issued		5,355	4,600	4,300	4,315
(e) Competitive bids completed		30	30	30	35
Public Safety					
Number of Calls for Service received		13,000	13,000	13,000	20,500
Number of Citations issued		7,400	7,200	7,000	10,200
Number of Animal complaints		400	400	400	380
Public Works					
Tons of asphalt installed		1,500	1,721	5,300	5,000
Linear feet of sidewalk replaced / installed		-	150	188	200
(f) Vehicles Maintained		145	140	145	153
Tons of Waste collected		6,001	6,001	5,810	7,940
Tons of Recycled materials collected		2,036	2,036	1,840	1,825
Cubic Yards/Tons of leaves collected		14,000	13,500	13,000	11,000
Water and Sewer Operations					
Repair Water Main breaks		68	50	68	50
Repair defective sewer lines		15	15	15	-
Footage of Sewer Mains cleaned		-	279,556	343,543	350,000
Completed work orders		3,800	3,800	3,800	3,000
Parks and Recreation					
Number of programs held		642	642	660	641
Daily average number of teens using Teen Center		35	35	35	30
Planning and Zoning					
Permit applications		829	829	820	650
New single-family dwellings		-	43	65	50
New zoning violation cases opened		557	557	550	671

Sources: Town Budget unless noted

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

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

Table 19

2013	2014	2015	2016	2017	2018
2,745	2,186	2,674	2,385	2,671	2,094
-	-	-	-	-	-
585	600	600	994	265	240
367,000	370,000	303,829	351,723	352,789	378,526
3,313	4,196	4,099	8,736	8,907	11,433
11,125	11,151	11,244	11,122	11,336	11,654
37,350	38,047	38,285	38,042	38,087	37,798
13,301	13,301	12,378	12,503	12,878	13,146
7,452	7,652	6,946	7,405	7,405	6,919
4,432	5,329	4,449	3,792	3,792	4,026
17	30	9	14	20	17
20,500	17,500	41,000	45,564	46,000	19,039
10,000	10,000	8,600	8,058	8,500	6,615
380	350	390	439	400	350
5,000	5,000	3,000	1,900	2,300	2,000
200	200	2,662	4,070	3,800	6,200
155	153	144	143	144	-
4,500	5,800	4,250	4,242	5,550	5,500
2,000	2,000	1,850	1,776	1,810	1,800
11,000	11,500	11,500	9,590	8,500	8,500
55	55	75	73	60	60
-	-	-	-	-	-
355,000	355,000	350,000	120,000	3,100	3,000
3,390	3,722	3,100	4,017	4,000	4,000
650	650	650	501	462	487
30	30	30	30	25	38
650	650	680	456	900	850
50	70	85	89	91	100
487	384	400	400	-	-

TOWN OF VIENNA, VIRGINIA

Capital Asset Statistics by Function Last Ten Fiscal Years

Function	2009	2010	2011	2012
General government administration				
Administration buildings	4	4	5	5
Vehicles	6	6	6	7
Public safety				
Patrol units	19	18	18	19
Motorcycles	6	4	4	4
Other vehicles	3	3	3	3
Public works				
Trucks/vehicles	88	85	89	94
Parks and recreation				
Community center	1	1	1	1
Vehicles	20	20	21	22
Number of parks	10	10	10	10
Park acres	93.47	93.47	93.47	93.47
Community development				
Planning vehicles	3	4	4	4

Source: Individual Town Departments

Table 20

2013	2014	2015	2016	2017	2018
5	5	5	5	5	5
6	5	4	6	5	4
25	22	20	18	19	22
4	4	4	5	4	4
3	3	4	3	5	4
91	92	86	85	84	80
1	1	1	1	1	1
22	23	23	23	24	22
10	10	10	10	10	10
93.47	93.47	93.47	93.47	93.47	93.47
4	4	3	3	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, 2018, and the related notes to the financial statements, which collectively comprise Town of Vienna, Virginia's basic financial statements, and have issued our report thereon dated November 29, 2018.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Robinson, Farmer, Cox Associates

Fredericksburg, Virginia
November 29, 2018