



City of Fairfax

Comprehensive Annual Financial Report
for the Fiscal Year Ended June 30, 2011



CITY OF FAIRFAX
1961 - 2011

*In 2011 the City of Fairfax celebrates 50 years as an independent city
and more than 200 years as the crossroads of Northern Virginia.*

CITY OF FAIRFAX, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2011

PREPARED BY:

Department of Finance
David E. Hodgkins, Assistant City Manager/Director of Finance
Jennie A. Tripoli, Assistant Director of Finance

CITY OF FAIRFAX, VIRGINIA

Comprehensive Annual Financial Report
For The Fiscal Year Ended June 30, 2011

TABLE OF CONTENTS

	<u>Page</u>
Title Page	
Table of Contents	
<u>INTRODUCTORY SECTION</u>	
Letter of Transmittal	i-vi
Organizational Chart	vii
Directory of Principal Officials	ix
Certificate of Achievement for Excellence in Financial Reporting	xi
<u>FINANCIAL SECTION</u>	
Independent Auditors' Report	1-2
Management's Discussion and Analysis	3-15
<u>BASIC FINANCIAL STATEMENTS</u>	
Government-wide Financial Statements:	
Exhibit 1 Statement of Net Assets	21
Exhibit 2 Statement of Activities	22-23
Fund Financial Statements:	
Exhibit 3 Balance Sheet-Governmental Funds	27
Exhibit 4 Reconciliation of the Balance Sheet of the Governmental Funds to the Statement of Net Assets	28
Exhibit 5 Statement of Revenues, Expenditures and Changes in Fund Balances- Governmental Funds	29
Exhibit 6 Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	30
Exhibit 7 Statement of Revenues, Expenditures and Changes in Fund Balances- Budget and Actual-General Fund	31-33
Exhibit 8 Statement of Net Assets-Proprietary Funds	34
Exhibit 9 Statement of Revenues, Expenses and Changes in Net Assets- Proprietary Funds	35

CITY OF FAIRFAX, VIRGINIA

Comprehensive Annual Financial Report
For The Fiscal Year Ended June 30, 2011

TABLE OF CONTENTS

(Continued)

	<u>Page</u>
<u>FINANCIAL SECTION: (CONTINUED)</u>	
<u>BASIC FINANCIAL STATEMENTS: (CONTINUED)</u>	
Fund Financial Statements: (continued)	
Exhibit 10	Statement of Cash Flows—Proprietary Funds 36
Exhibit 11	Statement of Fiduciary Net Assets—Fiduciary Funds 37
Exhibit 12	Statement of Changes in Fiduciary Net Assets—Fiduciary Funds 38
Notes to Financial Statements	39-81
<u>REQUIRED SUPPLEMENTARY INFORMATION:</u>	
Exhibit 13	Schedules of Funding Progress 85
<u>OTHER SUPPLEMENTARY INFORMATION:</u>	
Combining and Individual Fund Statements and Schedules	
Exhibit 14	Combining Balance Sheet—Nonmajor Governmental Funds 91
Exhibit 15	Combining Statement of Revenues, Expenditures, and Changes in Fund Balances—Nonmajor Governmental Funds 92
Exhibit 16	Combining Statement of Fiduciary Net Assets—Fiduciary Funds 93
Exhibit 17	Combining Statement of Changes in Fiduciary Net Assets—Fiduciary Funds 94
Exhibit 18	Balance Sheet—Discretely Presented Component Unit School Board 95
Exhibit 19	Reconciliation of the Balance Sheet of the Governmental Funds to the Statement of Net Assets—Discretely Presented Component Unit School Board 96
Exhibit 20	Statement of Revenues, Expenditures and Changes in Fund Balances—Discretely Presented Component Unit School Board 97
Exhibit 21	Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of the Governmental Funds to the Statement of Activities—Discretely Presented Component Unit School Board 98

CITY OF FAIRFAX, VIRGINIA

Comprehensive Annual Financial Report
For The Fiscal Year Ended June 30, 2011

TABLE OF CONTENTS

(Continued)

	<u>Page</u>	
<u>OTHER SUPPLEMENTARY INFORMATION: (Continued)</u>		
Combining and Individual Fund Statements and Schedules: (Continued)		
Exhibit 22	Combining Statement of Net Assets—Discretely Presented Nonmajor Component Units	99
Exhibit 23	Combining Statement of Activities— Discretely Presented Nonmajor Component Units	100-101
Exhibit 24	Balance Sheet—Discretely Presented Nonmajor Component Units	102
Exhibit 25	Reconciliation of the Balance Sheet of the Governmental Funds to the Statement of Net Assets—Discretely Presented Nonmajor Component Units	103
Exhibit 26	Statement of Revenues, Expenditures and Changes in Fund Balances—Discretely Presented Nonmajor Component Units	104
Exhibit 27	Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities—Discretely Presented Nonmajor Component Units	105

STATISTICAL SECTION:

Statistical Section—Table of Contents

Table 1	Net Assets by Component	108-109
Table 2	Changes in Net assets	110-111
Table 3	Program Revenues by Function/Program	112-113
Table 4	Fund Balances, Governmental Funds	115
Table 5	Changes in Fund Balances, Governmental Funds	116-117
Table 6	Tax Revenues by Source, Governmental Funds	119
Table 7	Assessed and Estimated Actual Value of Taxable Property	120-121
Table 8	Direct and Overlapping Property Tax Rates	122

CITY OF FAIRFAX, VIRGINIA

Comprehensive Annual Financial Report
For The Fiscal Year Ended June 30, 2011

TABLE OF CONTENTS

(Continued)

	<u>Page</u>
<u>STATISTICAL SECTION: (CONTINUED)</u>	
Table 9 Principal Property Taxpayers	123
Table 10 Real Property Tax Levies and Collections	124
Table 11 Ratios of Outstanding Debt by Type and General Bonded Debt Outstanding	125
Table 12 Legal Debt Margin Information	126-127
Table 13 Pledged Revenue Coverage	128-129
Table 14 Demographic and Economic Statistics	131
Table 15 Principal Employers	132
Table 16 Full-time Equivalent City Government Employees by Function/Program	133
Table 17 Operating Indicators by Function/Program	134-135
Table 18 Capital Asset Statistics by Function/Program	136
<u>COMPLIANCE SECTION:</u>	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	137-138
Independent Auditors' Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	139-140
Schedule of Expenditures of Federal Awards	141
Notes to Schedule of Expenditures of Federal Awards	142
Schedule of Findings and Questioned Costs	143
Summary Schedule of Prior Audit Findings	144



City of Fairfax

10455 Armstrong Street • Fairfax, VA 22030-3630

December 14, 2011

Honorable Mayor, Members of the City Council and Citizens
City of Fairfax
Commonwealth of Virginia

We are pleased to present the City of Fairfax's (the City) Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2011. The Code of the Commonwealth of Virginia requires that all local governments shall be audited annually with a report to the governing body by December 31. This report is published to fulfill that requirement.

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

City management is responsible for the accuracy, fairness and completeness of the information, including all disclosures that are presented in this report. To the best of our knowledge, the enclosed data is believed to be accurate in all material respects and is reported in a manner that presents fairly the financial position and results of operations of the various funds of the City. All necessary disclosures have been included to enable the reader to gain a thorough understanding of the City's financial affairs.

City management is also responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft or misuse and that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

The City's financial statements have been audited by Robinson, Farmer, Cox Associates, a certified public accounting firm. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2011, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by City management; and evaluating the overall financial statement presentation. The independent auditors' report is located at the front of the Financial Section of the CAFR.

Management's Discussion and Analysis (MD&A) is found immediately following the independent auditor's report. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

FINANCIAL REPORTING ENTITY

This report includes the financial activities of the City of Fairfax government (the primary government), which are controlled by the Mayor and Council, as well as the financial activities of the City's component units. Component units are legally separate entities for which the primary government is financially accountable and, therefore, are included in the primary government's CAFR.

The City of Fairfax provides a full range of governmental services including law enforcement, emergency medical response, fire protection and fire code safety; judicial services; health and social services; refuse; waste-water; planning and zoning services; parks, recreation and cultural activities; and general government administration services. These services are either provided by the City or through contracts with Fairfax County. In addition, the City has its own water system and also provides inter-County and intra-City bus service.

Discretely presented component units are reported in a separate column in the financial statements to emphasize that they are legally separate from the primary government and to differentiate their financial position and results of operations from those of the primary government. The City of Fairfax School Board is presented in its own column for financial presentation purposes as a major component unit. The Fairfax public school program is provided through an independent school district administered by a school board and superintendent that contracts with the Fairfax County School System for operating the four City schools - Fairfax High, Sidney Lanier Middle, Daniel's Run, and Providence Elementary. The Industrial Development Authority and Economic Development Authority are combined in one column as non-major component units.

ORGANIZATION OF GOVERNMENT

This year, the City of Fairfax celebrated its Golden anniversary as an independent City, governed under the Council-Manager form of government since changing from town status in 1961. As a Virginia City, it is independent, and not a part of any county. Under this form of government, the mayor and six council members are elected by the citizens every two years to provide direction to the locality. The City Council employs a City Manager who is the executive officer of the City and is responsible to the Council for the proper administration of the City government.

ECONOMIC CONDITION AND OUTLOOK

An independent jurisdiction of 6.34 square miles, 15 miles west of Washington, D.C., the City of Fairfax lies in the heart of the Northern Virginia area. Bounded by Interstate 66 on the north and less than five miles west of the Capital Beltway, the City of Fairfax is at the crossroads of Northern Virginia's major north/south and east/west highways. Fairfax's neighbors include the Vienna/Fairfax GMU station of the Metro regional rapid-rail system, and, at the southern boundary of the City, George Mason University (GMU). The City is within 30 minutes of both Dulles International Airport and Reagan Washington National Airport.

The City provides the high-level services that Northern Virginians expect. With a population of 22,671, the City offers a good government, low taxes and a strong feeling of community pride. Residential tax burdens are among the lowest in Northern Virginia with a real property tax rate of \$0.942 per \$100 of assessed value, and a personal property tax rate of \$4.13 per \$100 of assessed value (rates effective 1/1/2012). On residential real property, Council dedicated \$0.005 of the \$0.942 to the Stormwater Fund. Businesses also enjoy the City's low rate with business license rates that compare favorably with those of other Northern Virginia jurisdictions.

In addition to the City's \$0.942 real property tax rate, the City Council approved the commercial real estate tax rate at \$0.055, dedicated for transportation improvements. This additional commercial property tax levy of \$0.055 is charged on all non-residential commercial and industrial properties, located in the City of Fairfax. The General Assembly authorized the City of Fairfax, as a Northern Virginia Transportation Authority member, to raise revenue by enacting a local ordinance imposing this additional commercial tax. The revenue collected from this tax is to be used solely for new transportation improvements in the City of Fairfax. The adopted rate of \$0.055 will generate about \$1.0 million annually.

ECONOMIC CONDITION AND OUTLOOK: (CONTINUED)

As a result of the additional commercial tax, the effective property tax rate for commercial and industrial properties is \$0.997.

The City is one of the few places in Northern Virginia where a small-town sensibility still exists. In an effort to nurture this environment, plans are underway to make the pedestrian environment even more hospitable with wider sidewalks, landscaping, boulevard-style developments, bike trails and other improvements. Add the proximity of George Mason University, many historical buildings and an active artistic community, and the sum is a locale with a unique sense of community. In 2009, the City of Fairfax was ranked third by Forbes magazine in their article titled “America’s Top 25 Towns to Live Well.” The City is proud of this accolade based on the quality of services provided to the citizens, and the significant investments made to its schools, parks, public buildings, and land purchases as part of open space preservation.

The current year also saw its share of historic events. Fairfax High School celebrated its 75th anniversary during the 2010/2011 school year, making it the oldest high school in the immediate area. In February, the City held a ribbon-cutting ceremony marking the opening of the Stacy C. Sherwood Community Center. The Sherwood Center has become a sought-after location for events such as weddings, meetings, and even the Mayor’s Ball. In May, the City supported the efforts of the Virginia Sesquicentennial of the American Civil War Commission by hosting events commemorating the 150th anniversary of the start of the Civil War. The purpose of the events was to provide a balanced perspective with the goals of education, diversity, permanence, and inclusiveness. On July 1, Fairfax celebrated its Golden anniversary as an independent City. The slogan, “Golden Past, Brighter Future”, was featured during the various Independence Day celebrations. Finally, on November 1, the American Academy for Park and Recreation Administration, in partnership with the National Recreation and Park Association, awarded the City’s Parks and Recreation Department the Gold Medal for Excellence in Park and Recreation Management.

All of these events serve to illustrate the unique mix of history and innovation that is prevalent in the City and marks it not only as a physical crossroads in Northern Virginia, but a historic one as well.

Juxtaposed against these vibrant historic events is a somewhat mixed present. While there are over 4.1 million square feet of office space in the City (with a vacancy rate of 12.5%) and 3.3 million square feet of retail/service space (with a vacancy rate of 5.0%), the effects of the softened economy in the City and throughout the Metropolitan DC area over the past several years are still being felt.

Despite these grim statistics, the City still has a strong commercial base, as highlighted below:

- \$4.0 billion economy
- Office Space of 4.1 million square feet with a vacancy rate of 12.5%
- Retail Space of 3.3 million square feet with a vacancy rate of 5.0%
- Industrial Space of 0.5 million square feet with a vacancy rate of 0.5%
- Nearly 20,000 persons work in the City of Fairfax
- Over 4,000 licensed businesses for 2011

The City is still dedicated to the redevelopment of its Old Town area (i.e. Old Town Village redevelopment project) in downtown Fairfax and in the Route 50/29 Corridor. The Route 50/29 Corridor is the City’s economic engine, providing nearly 40% of all tax revenues generated from the community. Now known as Fairfax Boulevard, the City, in partnership with the Economic Development Authority and the Planning Commission, is aggressively pursuing multiple redevelopment opportunities. The City also remains committed to the Fairfax Boulevard Master Plan, which identifies three main commercial centers prime for redevelopment. These locations are Fairfax Circle, Kamp Washington and Lee Highway (Route 29) to include Jermantown Road, at the western portion of the corridor.

ECONOMIC CONDITION AND OUTLOOK: (CONTINUED)

Construction of the Old Town Plaza redevelopment project in downtown Fairfax is complete. Many new businesses have moved in with others completing their build-outs. This new development provides for nearly 150,000 square feet of retail/restaurant and office space. Additionally, the project includes a 558 space parking structure, as well as the new 45,000 square foot City of Fairfax Regional Library. The project continues to generate interest with over 80% of the available space sold or leased. A high end townhome community is currently under construction for the final phase of the project. The redevelopment has proved a catalyst for the potential revitalization of other properties in Old Town Fairfax. Various concepts are under consideration for the block at Old Town Hall, the vision being a development which showcases a blend of civic, commercial and historic uses.

The undergrounding of utility wires in the Old Town area is near completion; this project serves to make the City not only more visually appealing, but safer. The 5.8 magnitude earthquake on August 23rd underscored the practicality of underground electrical wires.

The area continues to use civic engagement, arts resources and leveraged partnerships, such as George Mason University, to advance the commercial viability and vitality of Old Town. Planning for other underutilized properties in the downtown continues to evolve; understanding that, enriched by the presence of students, artists, arts and historic organizations, the downtown attract a greater volume of visitors and residents and, as the economy strengthens, will continue to add new commercial and business owners into the community.

In conjunction with the Small Business Development Center and George Mason University, the City operates a business incubator known as the Fairfax Innovation Center (FIC). The center is home to several GMU programs, 45 virtual tenants and 40 private start-up businesses occupying 72 separate offices. Numerous businesses have graduated from the incubator and now occupy commercial space in the City. Due to the success and demand of the FIC, the center has undertaken a recent expansion of its operations to include a state-of-the-art conference facility.

FINANCIAL CONDITION

While the total taxable assessed value of residential and commercial real property increased by 1.92% over the prior year, resulting in a 1.09% increase in revenues, the 3.70% increase in school tuition costs exceeded the increase in revenue. The result was a \$660k shortfall in the tuition account. Current estimates indicate the population of City students in the school will continue to increase, along with other administrative costs.

In light of the increasing tuition costs, keeping existing programs funded, salaries of public employees competitive, and addressing the budget and expanded program needs of the community's growing economy require careful budgeting. In addition to aggressive cost reductions in discretionary spending, the City filled several full-time positions vacated through retirement with part-time positions. The City has implemented cost cutting measures in the operating departments, eliminated employee merit increases as well as cost of living raises for fiscal year 2011. Any new revenues anticipated with the fully operational Old Town Village and the institution of a fire recovery fee with George Mason University are much needed in today's climate. CUE bus fare increased from \$1.45 to \$1.70 to offset higher motor pool costs as the bus fleet ages. Water and Sewer rates increased 7.5% and 12% respectively due to a significant number of capital projects, and additional debt service costs relating to the City's share of Fairfax County wastewater plant upgrades, where the City's wastewater is treated. Combining this fiscal reality with continuing community expectations of high quality services will force us to continually confront difficult choices.

The City's financial philosophy encourages the use of surplus General Fund revenue and resources derived from under-expenditures to fund capital projects rather than to fund ongoing operating programs. Even though the City has begun to use more debt financing rather than a purely "pay-as-you-go" approach to funding some capital projects, the City's net direct debt to tax base ratio was 3.2% at June 30, 2011 compared to 3.4% at June 30, 2010.

GENERAL GOVERNMENT FUNCTIONS

The following table shows the overall real property assessed value has increased over \$2.5 billion since 2001 including a 1.92 % increase from 2010 to 2011. Real property taxes, which are based on assessments as of January 1st of each year, are due in two payments. The first six months of the real estate tax is due on June 21st and the tax for the remaining six months is due on December 5th.

Tax Year	Residential Assessed Value	Residential % Increase (Decrease)	Industrial / Commercial Assessed Value	Industrial / Commercial % Increase (Decrease)	Total Taxable Assessed Value	Total % Increase (Decrease)
2001	1,493,534,686	20.4	994,457,600	9.4	2,487,992,286	15.7
2002	1,756,005,200	17.6	1,103,310,900	10.9	2,859,316,100	14.9
2003	2,111,088,700	20.2	1,206,961,700	9.4	3,318,050,400	16.0
2004	2,439,123,400	15.5	1,314,291,800	8.9	3,753,415,200	13.1
2005	3,063,115,200	25.6	1,382,126,100	5.0	4,445,241,300	18.4
2006	3,817,504,900	24.6	1,626,385,700	17.7	5,443,890,600	22.5
2007	3,723,667,700	(2.5)	1,884,634,000	15.9	5,608,301,700	3.02
2008	3,475,794,600	(6.7)	2,161,997,400	14.7	5,637,792,000	0.52
2009	3,182,468,200	(8.4)	2,177,141,800	00.7	5,359,610,100	(4.93)
2010	3,013,912,200	(5.2)	1,968,035,100	(9.6)	4,981,947,300	(7.00)
2011	3,123,099,700	3.6	1,954,294,800	(.70)	5,077,394,500	1.92

(1) The City's tax year is on a calendar year with property assessed as of January 1st of each year

BOND RATING

As of December 2011, the City's bond ratings were as follows:

	Moody's Investors Service	Standard & Poors
General Obligation Bonds	Aaa	AAA

However, along with most other jurisdictions in close proximity to Washington, DC, the City of Fairfax has been placed on negative outlook by Moody's due to possible Federal government downsizing and \$600 billion in defense spending cuts.

BUDGETARY ACCOUNTING AND INTERNAL CONTROLS

The budget process begins in the fall. City Council sets guidelines for the budget, usually in November. These guidelines provide the framework for developing the new budget. Requests from departments and City offices are reviewed and evaluated for priority and, based on estimated revenues, funding is requested by the City Manager for those programs and services required to maintain an essential level of service or provide for enhancements to programs as identified by City Council. Revenue estimates are derived from a review of current and projected economic indicators, current and proposed federal and state legislation, knowledge of future planned events in the City, and review of historic trends. By law, local government budgets must be balanced; i.e., current expenditures may not exceed current revenues and appropriated fund balance.

The Capital Improvement Program (CIP) follows a similar process whereby departments submit estimates, which are evaluated for priority and funding. The initial proposed CIP is issued in November and forwarded to the Planning Commission for public hearing and evaluation. The Planning Commission holds a public hearing on the CIP and issues a memorandum to the City Council with recommendations and suggestions. The City Council holds at least one public hearing on the CIP and defers action until adoption of the operating and capital budgets in April. The City Manager refines the initial proposed CIP based on an evaluation of operating funding requests and available resources. A capital budget (one year of the proposed CIP) is included in the operating budget. The capital budget and operating budget together become the proposed budget.

BUDGETARY ACCOUNTING AND INTERNAL CONTROLS: (CONTINUED)

Once presented to Council, Council reviews the proposed budget and a minimum of one public hearing is held to provide the public with an opportunity to comment to ensure that the budget is responsive to the citizens' needs. After careful deliberation, the proposed budget, as modified for additions and deletions, is adopted by City Council as the approved budget.

As a management tool, budgetary control is maintained at the department level and by the encumbrance of purchase amounts before the release of purchase orders to vendors. In addition, throughout the year, revenues and expenditures are monitored to enable the City to measure actual income and expenses against those projected in the budget.

CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING

The Government Finance Officers Association of the United States and Canada (GFOA) awarded the City a Certificate of Achievement for Excellence in Financial Reporting for the City's 2010 CAFR for the 30th consecutive year. GFOA awards a Certificate to governmental units that exemplify excellence in financial reporting and conform to the stringent reporting requirements promulgated by that Association and various other authoritative-bodies.

To earn a Certificate of Achievement, a CAFR must tell its financial story clearly, thoroughly, and understandably. The report must be efficiently organized, employ certain standardized terminology and formatting conventions, minimize ambiguities and potentials for misleading inference, enhance understanding of current generally accepted accounting theory, and demonstrate a constructive "spirit of full disclosure".

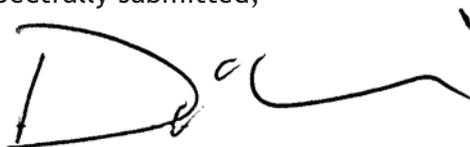
A Certificate is valid for a period of only one-year. The City believes its current report continues to conform to the Certificate of Achievement Program requirements and standards. The City is submitting it to GFOA to determine its eligibility for another certificate for this current fiscal year.

ACKNOWLEDGMENTS

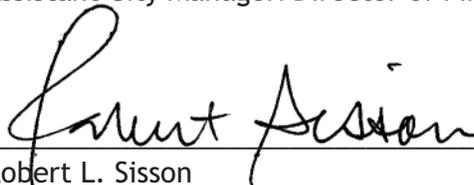
We wish to express our appreciation to the staff of the Department of Finance. Their efficient and dedicated service assisted in the preparation of this Report.

We would also like to thank the Mayor and City Council for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,

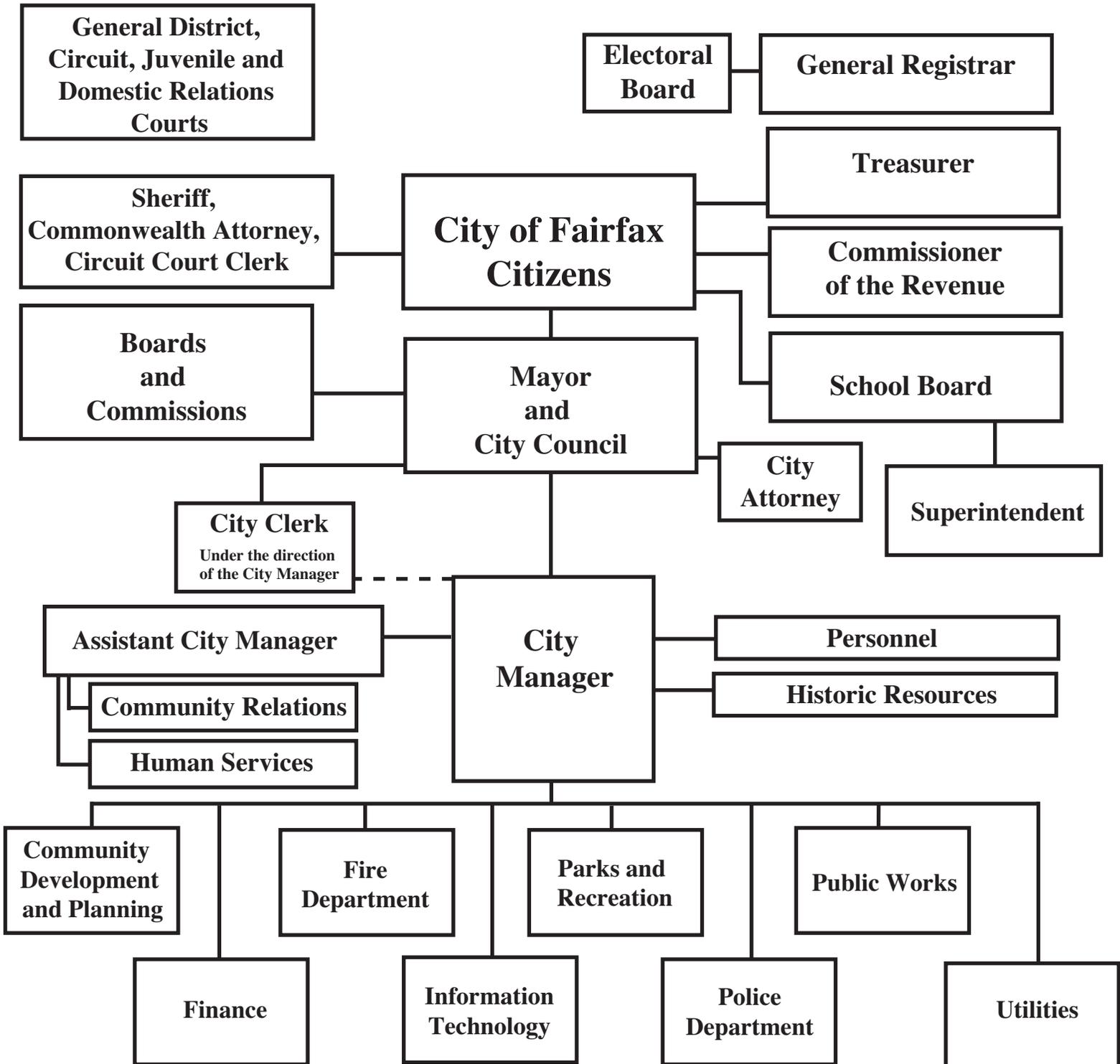


David E. Hodgkins
Assistant City Manager/Director of Finance



Robert L. Sisson
City Manager

City of Fairfax, Virginia Organizational Chart



revised 12/2004

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CITY OF FAIRFAX, VIRGINIA
PRINCIPAL OFFICIALS
June 30, 2011

CITY COUNCIL¹

Robert F. Lederer, Mayor

Joan Cross (res. 6/30/11)
Daniel F. Drummond
Jeffrey C. Greenfield
David L. Meyer

Eleanor D. Schmidt
R. Scott Silverthorne (app.7/1/11) ³
Steven C. Stombres

STAFF

Robert L. Sisson..... City Manager
David E. HodgkinsAssistant City Manager/Director of Finance
William Page Johnson II Commissioner of Revenue²
Stephen L. MoloneyTreasurer²
David L. Rohr..... Fire Chief
Richard J. Rappoport Chief of Police
David B. Hudson Director of Community Development and Planning
Gail A. Bohan..... Director of Information Technology
David Summers.....Director of Public Works
Richard C. ThoesenDirector of Utilities
Michael D. McCarty..... Director of Parks and Recreation
Sara SharpPersonnel Director
Thomas E. Reed..... Real Estate Assessment Director
Melanie Burrell..... City Clerk
Kevin Linehan General Registrar
Ann Monday City School Superintendent

ADVISORS

Brian J. Lubkeman. City Attorney
Robinson, Farmer, Cox, Associates Independent Auditors

¹ Elected by City voters to 2-year terms. Current terms expire June 30, 2012

² Elected by City voters to 4-year terms. Current terms expire December 31, 2013

³Voted in unanimously by Council on June 30, 2011 to assume Councilwoman Joan Cross' seat.

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Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Fairfax
Virginia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2010

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



Linda C. Davison

President

Jeffrey R. Emer

Executive Director

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ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report

To The Honorable Members of City Council
City of Fairfax
Fairfax, Virginia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Fairfax, Virginia, as of and for the year ended June 30, 2011, which collectively comprise the City of Fairfax, Virginia's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Fairfax, Virginia's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Fairfax, Virginia, as of June 30, 2011, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the financial statements, the City of Fairfax, Virginia adopted the provisions of *GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions*, effective July 1, 2010.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2011, on our consideration of the City of Fairfax, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules of pension and OPEB funding progress 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 management's discussion and analysis and schedules of funding progress 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 management's discussion and analysis and schedules of funding progress because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Fairfax, Virginia's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section, are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements and schedules, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 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.


Fredericksburg, Virginia
December 14, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis of the City of Fairfax's (City) financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2011. Users of these financial statements are encouraged to consider the information presented here in conjunction with the City's basic financial statements and the information furnished in our letter of transmittal, which can be found in the introductory section.

FINANCIAL HIGHLIGHTS FOR 2011

The primary government assets of the City of Fairfax exceeded its liabilities by \$92.1 million (*net assets*) at the close of the most recent fiscal year (F/Y) on June 30, 2011.

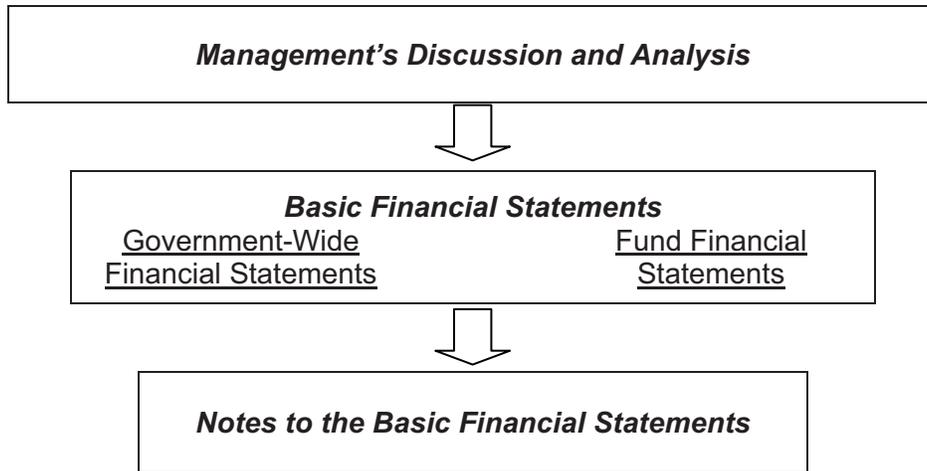
- The City's total primary government net assets decreased by less than 1% or \$0.8 million, resulting from the increase in liabilities outpacing the increase in assets in the City's business-type activities. The November 2010 Virginia Resources Authority (VRA) Utility bond issuance was the major contributor to this change; as of June 30, 2011, unspent VRA bond proceeds totaled approximately \$23.3 million while the balance payable remained at \$24.1 million.
- The Component Unit School board decreased net assets by \$1.9 million during the year, due to the following: a \$3.0 million net addition to capital assets offset by higher accumulated depreciation of \$4.0 million (an accounting change in F/Y 2010 resulted in more assets, and therefore more depreciation being reported by the Component Unit); and a \$0.9 million increase in payables to Fairfax County Public Schools (FCPS) for school tuition. The year-end school tuition reconciliation resulted in this additional payable due to an increase in the "Average Daily Membership" (ADM), a measure of the number of City students attending FCPS schools, during the year.
- The City adopted Governmental Accounting Standards Board's (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" in F/Y 2011. Adoption of this Statement's expanded fund type definitions did not result in a change in designation of any of the City's governmental funds. The new standard also requires a change in the reporting of governmental-type fund balances from simply designated or undesignated to more detailed purposes: non-spendable, restricted, committed, assigned, and unassigned. The City's governmental funds reflect a combined fund balance of \$31.9 million. Of this balance, \$4.8 million is non-spendable inventories and prepaid expenses, \$0.2 million is restricted by grantors/donors, \$0.6 million is committed to construction contracts, \$11.1 million is assigned to capital projects, and \$15.2 million is unassigned.
- At the end of June 30, 2011, the City's governmental, business-type, and Component Unit School Board activities had invested \$204.4, \$32.2, \$13.2 million, net of accumulated depreciation, respectively, in a variety of capital assets (please see Table 3).
- The City's total governmental outstanding long-term debt is \$164.3 million, which is a decrease of \$7.3 million. Even though several notes payable were refunded during F/Y 2011 in order to save interest of \$1.1 million over the life of the new certificates, debt retirement during the normal course of business was the main driver of the decrease. Refer to the Outstanding Debt Table in this section or Note 7 under the Notes to the Financial Statements section of this report for additional information.
- The City's total enterprise outstanding long-term debt is \$28.6 million. As discussed above, the City issued \$24.1 million in VRA Utility bonds during F/Y 2011.
- General property tax revenues exceeded budget; however, the year over year change was flat. Assessments on residential real property increased for the first time since F/Y 2006, by 3.6%; however, assessments on non-residential real property declined for the second year in a row, by 0.7%. Effective January 1, 2011, the real property tax rate was \$0.942 per \$100 of assessed value.

- The Stacy C. Sherwood Community Center opened its doors in February 2011, marking the completion of the two-year construction project made possible by the generous donation of Mrs. Geraldine Sherwood in honor of her late husband.

USING THE FINANCIAL SECTION OF THE ANNUAL REPORT

- ❖ This Comprehensive Annual Financial Report is presented in four sections: introductory, financial, statistical, and compliance. The financial section is further broken down as displayed in the chart below.

COMPONENTS OF THE FINANCIAL SECTION



GOVERNMENT-WIDE STATEMENTS

The government-wide statements report information about the City as a whole using accounting methods similar to those used by most private-sector companies. The government-wide financial statements provide both long-term and short-term information about the City's overall financial status. One of the most important questions that could be asked about the City's financial position is: "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities, which are the government-wide statements, report information about the City as a whole and about its activities in a way to address this question. These statements include all assets and liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net assets and changes in it. One can think of the City's net assets - the difference between assets and liabilities - as one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or declining. Other non-financial factors will need to be considered, for example, changes in the City's property tax base and the condition of the City's facilities, to assess the overall health of the City.

In the Statement of Net Assets and the Statement of Activities, we divide the City into the following:

Governmental Activities - Most of the City's basic services are reported here: General Government, Judicial Administration, Public Safety, Public Works, Health and Social Services, Parks, Recreation and Cultural, and Planning and Community Development. Property taxes, other local taxes, and state and federal aid finance most of these activities.

Business-type Activities - The City's Water and Waste-water Systems and the City's Transit System are reported here. The City charges a fee to customers to cover all or most of the cost of water and waste-water services. A significant portion of the Transit System is subsidized by the City.

Component Units - The City includes three legal entities as Component Units in its report - the School Board, Industrial Development Authority, and the Economic Development Authority. The School Board is presented as a separate column while the others are combined as non-major component units for presentation purposes. Although legally separate, these "component units" are important because the City is financially accountable for them, and provides a significant portion of their operating and capital funding.

FUND FINANCIAL STATEMENTS

Traditional users of government financial statements will find the fund financial statement presentation more familiar. The fund financial statements provide more information about the City's most significant funds - not the City as a whole. The fund financial statements focus on the individual parts of the City government, reporting the City's operations in more detail than the government-wide statements.

The City has three types of funds:

Governmental funds - This fund type includes most of the City's basic services, and focuses on (1) how cash and other financial assets that are readily converted to cash, flow in and out, and (2) on the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

Proprietary funds - This fund type includes services for which the City charges customers a fee, and the fee is to support the majority, if not all, of the cost. Proprietary funds, like the government-wide statements, provide both long and short-term financial information.

Fiduciary funds - This fund type accounts for assets held by the City in a trustee capacity and consists of pension trust funds.

Notes to the Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements immediately follow the basic financial statements.

Other Information: In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information immediately follows the notes to the financial statements.

The combining statements in connection with non-major governmental funds are presented immediately following the required supplementary information on pensions.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Statement of Net Assets:

The following table presents the condensed Statement of Net Assets of the primary government and the School Board Component Unit in a comparative format:

Table 1
Summary of Statement of Net Assets
June 30, 2011 and 2010
(In millions)*

	Primary Government						Major Component Unit	
	Governmental Activities		Business-type Activities		Totals		School Board	
	2011	2010	2011	2010	2011	2010	2011	2010
Assets:								
Current and other assets	\$64.8	\$68.9	\$27.5	\$8.0	\$92.3	\$76.9	\$2.6	\$3.0
Capital assets, net	204.4	207.9	32.2	27.3	236.6	235.3	13.2	14.3
Total Assets	269.2	276.8	59.7	35.4	328.9	312.2	15.8	17.3
Liabilities:								
Current and other liabilities	41.9	43.0	2.3	2.1	44.2	45.0	0.9	0.6
Long-term liabilities	162.8	169.2	29.8	5.1	192.6	174.3	0.0	0.0
Total Liabilities	204.7	212.1	32.1	7.2	236.8	219.3	1.0	0.6
Net Assets:								
Invested in capital assets, net of related debt	39.5	39.3	22.9	24.5	62.4	63.8	13.2	14.3
Unrestricted	25.0	25.4	4.7	3.7	29.7	29.1	1.6	2.4
Total net assets	\$ 64.5	\$ 64.7	\$ 27.6	\$ 28.2	\$ 92.1	\$ 92.9	\$ 14.8	\$ 16.7

*Immaterial rounding differences between the Tables in the MD&A and the Exhibits in the Financial Section of the CAFR may exist.

Over time, net assets may serve as a useful indicator of the City's financial position. For the most recently concluded fiscal year, the City's primary government assets exceeded its liabilities by \$92.1 million, which is a decrease of \$0.8 million from the prior year, as discussed under the Financial Highlights for 2011 section.

The largest portion of the City's net assets reflects its investment in capital assets (e.g. land, buildings, infrastructure improvements, machinery and equipment, and construction in progress, net of accumulated depreciation), less any related outstanding debt used to acquire those assets. As shown above, as of June 30, 2011, this investment totaled \$75.6 million for the entire reporting entity. The City uses these assets to provide services to its citizens; consequently, these assets are not readily available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves would not likely be used to liquidate these liabilities.

Statement of Activities:

The following table shows the revenues and expenses of the governmental and business-type activities and the School Board Component Unit:

Table 2
Summary of Changes in Net Assets
Years Ended June 30, 2011 and 2010
(In millions)*

	Primary Government						School Board Component Unit	
	Governmental Activities		Business-type Activities		Totals		School Board	
	2011	2010	2011	2010	2011	2010	2011	2010
Revenues:								
Program revenues:								
Charges for services	\$ 4.9	\$ 4.6	\$ 14.5	\$ 13.7	\$ 19.4	\$ 18.3	\$ 0.4	\$ 0.4
Operating grants and contributions	3.8	3.9	1.8	1.7	5.6	5.6	6.3	6.2
Capital grants and contributions	1.6	0.6	0.2	-	1.8	0.6	-	-
General revenues:								
General property taxes	56.4	56.2	-	-	56.4	56.2	-	-
Other local taxes	28.7	28.1	-	-	28.7	28.1	-	-
Contribution from City	-	-	-	-	-	-	29.5	29.6
Grants and contributions not restricted to specific programs	5.7	5.7	-	-	5.7	5.7	-	-
Use of money and Property	0.3	0.4	-	-	0.3	0.4	1.6	1.6
Miscellaneous	2.8	2.2	-	-	2.8	2.2	-	0.1
Gain/(loss) disposable capital assets	-	2.9	-	-	-	2.9	-	-
Total revenues	\$104.2	\$104.6	\$ 16.5	\$ 15.4	\$120.7	\$119.9	\$ 37.9	\$ 37.9
Expenses:								
General government	\$ 7.9	\$ 7.2	\$ -	\$ -	\$ 7.9	\$ 7.2	\$ -	\$ -
Judicial administration	1.8	2.0	-	-	1.8	2.0	-	-
Public safety	23.0	22.6	-	-	23.0	22.6	-	-
Public works	14.2	10.4	17.1	15.3	31.3	25.6	-	-
Health & social services	4.7	4.8	-	-	4.7	4.8	-	-
Education	35.6	35.9	-	-	35.6	35.9	39.7	37.6
Parks, recreation and cultural	7.5	4.7	-	-	7.5	4.7	-	-
Planning and community develop	2.1	2.1	-	-	2.1	2.1	-	-
Interest	7.6	6.9	-	-	7.6	6.9	-	-
Total expenses	\$104.4	\$ 96.6	\$ 17.1	\$ 15.3	\$121.5	\$111.8	\$ 39.7	\$ 37.6
Change in net assets before transfers	\$ (0.2)	\$ 8.0	\$ (0.6)	\$ 0.1	\$ (0.8)	\$ 8.1	\$ (1.8)	\$ 0.3
Transfers	-	(0.8)	-	0.8	-	-	-	-
Change in net assets	\$ (0.2)	\$ 7.2	\$ (0.6)	\$ 0.9	\$ (0.8)	\$ 8.1	\$ (1.8)	\$ 0.3
Net assets, beginning	\$ 64.7	\$ 57.5	\$ 28.2	\$ 27.3	\$ 92.9	\$ 84.8	\$ 16.7	\$ 16.4
Net assets, ending	\$ 64.5	\$ 64.7	\$ 27.6	\$ 28.2	\$ 92.1	\$ 92.9	\$ 14.8	\$ 16.7

*Immaterial rounding differences between the Tables in the MD&A and the Exhibits in the Financial Section of the CAFR may exist.

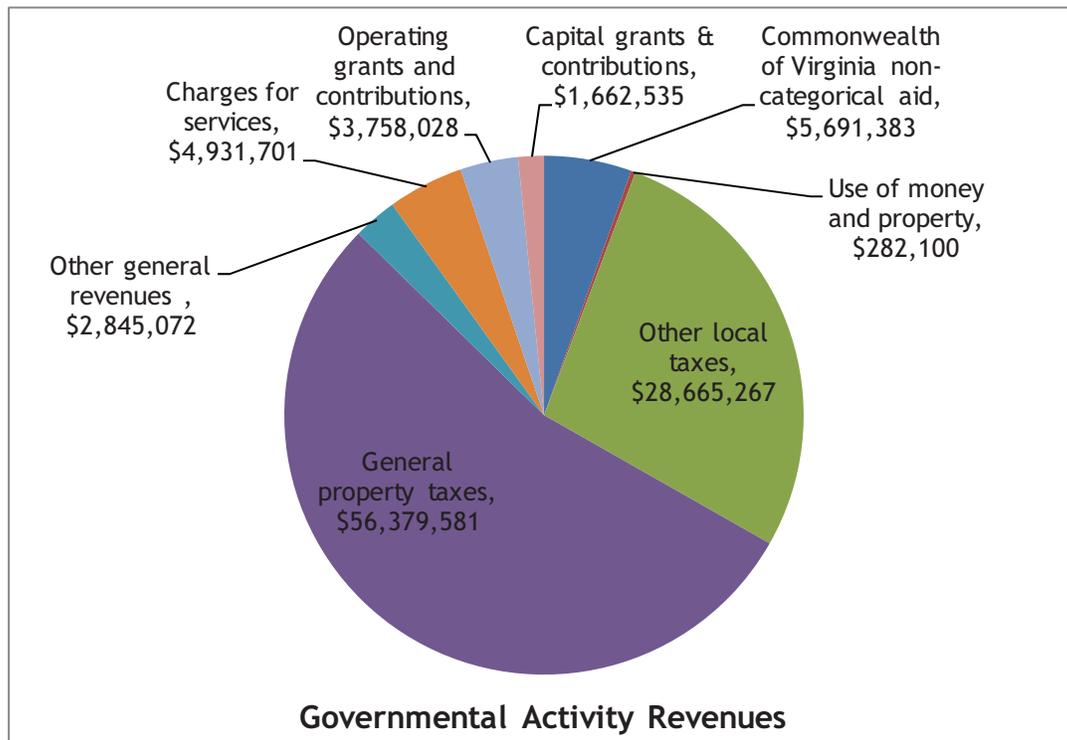
Statement of Activities: (Continued)

Governmental Activities

Revenues for the City's governmental activities were \$104.2 million, which is a decrease of \$0.4 million from the prior year.

- Increases in capital grants, charges for services, local taxes (e.g. meals tax, business licenses, etc.), and miscellaneous revenue were offset by decreases in local sales & use taxes and gains on disposal of assets. F/Y 2010 had a \$2.9 million gain on the disposal of the site of the old library; F/Y 2011 had no such gain.
- General property taxes are the largest revenue source for the City. These revenues were flat year over year, despite an increase in assessments on residential real property for the first time since F/Y 2006. Effective January 1, 2011, the real estate tax rate decreased from \$.955 to \$.942 per \$100 of assessed value. Personal property tax revenues increased marginally as well; the rate remains \$4.13 per \$100 of assessed value.
- Capital grant revenues increased as a result of funding received under the American Recovery and Reinvestment Act (ARRA) for the re-paving of Route 50, and from Virginia Department of Transportation (VDOT) for bridge improvements on Route 123 and the Kamp Washington road improvement project.

The chart below shows F/Y 2011 governmental revenues by program source:

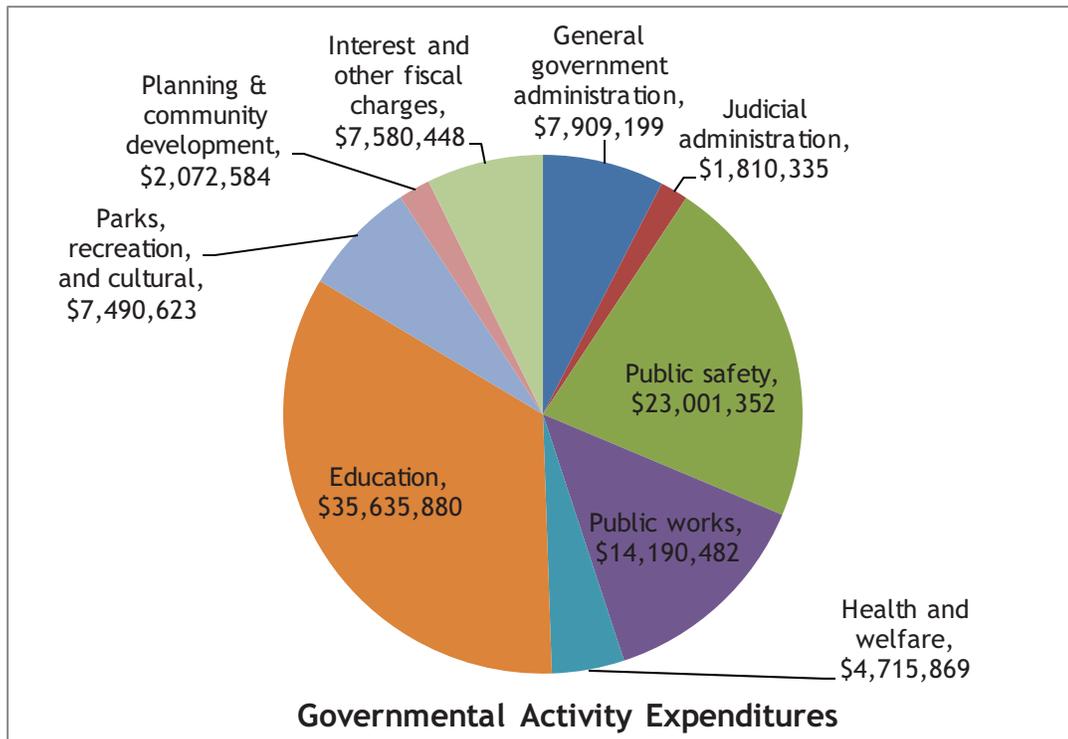


Expenditures for the City's governmental activities were \$104.4 million in F/Y 2011, which is an increase of \$7.8 million from F/Y 2010.

- Consistent with higher capital grant revenues (ARRA and VDOT), Public Works' capital project expenditures increased with the re-paving of Route 50 and Route 123 bridge improvement projects.
- Parks, Recreation, and Culture's expenditures on non-capital items for the Sherwood Community Center increased as the project neared completion.

Statement of Activities: (Continued)

As shown in the chart below, education remains the City's largest program. Governmental activity expenditures by major category are as follows:



Business-type Activities

Business-type activities decreased the City's net assets by \$0.6 million. Though revenues increased as a result of a 7.5% water rate increase and a 12.0% waste-water rate increase, the resulting revenues were offset by higher debt service costs. CUE bus fares increased to \$1.70 from \$1.45; the transportation fund did not require a transfer from the general fund in F/Y 2011 as it has in previous fiscal years.

Component Unit Activities

The School Board's net assets decreased by \$1.8 million during the year, driven by the following key elements:

- Tuition rose by \$1.4 million due to higher ADM, which is essentially the number of City children attending schools in the FCPS system.
- The remainder of the bond money in the school renovation fund was spent, including \$0.4 million on non-capital equipment and improvements.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE: (CONTINUED)

Financial Analysis of the City's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$31.9 million, a decrease of \$2.6 million in comparison with the prior year. Approximately 47.6% of this total amount (\$15.2 million) constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of the fund balance is comprised of restricted (\$0.2 million), committed (\$0.6 million), and assigned (\$11.1 million) to indicate that it is not available for new spending.

The general fund is the primary operating fund of the City. The unassigned fund balance decreased by \$0.4 million to \$15.2 million (revenues of \$100.8 million less expenditures of \$97.8 million and other financing uses of \$3.4 million). Required transfers to other funds are the main factor in the decline of the balance. Other key revenue and expenditure factors are discussed in previous sections.

The City's other governmental funds reflected overall decreases in fund balances of \$2.2 million. The total decrease of fund balances consisted of the following: General Capital Projects Fund (\$1.8 million) and the Old Town Fairfax Fund (\$1.5 million). The Other Governmental Funds increased their fund balance by \$ 1.1 million. All of these fund balances are nonspendable, committed or assigned. Key revenue and expenditure factors have already been discussed.

Proprietary funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The City has the following proprietary funds: Sewer Fund, Water Fund, and Transit Fund. Unrestricted net assets of the Sewer Utility Fund, Water Utility Fund, and Transportation Fund at the end of the year totaled \$0.7, \$3.0, and \$1.0 million, respectively. The total proprietary fund unrestricted net assets increased by \$1.0 million from the prior year.

Major events during the current fiscal year included the following:

- The November 2010 VRA bond funding, split between the Water (48%) and Waste-water (52%) funds.
- Engagement of several engineering firms to assess the condition of the water transmission lines, dams, and water treatment plant, and to recommend upgrades.
- The Transportation Fund did not require a transfer from the General Fund for the first time in several fiscal years.

Other factors concerning the finances of these three funds have already been addressed in the discussion of the City's business-type activities.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE: (CONTINUED)

General Fund Budgetary Highlights
Fiscal Year 2011 (in millions)*

	Final Budget	Actual	Actual (Over)/Under Final Budget
Revenues:			
Taxes	\$ 86.9	\$ 85.5	\$ (1.4)
Intergovernmental	7.1	10.2	3.1
Other	5.9	5.1	(0.8)
Totals	99.9	100.8	0.9
Expenditures	99.2	97.7	(1.5)
Excess of revenues over expenditures:	0.7	3.1	2.4
Other financing sources and (uses):			
Issuance of refunding debt	-	19.9	19.9
Payment to refunded bond escrow agent	-	(19.7)	(19.7)
Transfers Out	(3.5)	(3.6)	(0.1)
Totals	(3.5)	(3.4)	0.1
Changes in fund balance	(2.8)	(0.3)	2.5
Fund balance, beginning	2.8	16.8	14.0
Fund balance, ending	\$ -	\$ 16.5	\$ 16.5

*Immaterial rounding differences between the Tables in the MD&A and the Exhibits in the Financial Section of the CAFR may exist.

Actual revenues were greater than final budget amounts by \$0.9 million, and actual expenditures were under the final budget amounts by \$1.5 million. Highlights of the comparison of final budget to actual figures for the fiscal year ended June 30, 2011, include the following:

- The City’s actual intergovernmental revenue was \$3.1 million higher than the final budget because Personal Property Tax Relief Act (PPTRA) funds were budgeted in the “Taxes” line but the receipt recorded in the “Intergovernmental” line. Actual tax revenue is therefore higher than budget by \$1.7 million and actual intergovernmental revenues are approximately equal to budget.
- The advance refunding of certain notes payable, replaced with Certificates of Participation (COPS), is the main driver of other financing source.
- Actual expenditures were \$1.5 million less than the final budget amount. All departments continued to apply aggressive cost containment measures, including replacement of full-time positions vacated due to retirement with part-time positions. There were no merit or cost-of-living increases in F/Y 2011.

CAPITAL ASSETS

At the end of June 30, 2011, the City's governmental activities, business-type activities, and the activities of the Component Unit School Board had invested \$204.4, \$32.2, \$13.2 million net of accumulated depreciation, respectively, in a variety of capital assets, as reflected in the following table.

Table 3
Statement of Capital Assets
June 30, 2011 and 2010
(In millions)*

	Primary Government						Component Unit	
	Governmental Activities		Business-type Activities		Totals		School Board	
	2011	2010	2011	2010	2011	2010	2011	2010
Land	\$ 36.2	\$ 36.2	\$ 0.7	\$ 0.7	\$ 36.9	\$ 36.9	\$ 1.4	\$ 1.4
Construction in Progress	28.2	24.6	0.8	0.7	29.0	25.3	-	-
Depreciable Capital Assets:								
Buildings and Improvements	44.8	44.7	31.0	31.0	75.8	75.7	22.7	19.3
Machinery and Equipment	22.6	21.7	7.5	7.2	30.1	28.9	1.5	1.6
Joint Tenancy Assets	93.8	97.0	-	-	93.8	97.0	-	-
Intangible Assets	-	-	9.7	5.4	9.7	5.4	-	-
Infrastructure	26.2	25.8	28.0	26.2	54.2	52.0	-	-
Accumulated depreciation	(47.4)	(42.1)	(45.5)	(43.9)	(92.9)	(86.0)	(12.4)	(8.0)
Total	\$ 204.4	\$ 207.9	\$ 32.2	\$ 27.3	\$ 236.6	\$ 235.2	\$ 13.2	\$ 14.3

*Immaterial rounding differences between the Tables in the MD&A and the Exhibits in the Financial Section of the CAFR may exist.

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2011, amounts to \$236.5 million, net of accumulated depreciation. This investment in capital assets includes land, construction in progress, buildings, improvements, machinery and equipment, and infrastructure. Common infrastructure items include roadways, bridges, storm drainage areas, sewer lines, water lines, sidewalks, curbs, bike paths and traffic lights. The net increase in the City's investment in capital assets for the current fiscal year was \$1.3 million.

Major capital asset transactions of the City during F/Y 2011 in both the governmental and business-type activities included the following:

- A new water main at Main Street and Sager Avenue for \$1,232,261.
- Purchase of fifteen vehicles/trucks/trailers for \$707,703.
- Leasing of three trash trucks for \$606,750.
- Purchase of road treatment/snow removal equipment for \$138,687.
- Purchase of a master control server for Cable TV for \$41,523.
- Purchase of/improvements to water lines, pumps, and valves for \$592,404.
- Completion of Pickett Road left-turn lane project, \$324,772.
- Construction in progress activity includes: Route 50 re-paving, bridge improvements, Old Town redevelopment projects, rehabilitation of Blenheim and Grandma's Cottage, park and ball field improvements, and water main/water plant improvements.

The City's investment in capital assets for its School Board Component Unit as of June 30, 2011, was \$13.2 million, net of accumulated depreciation, a net decrease of \$1.1 million from the prior fiscal year. The investment in capital assets is comprised of the same categories as listed above for the City, and also includes joint tenancy assets (e.g. classroom improvements and school infrastructure funded by the City).

CAPITAL ASSETS: (CONTINUED)

The major capital asset events of the School Board Component Unit during the fiscal year included the following:

- Courtyard and crawlspace improvements for \$126,425 at Lanier Middle School.
- Underground irrigation system for \$15,760 at Providence Elementary.
- Multi-purpose athletic field improvements for \$25,000 at Fairfax High School.
- Construction in progress activity consists of construction of an outdoor classroom at Lanier Middle School.

Additional information on the City's capital assets can be found in Note 6 of the Notes to the Financial Statements section of this report.

CITY OF FAIRFAX'S OUTSTANDING DEBT

General Obligation, Revenue Bonds and Notes Payable (In millions)*

	Governmental Activities		Business-type Activities		Totals	
	2011	2010	2011	2010	2011	2010
General Obligation Bonds						
2010 Refunding Bonds (8)	\$ 11.9	\$ 12.0	\$ -	\$ -	\$ 11.9	\$ 12.0
2010 School Refunding Bonds (3,12)	20.2	20.5	-	-	20.2	20.5
2005 School Bonds (3)	28.9	29.7	-	-	28.9	29.7
2005 School Refunding Bonds (3)	9.1	10.4	-	-	9.1	10.4
2004 School Bonds (3)	30.6	31.4	-	-	30.6	31.4
2002 Public Improvements (11)	1.9	2.7	-	-	1.9	2.7
2008 Utility Revenue Bonds (6)	-	-	4.5	4.7	4.5	4.7
2011 VRA Revenue Bond (10)	-	-	24.1	-	24.1	-
Fairfax County Note Payable (1)	0.4	0.5	-	-	0.4	0.5
Open Space Land Purchases Notes Payable (4)	-	4.2	-	-	-	4.2
Historic Restoration of Blenheim and Open Space Purchases Note Payable (4)	-	3.3	-	-	-	3.3
Downtown Redevelopment Note Payable (5)	37.2	38.2	-	-	37.2	38.2
School Improvements Note Payable (4)	-	7.4	-	-	-	7.4
Road Improvements Note Payable (4)	-	1.6	-	-	-	1.6
Park Improvements Note Payable (4)	-	5.4	-	-	-	5.4
Public Improvement COPS (9)	19.9	-	-	-	19.9	-
Eleven Oaks Note Payable (7)	4.2	4.2	-	-	4.2	4.2
Gross debt	\$ 164.3	\$ 171.5	\$ 28.6	\$ 4.7	\$ 192.9	\$ 176.2
Less self-supporting debt:						
Water system	\$ -	\$ -	\$ 16.1	\$ 4.7	\$ 16.1	\$ 4.7
Waste-water system	-	-	12.5	-	12.5	-
Total self-supporting	\$ -	\$ -	\$ 28.6	\$ 4.7	\$ 28.6	\$ 4.7
Net Direct Debt (2)	\$ 164.3	\$ 171.5	\$ -	\$ -	\$ 164.3	\$ 171.5

*Immaterial rounding differences between the Tables in the MD&A and the Exhibits in the Financial Section of the CAFR may exist.

See notes on the following page.

CITY OF FAIRFAX'S OUTSTANDING DEBT: (CONTINUED)

Notes:

- (1) Fairfax County note payable.
- (2) Net direct debt excludes debt service on General Obligation Bonds supported by revenues of the water and sewer systems. Revenues of the water and sewer system have been sufficient to cover debt service on such bonds.
- (3) The financing liability of all School Board capital asset projects has to be reflected in the City's Statement of Net Assets; the City is legally obligated for the retirement of the debt.
- (4) These notes were all refunded in advance in FY2011, reducing the total interest cost by \$1.1M over the life of the Public Improvement Certificates of Participation (COPS). See note 9.
- (5) Downtown Redevelopment Financing.
- (6) Water and Sewer system projects.
- (7) Enabled City to complete the George Mason Boulevard Road project.
- (8) The advance refunding was undertaken to reduce the total interest costs over the next 15 years by \$2.2M.
- (9) The Public Improvement Certificates of Participation (COPS) were issued in three series: A (3 years, 1.27%); B (8 years, 3.10%); and C (8 years, 3.10%). The City will realize interest savings of approximately \$1.1M over the life of these Certificates.
- (10) 30 year, 3.97% lease revenue bond, through the Virginia Resources Authority (Virginia Pooled Financing Program). The City receives an interest subsidy from the Federal government through the Build America Bonds (BABs) program. These bond monies will be used for the City's investment in capital improvements to the Noman Cole Sewer Treatment Plant and to make upgrades to the City's water treatment plant and distribution system.
- (11) Unrefunded portion of 2002 General Obligation bonds issued for improvements to the City.

Capital leases have not been included in the table above. The outstanding amount for the capital leases is \$0.9 million. Amounts due for compensated absences have also been omitted in the table above.

Additional information on the City of Fairfax's long-term debt can be found in Note 7 of Notes to the Financial Statements section of this report.

ECONOMIC FACTORS

While certain economic indicators are improving, such as increases in real property assessments, higher revenues from personal property taxes, meals tax, business licenses, and other taxes, sales and use taxes and non-residential real property assessments remain sluggish. Also, the City's proximity to the seat of the Federal government, long viewed as a stabilizing factor to the entire region's economy, is showing a downside. Moody's, one of the three leading credit rating agencies, has placed the City and most jurisdictions in Northern Virginia on "negative outlook" after the Federal government announced \$600 billion in defense cuts and possible future federal downsizing. As of the date of this report, the City has retained its AAA rating; however, there is still uncertainty about the long-term impact the downgrading of the Federal debt and possible Federal downsizing will have on the City's ratings. Additionally, school tuition is projected to increase due to a growing student population, compounded with escalating operating costs. Further, the replenishment of deferred VRS costs for schools will begin in F/Y 2012 and continue through F/Y 2021. The City will bear a portion of these replenishment costs.

ECONOMIC FACTORS: (CONTINUED)

Though still challenged by the downturn in the national, regional and local economies, the City has a strong economic base. Overall office space vacancy rates (12.5%) and retail vacancy rates (5.5%) in the City remained flat with the past year but remain lower than most other Northern Virginia jurisdictions. The City remains supportive of the redevelopment of its Route 50/29 Corridor. Known as Fairfax Boulevard, it is the City's economic engine, providing nearly 40 percent of all tax revenues generated from the community. The City, in partnership with the Economic Development Authority and the Planning Commission, is aggressively pursuing multiple redevelopment opportunities along the Boulevard, primarily locations at and around Fairfax Circle, Kamp Washington, and Northfax Gateway. Several major projects have been completed along the Boulevard with many others in various stages of planning, design, and development.

A sluggish economy and an uncertain economic forecast coupled with continuing community expectations for high quality services will again force the City to confront difficult choices. Future revenue from a slow-recovering national and local economy may not keep up with the expenditures necessary to maintain today's high level of services. Challenges lie ahead since the City's financial position is not as robust as in past years; however, with improving assessments and tax revenues, our community is positioned to remain among the strongest financially rated communities in the United States.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. Questions concerning this report or requests for additional financial information should be directed to the Director of Finance, City of Fairfax, 10455 Armstrong Street, Fairfax, Virginia 22030, telephone (703) 385-7870, or visit the City's web site at www.fairfaxva.gov.

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BASIC FINANCIAL STATEMENTS

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Government-wide Financial Statements

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Statement of Net Assets
At June 30, 2011

	Primary Government			Component Units	
	Governmental Activities	Business- Type Activities	Totals	School Board	Nonmajor Component Units
ASSETS					
Current Assets:					
Cash and cash equivalents	\$ 24,615,497	\$ 23,440,331	\$ 48,055,828	\$ -	\$ 359,669
Receivables (net of allowance for uncollectibles):					
Property taxes	25,873,400	-	25,873,400	-	-
Accounts receivable	3,658,084	2,779,654	6,437,738	-	-
Due from other governments	4,238,379	829,073	5,067,452	450,482	-
Due from component units	265,000	-	265,000	-	-
Inventories	4,735,969	62,311	4,798,280	-	2,342,732
Prepaid items	77,273	355	77,628	-	53,000
Advance to other governments	-	-	-	1,681,383	-
Due from primary government	-	-	-	488,884	-
Advance due from component unit	53,000	-	53,000	-	-
Total Current Assets	\$ 63,516,602	\$ 27,111,724	\$ 90,628,326	\$ 2,620,749	\$ 2,755,401
Noncurrent Assets:					
Financing costs, net	\$ 1,289,688	\$ 447,125	\$ 1,736,813	\$ -	\$ -
Capital assets (net of accumulated depreciation):					
Land and improvements	\$ 36,231,190	\$ 663,198	\$ 36,894,388	\$ 1,381,115	\$ -
Buildings and improvements	44,740,082	31,033,155	75,773,237	22,655,066	-
Equipment	22,619,526	7,460,389	30,079,915	1,461,522	-
Joint tenancy assets	93,797,232	-	93,797,232	-	-
Infrastructure	26,140,969	27,971,643	54,112,612	-	-
Intangible assets	-	9,649,824	9,649,824	-	-
Construction in progress	28,219,405	840,692	29,060,097	24,644	-
Less: Accumulated depreciation	(47,392,342)	(45,456,535)	(92,848,877)	(12,359,602)	-
Total capital assets	\$ 204,356,062	\$ 32,162,366	\$ 236,518,428	\$ 13,162,745	\$ -
Total Noncurrent Assets	\$ 205,645,750	\$ 32,609,491	\$ 238,255,241	\$ 13,162,745	\$ -
Total Assets	\$ 269,162,352	\$ 59,721,215	\$ 328,883,567	\$ 15,783,494	\$ 2,755,401
LIABILITIES					
Current Liabilities:					
Accounts payable and accrued liabilities	\$ 3,143,711	\$ 856,004	\$ 3,999,715	\$ 31,644	\$ -
Due to other governments	-	-	-	907,722	-
Retainage payable	393,241	-	393,241	-	-
Accrued interest payable	3,005,344	334,689	3,340,033	-	55,261
Customer deposits and other liabilities	1,628,453	845,171	2,473,624	-	-
Due to primary government	-	-	-	-	265,000
Due to component unit	488,884	-	488,884	-	-
Advances payable to primary government	-	-	-	-	53,000
Unearned revenue	24,921,373	-	24,921,373	-	-
Current portion of long-term obligations	8,284,927	275,462	8,560,389	1,690	-
Total Current Liabilities	\$ 41,865,933	\$ 2,311,326	\$ 44,177,259	\$ 941,056	\$ 373,261
Noncurrent Liabilities:					
Noncurrent portion of long-term obligations	162,840,604	29,761,806	192,602,410	15,207	2,392,305
Total Liabilities	\$ 204,706,537	\$ 32,073,132	\$ 236,779,669	\$ 956,263	\$ 2,765,566
NET ASSETS					
Invested in capital assets, net of related debt	\$ 39,486,639	\$ 22,938,374	\$ 62,425,013	\$ 13,162,745	\$ -
Unrestricted assets	24,969,176	4,709,709	29,678,885	1,664,486	(10,165)
Total Net Assets	\$ 64,455,815	\$ 27,648,083	\$ 92,103,898	\$ 14,827,231	\$ (10,165)
Total Liabilities and Net Assets	\$ 269,162,352	\$ 59,721,215	\$ 328,883,567	\$ 15,783,494	\$ 2,755,401

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

CITY OF FAIRFAX, VIRGINIA

Statement of Activities
Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 7,909,199	\$ 291,048	\$ 262,777	\$ -
Judicial administration	1,810,335	1,005,567	-	-
Public safety	23,001,352	1,700,143	1,278,573	-
Public works	14,190,482	624,368	2,193,594	1,662,535
Health and welfare	4,715,869	-	-	-
Education	35,635,880	-	-	-
Parks, recreation, and cultural	7,490,623	1,027,621	23,084	-
Community development	2,072,584	282,954	-	-
Interest on long-term debt	7,580,448	-	-	-
Total governmental activities	\$ 104,406,772	\$ 4,931,701	\$ 3,758,028	\$ 1,662,535
Business-type activities:				
Sewer	\$ 4,417,029	\$ 4,178,752	\$ -	\$ 92,064
Water	9,706,260	9,141,327	-	84,982
Transportation	2,977,867	1,195,092	1,814,754	-
Total business-type activities	\$ 17,101,156	\$ 14,515,171	\$ 1,814,754	\$ 177,046
Total primary government	\$ 121,507,928	\$ 19,446,872	\$ 5,572,782	\$ 1,839,581
COMPONENT UNITS:				
School Board	\$ 39,703,706	\$ 421,973	\$ 6,309,784	\$ -
Nonmajor component units:				
Industrial Development Authority	\$ 834,312	\$ 963,797	\$ -	\$ -
Economic Development Authority	85,840	65,862	-	-
Total nonmajor component units	\$ 920,152	\$ 1,029,659	\$ -	\$ -
Total component units	\$ 40,623,858	\$ 1,451,632	\$ 6,309,784	\$ -

General revenues:
 General property taxes
 Local sales and use taxes
 Business license taxes
 Consumer utility taxes
 Meals tax
 Other local taxes
 Unrestricted revenues from use of money and property
 Contribution from City
 Grants and contributions not restricted to specific programs
 Miscellaneous
 Transfers
 Total general revenues and transfers
 Change in net assets
 Net assets - beginning
 Net assets - ending

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

Net (Expense) Revenue and Changes in Net Assets					
Primary Government			Component Units		
Governmental Activities	Business-Type Activities	Total	School Board	Nonmajor Component Units	
\$ (7,355,374)	\$ -	\$ (7,355,374)	\$ -	\$ -	
(804,768)	-	(804,768)	-	-	
(20,022,636)	-	(20,022,636)	-	-	
(9,709,985)	-	(9,709,985)	-	-	
(4,715,869)	-	(4,715,869)	-	-	
(35,635,880)	-	(35,635,880)	-	-	
(6,439,918)	-	(6,439,918)	-	-	
(1,789,630)	-	(1,789,630)	-	-	
(7,580,448)	-	(7,580,448)	-	-	
<u>\$ (94,054,508)</u>	<u>\$ -</u>	<u>\$ (94,054,508)</u>	<u>\$ -</u>	<u>\$ -</u>	
\$ -	\$ (146,213)	\$ (146,213)	\$ -	\$ -	
-	(479,951)	(479,951)	-	-	
-	31,979	31,979	-	-	
<u>\$ -</u>	<u>\$ (594,185)</u>	<u>\$ (594,185)</u>	<u>\$ -</u>	<u>\$ -</u>	
<u>\$ (94,054,508)</u>	<u>\$ (594,185)</u>	<u>\$ (94,648,693)</u>	<u>\$ -</u>	<u>\$ -</u>	
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (32,971,949)</u>	<u>\$ -</u>	
\$ -	\$ -	\$ -	\$ -	\$ 129,485	
-	-	-	-	(19,978)	
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 109,507</u>	
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (32,971,949)</u>	<u>\$ 109,507</u>	
\$ 56,379,581	\$ -	\$ 56,379,581	\$ -	\$ -	
9,907,063	-	9,907,063	-	-	
8,151,072	-	8,151,072	-	-	
1,551,010	-	1,551,010	-	-	
4,938,869	-	4,938,869	-	-	
4,117,253	-	4,117,253	-	-	
282,100	25,191	307,291	1,595,432	332	
-	-	-	29,514,032	-	
5,691,383	-	5,691,383	-	-	
2,845,072	-	2,845,072	20,000	50,100	
(20,511)	20,511	-	-	-	
<u>\$ 93,842,892</u>	<u>\$ 45,702</u>	<u>\$ 93,888,594</u>	<u>\$ 31,129,464</u>	<u>\$ 50,432</u>	
\$ (211,616)	\$ (548,483)	\$ (760,099)	\$ (1,842,485)	\$ 159,939	
64,667,431	28,196,566	92,863,997	16,669,716	(170,104)	
<u>\$ 64,455,815</u>	<u>\$ 27,648,083</u>	<u>\$ 92,103,898</u>	<u>\$ 14,827,231</u>	<u>\$ (10,165)</u>	

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Fund Financial Statements

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Balance Sheet - Governmental Funds
At June 30, 2011

	General	General Capital Projects	Old Town Fairfax Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 15,502,792	\$ -	\$ 6,299,391	\$ 3,594,863	\$ 25,397,046
Receivables (Net of allowance for uncollectibles):					
Taxes, including penalties	25,873,400	-	-	-	25,873,400
Accounts	1,188,017	2,469,976	91	-	3,658,084
Inventories	683,576	4,052,393	-	-	4,735,969
Prepaid items	73,495	-	3,778	-	77,273
Due from other governmental units	2,816,072	1,403,250	-	19,057	4,238,379
Advance due from component unit	53,000	-	-	-	53,000
Due from component units	5,000	160,000	100,000	-	265,000
	<u>\$ 46,195,352</u>	<u>\$ 8,085,619</u>	<u>\$ 6,403,260</u>	<u>\$ 3,613,920</u>	<u>\$ 64,298,151</u>
Total assets					
	<u>\$ 46,195,352</u>	<u>\$ 8,085,619</u>	<u>\$ 6,403,260</u>	<u>\$ 3,613,920</u>	<u>\$ 64,298,151</u>
LIABILITIES					
Reconciled overdraft	\$ -	\$ 781,549	\$ -	\$ -	\$ 781,549
Accounts payable and accrued liabilities	1,913,195	1,050,428	134,033	46,055	3,143,711
Retainage payable	-	285,741	107,500	-	393,241
Customer deposits and other liabilities	1,471,803	156,650	-	-	1,628,453
Due to component unit	488,884	-	-	-	488,884
Deferred revenue	25,802,436	95,769	-	-	25,898,205
	<u>\$ 29,676,318</u>	<u>\$ 2,370,137</u>	<u>\$ 241,533</u>	<u>\$ 46,055</u>	<u>\$ 32,334,043</u>
Total liabilities					
	<u>\$ 29,676,318</u>	<u>\$ 2,370,137</u>	<u>\$ 241,533</u>	<u>\$ 46,055</u>	<u>\$ 32,334,043</u>
FUND BALANCES					
Nonspendable	\$ 810,071	\$ 4,052,393	\$ 3,778	\$ -	\$ 4,866,242
Restricted	66,439	-	-	135,766	202,205
Committed	-	585,633	5,040	-	590,673
Assigned	470,845	1,077,456	6,152,909	3,432,099	11,133,309
Unassigned	15,171,679	-	-	-	15,171,679
	<u>\$ 16,519,034</u>	<u>\$ 5,715,482</u>	<u>\$ 6,161,727</u>	<u>\$ 3,567,865</u>	<u>\$ 31,964,108</u>
Total fund balances					
	<u>\$ 16,519,034</u>	<u>\$ 5,715,482</u>	<u>\$ 6,161,727</u>	<u>\$ 3,567,865</u>	<u>\$ 31,964,108</u>
Total liabilities and fund balances					
	<u>\$ 46,195,352</u>	<u>\$ 8,085,619</u>	<u>\$ 6,403,260</u>	<u>\$ 3,613,920</u>	<u>\$ 64,298,151</u>

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

Reconciliation of the Balance Sheet of the Governmental Funds
to the Statement of Net Assets
At June 30, 2011

		<u>Primary Government</u>
Total fund balances - governmental funds		\$ 31,964,108
Amounts reported for governmental activities in the Statement of Net Assets (Exhibit 1) are different because:		
Capital assets used in governmental activities are not current financial resources and therefore not reported in the governmental funds:		
Capital assets	\$ 251,748,404	
Less: accumulated depreciation	<u>(47,392,342)</u>	204,356,062
Deferred revenue represents amounts that were not available to fund current expenditures and therefore is not reported as revenue in the governmental funds.		976,832
Other assets used in governmental activities are not financial resources and therefore not reported in the governmental funds:		
Financing costs	\$ 1,676,463	
Less: accumulated amortization	<u>(386,775)</u>	1,289,688
Interest on long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due.		
Interest payable		(3,005,344)
Long-term liabilities, including bonds payable, are not due and payable in the current current period and therefore are not reported as liabilities in the governmental funds.		
General obligation bonds	\$ (102,605,000)	
Lease revenue bonds	(37,285,000)	
Notes payable	(4,540,125)	
Public facility certificate of participation	(19,905,800)	
Capital lease	(877,905)	
Premiums on bonds payable	(5,286,451)	
Deferred loss on financing	3,627,410	
Other post employment benefits	(2,085,775)	
Compensated absences	<u>(2,166,885)</u>	
Total long-term liabilities		<u>(171,125,531)</u>
Net assets of governmental activities		<u>\$ 64,455,815</u>

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

Statement of Revenues, Expenditures and Changes in Fund Balances -
Governmental Funds
Year Ended June 30, 2011

	Governmental Funds				Total Governmental Funds
	General	General Capital Projects	Old Town Fairfax Fund	Other Governmental Funds	
Revenues:					
General property taxes	\$ 56,771,987	\$ -	\$ -	\$ -	\$ 56,771,987
Other local taxes	28,665,267	-	-	-	28,665,267
Permits, privilege fees and regulatory licenses	1,230,352	203,900	-	-	1,434,252
Fines and forfeitures	1,041,171	-	-	-	1,041,171
Revenue from use of money and property	279,945	656	1,499	-	282,100
Charges for services	2,456,278	-	-	-	2,456,278
Miscellaneous	237,508	2,418,342	-	189,222	2,845,072
Intergovernmental:					
Fairfax County	694,373	-	-	-	694,373
Commonwealth	8,862,368	80,728	-	-	8,943,096
Federal	563,959	1,581,807	-	23,084	2,168,850
Total revenues	\$ 100,803,208	\$ 4,285,433	\$ 1,499	\$ 212,306	\$ 105,302,446
Expenditures:					
Current:					
General government administration	\$ 7,005,307	\$ 115,439	\$ -	\$ -	\$ 7,120,746
Judicial administration	1,728,595	-	-	-	1,728,595
Public safety	21,930,507	527,236	-	-	22,457,743
Public works	10,466,543	4,942,812	-	436,832	15,846,187
Health and welfare	4,666,290	-	-	-	4,666,290
Education	30,121,108	60,500	-	-	30,181,608
Parks, recreation, and cultural	4,511,178	3,107,161	259,465	60,456	7,938,260
Community development	1,902,437	-	1,420,398	-	3,322,835
Debt service:					
Principal retirement	7,533,041	16,811	-	-	7,549,852
Interest and other fiscal charges	7,887,711	2,391	-	-	7,890,102
Total expenditures	\$ 97,752,717	\$ 8,772,350	\$ 1,679,863	\$ 497,288	\$ 108,702,218
Excess (deficiency) of revenues over expenditures	\$ 3,050,491	\$ (4,486,917)	\$ (1,678,364)	\$ (284,982)	\$ (3,399,772)
Other financing sources (uses):					
Issuance of refunding debt	\$ 19,905,800	\$ -	\$ -	\$ -	\$ 19,905,800
Capital lease issuance	-	690,807	-	-	690,807
Payment to refunded bond escrow agent	(19,679,033)	-	-	-	(19,679,033)
Transfers in	3,664	2,035,962	194,118	1,336,531	3,570,275
Transfers (out)	(3,586,327)	(3,664)	-	(795)	(3,590,786)
Total other financing sources (uses)	\$ (3,355,896)	\$ 2,723,105	\$ 194,118	\$ 1,335,736	\$ 897,063
Net changes in fund balances	\$ (305,405)	\$ (1,763,812)	\$ (1,484,246)	\$ 1,050,754	\$ (2,502,709)
Fund balances at beginning of year	16,824,439	7,479,294	7,645,973	2,517,111	34,466,817
Fund balances at end of year	\$ 16,519,034	\$ 5,715,482	\$ 6,161,727	\$ 3,567,865	\$ 31,964,108

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

Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Year Ended June 30, 2011

	<u>Primary Governmental Funds</u>
Amounts reported for governmental activities in the Statement of Activities are different because:	
Net changes in fund balances - total governmental funds	\$ (2,502,709)
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period. The following details support this adjustment:</p>	
Capital outlay	\$ 5,712,018
Book value of dispositions	(53,863)
Depreciation expense	<u>(9,591,629)</u>
	(3,933,474)
Transfer of assets from Primary Government to the Component Unit School Board	364,891
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. Details of this item consist of:</p>	
Deferred taxes	(392,406)
<p>The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items. A summary of items supporting this adjustment is as follows:</p>	
Debt issued or incurred:	
Issuance of refunding debt	\$ (19,905,800)
Issuance of capital leases	(690,807)
Issuance costs	164,466
Principal repayments on debt:	
Principal retired on general obligation debt	4,220,000
Principal retired on lease revenue bonds	885,000
Principal retired on notes payable	21,948,984
Principal retired on capital lease obligations	<u>111,527</u>
	6,733,370
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds. The following is a summary of items supporting this adjustment:</p>	
Change in accrued interest payable	\$ 175,067
Change in compensated absences	43,749
Change in other post employment benefits	(670,225)
Capitalized financing costs	(97,722)
Amortization of premiums on bonds payable	335,185
Amortization of loss on refunding	<u>(267,342)</u>
	<u>(481,288)</u>
Change in net assets of governmental activities	\$ <u>(211,616)</u>

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

Statement of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual - General Fund
Year Ended June 30, 2011

Fund, Function, Activity, Element	General Fund			Variance From Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
General property taxes	\$ 57,678,754	\$ 57,678,754	\$ 56,771,987	\$ (906,767)
Other local taxes	29,247,810	29,247,810	28,665,267	(582,543)
Permits, privilege fees and regulatory licenses	1,398,990	1,408,990	1,230,352	(178,638)
Fines and forfeitures	1,329,775	1,329,775	1,041,171	(288,604)
Revenue from use of money and property	331,265	331,265	279,945	(51,320)
Charges for services	2,667,337	2,667,337	2,456,278	(211,059)
Miscellaneous	170,699	171,073	237,508	66,435
Intergovernmental:				
Fairfax County	974,081	974,081	694,373	(279,708)
Commonwealth	5,584,984	5,584,984	8,862,368	3,277,384
Federal	330,341	524,450	563,959	39,509
Total revenues	\$ 99,714,036	\$ 99,918,519	\$ 100,803,208	\$ 884,689
Expenditures:				
General government administration:				
Legislative:				
City council	\$ 44,533	\$ 56,775	\$ 51,481	\$ 5,294
City clerk	131,973	139,973	139,921	52
Total legislative	\$ 176,506	\$ 196,748	\$ 191,402	\$ 5,346
Board of elections:				
Electoral board	\$ 137,980	\$ 137,980	\$ 132,425	\$ 5,555
General and financial administration:				
City manager	\$ 383,299	\$ 366,699	\$ 366,121	\$ 578
City attorney	512,892	772,892	747,753	25,139
Public audit of accounts	82,307	82,307	81,907	400
Treasurer	601,328	607,328	607,043	285
Commissioner of revenue	937,700	931,700	928,353	3,347
Personnel	383,872	396,472	396,459	13
Community relations	78,631	78,631	70,865	7,766
Cable television	126,911	144,122	144,091	31
Information technology	1,420,080	1,619,011	1,472,107	146,904
Printing and office supplies	248,298	232,723	194,213	38,510
Motor pool	-	(8,425)	-	(8,425)
Telephone services	125,294	119,794	111,391	8,403
Finance and Accounting	652,907	652,907	643,805	9,102
Real estate assessment	434,477	442,477	423,479	18,998
Marketing	159,754	185,762	185,527	235
Retirement	40,000	40,000	41,284	(1,284)
Budget savings	-	238,000	-	238,000
Salary vacancy factor	(700,000)	(700,000)	-	(700,000)
Risk management	309,763	309,763	267,082	42,681
Total general and financial administration	\$ 5,797,513	\$ 6,512,163	\$ 6,681,480	\$ (169,317)
Total general government administration	\$ 6,111,999	\$ 6,846,891	\$ 7,005,307	\$ (158,416)

Statement of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual - General Fund
Year Ended June 30, 2011

Fund, Function, Activity, Element	General Fund			Variance From Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Expenditures: (continued)				
Judicial administration:				
General district court	\$ 18,500	\$ 18,500	\$ 15,826	\$ 2,674
Joint court service	711,553	711,553	622,191	89,362
Jail and custody services	1,403,763	1,403,763	1,090,578	313,185
Total judicial administration	\$ 2,133,816	\$ 2,133,816	\$ 1,728,595	\$ 405,221
Public safety:				
Police administration	\$ 1,023,551	\$ 1,036,241	\$ 983,262	\$ 52,979
Police services	3,573,800	3,601,543	3,402,105	199,438
Police operations	6,441,560	6,471,842	6,027,673	444,169
Fire and rescue administration	1,029,647	1,073,786	1,058,123	15,663
Fire and rescue suppression	8,662,810	8,713,778	8,634,048	79,730
Code enforcement	1,651,438	1,825,811	1,825,296	515
Total public safety	\$ 22,382,806	\$ 22,723,001	\$ 21,930,507	\$ 792,494
Public works:				
Highways	\$ 1,191,765	\$ 1,038,501	\$ 970,302	\$ 68,199
Concrete maintenance	664,915	791,443	791,108	335
Snow and ice removal	300,463	314,023	259,123	54,900
Storm drainage	726,528	713,719	623,033	90,686
Highways, lighting, and signals	2,151,932	1,982,300	1,836,344	145,956
Refuse collection	2,353,205	2,355,180	2,312,992	42,188
Building maintenance	1,545,481	1,569,850	1,569,757	93
Street right of way and public grounds	1,096,398	1,133,473	1,052,145	81,328
Administration	828,170	858,728	853,380	5,348
County agent	41,000	41,000	34,972	6,028
Regional agencies	170,616	170,616	163,387	7,229
Total public works	\$ 11,070,473	\$ 10,968,833	\$ 10,466,543	\$ 502,290
Health and welfare:				
Health service department	\$ 1,074,900	\$ 1,074,900	\$ 918,531	\$ 156,369
Commission for women	750	583	170	413
Community Services Board	1,309,900	1,309,900	1,309,900	-
Senior citizen tax relief	468,800	588,800	594,815	(6,015)
Social services	1,615,125	1,759,125	1,763,232	(4,107)
Human services coordinator	78,240	78,240	79,642	(1,402)
Total health and social services	\$ 4,547,715	\$ 4,811,548	\$ 4,666,290	\$ 145,258
Education:				
Contribution to Fairfax City School Board	\$ 29,966,949	\$ 30,014,595	\$ 30,121,108	\$ (106,513)

Statement of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual - General Fund
Year Ended June 30, 2011

Fund, Function, Activity, Element	General Fund			Variance From Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Expenditures: (continued)				
Parks, recreation and cultural:				
Recreation - administration	\$ 1,833,872	\$ 1,873,678	\$ 1,865,922	\$ 7,756
Special events	338,026	285,347	244,275	41,072
Parks and ball field maintenance	991,087	988,487	987,564	923
Recreation - historic resources	508,864	517,688	517,068	620
Recreation - old town hall	203,347	202,846	201,976	870
Total recreation	\$ 3,875,196	\$ 3,868,046	\$ 3,816,805	\$ 51,241
Library services	\$ 798,000	\$ 798,000	\$ 694,373	\$ 103,627
Total parks, recreation and cultural	\$ 4,673,196	\$ 4,666,046	\$ 4,511,178	\$ 154,868
Planning and community development:				
Planning	\$ 920,585	\$ 930,585	\$ 851,659	\$ 78,926
Community development	736,200	811,510	721,118	90,392
Economic development	361,400	351,400	329,660	21,740
Total planning and community development	\$ 2,018,185	\$ 2,093,495	\$ 1,902,437	\$ 191,058
Debt service:				
Principal retirement	\$ 7,529,330	\$ 7,529,330	\$ 7,533,041	\$ (3,711)
Interest and fiscal charges	7,408,344	7,408,343	7,887,711	(479,368)
Total debt service	\$ 14,937,674	\$ 14,937,673	\$ 15,420,752	\$ (483,079)
Total expenditures	\$ 97,842,813	\$ 99,195,898	\$ 97,752,717	\$ 1,443,181
Excess (deficiency) of revenues over expenditures	\$ 1,871,223	\$ 722,621	\$ 3,050,491	\$ 2,327,870
Other financing sources (uses):				
Issuance of refunding debt	\$ -	\$ -	\$ 19,905,800	\$ 19,905,800
Payment to refunded bond escrow agent	-	-	(19,679,033)	(19,679,033)
Transfers in	-	-	3,664	3,664
Transfers (out)	(3,386,630)	(3,516,328)	(3,586,327)	(69,999)
Total other financing sources (uses)	\$ (3,386,630)	\$ (3,516,328)	\$ (3,355,896)	\$ 160,432
Net changes in fund balance	\$ (1,515,407)	\$ (2,793,707)	\$ (305,405)	\$ 2,488,302
Fund balance at beginning of year	1,515,407	2,793,707	16,824,439	14,030,732
Fund balance at end of year	\$ -	\$ -	\$ 16,519,034	\$ 16,519,034

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

Statement of Net Assets - Proprietary Funds
At June 30, 2011

	Business-type Activities - Enterprise Funds			Totals
	Major Funds		Non-Major Fund	
	Sewer Utility Fund	Water Utility Fund	Transportation Fund	
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 9,134,982	\$ 13,792,156	\$ 513,193	\$ 23,440,331
Receivables (net of allowance for uncollectibles):				
Accounts receivable	653,306	2,126,348	-	2,779,654
Due from other governments	43,840	-	785,233	829,073
Due from other funds	-	301,690	-	301,690
Prepaid items	-	355	-	355
Inventories	-	62,311	-	62,311
Total Current Assets	\$ 9,832,128	\$ 16,282,860	\$ 1,298,426	\$ 27,413,414
Noncurrent Assets				
Financing costs, net	\$ 232,505	\$ 214,620	\$ -	\$ 447,125
Capital assets:				
Land and improvements	\$ 17,583	\$ 645,615	\$ -	\$ 663,198
Buildings and improvements	1,264,570	29,541,627	226,958	31,033,155
Equipment	1,328,741	2,485,846	3,645,802	7,460,389
Water and sewer infrastructure	8,056,293	19,915,350	-	27,971,643
Intangible assets	9,649,824	-	-	9,649,824
Construction in progress	-	840,692	-	840,692
Less: Accumulated depreciation	(8,611,698)	(33,668,021)	(3,176,816)	(45,456,535)
Total Capital Assets (net)	\$ 11,705,313	\$ 19,761,109	\$ 695,944	\$ 32,162,366
Total Noncurrent Assets	\$ 11,937,818	\$ 19,975,729	\$ 695,944	\$ 32,609,491
Total Assets	\$ 21,769,946	\$ 36,258,589	\$ 1,994,370	\$ 60,022,905
LIABILITIES				
Current Liabilities				
Accounts payable and accrued liabilities	\$ 334,206	\$ 508,003	\$ 13,795	\$ 856,004
Due to other funds	301,690	-	-	301,690
Accrued interest	128,177	206,512	-	334,689
Customer deposits and other liabilities	16,500	813,671	15,000	845,171
Current portion of compensated absences	6,504	4,435	57,488	68,427
Current portion of notes and bonds payable	11,978	195,057	-	207,035
Total Current Liabilities	\$ 799,055	\$ 1,727,678	\$ 86,283	\$ 2,613,016
Noncurrent Liabilities				
Noncurrent portion of compensated absences	\$ 58,540	\$ 164,054	\$ 51,171	\$ 273,765
Noncurrent portion of other post employment benefits	77,125	219,292	152,609	449,026
Noncurrent portion of notes and bonds payable	12,868,968	16,170,047	-	29,039,015
Total Noncurrent Liabilities	\$ 13,004,633	\$ 16,553,393	\$ 203,780	\$ 29,761,806
Total Liabilities	\$ 13,803,688	\$ 18,281,071	\$ 290,063	\$ 32,374,822
NET ASSETS				
Invested in capital assets, net of related debt	\$ 7,299,659	\$ 14,942,771	\$ 695,944	\$ 22,938,374
Unrestricted assets	666,599	3,034,747	1,008,363	4,709,709
Total Net Assets	\$ 7,966,258	\$ 17,977,518	\$ 1,704,307	\$ 27,648,083
Total Liabilities and Net Assets	\$ 21,769,946	\$ 36,258,589	\$ 1,994,370	\$ 60,022,905

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

Statement of Revenues, Expenses and Changes in Net Assets -
 Proprietary Funds
 Year Ended June 30, 2011

	Business-type Activities - Enterprise Funds			
	Major Funds		Non-Major Fund	Totals
	Sewer Utility Fund	Water Utility Fund	Transportation Fund	
Operating revenues:				
Charges for services	\$ 4,139,824	\$ 8,578,307	\$ 1,195,092	\$ 13,913,223
Other operating revenues	38,928	563,020	-	601,948
Total operating revenues	\$ 4,178,752	\$ 9,141,327	\$ 1,195,092	\$ 14,515,171
Operating expenses:				
Salaries	\$ 394,950	\$ 2,390,164	\$ 1,537,638	\$ 4,322,752
Fringe benefits	169,940	893,177	568,669	1,631,786
Contractual services	1,887,843	310,649	41,151	2,239,643
Internal services	567,175	1,510,613	532,826	2,610,614
Other operating expenses	78,737	1,560,043	83,337	1,722,117
Miscellaneous capital outlay	437,665	1,451,900	-	1,889,565
Depreciation and amortization	435,774	987,415	214,246	1,637,435
Total operating expenses	\$ 3,972,084	\$ 9,103,961	\$ 2,977,867	\$ 16,053,912
Income (loss) from operations	\$ 206,668	\$ 37,366	\$ (1,782,775)	\$ (1,538,741)
Nonoperating revenues (expenses):				
Investment income	\$ 14,013	\$ 11,178	\$ -	\$ 25,191
Interest expense	(444,945)	(602,299)	-	(1,047,244)
Northern Virginia Transportation Commission	-	-	1,814,754	1,814,754
Federal interest subsidy	92,064	84,982	-	177,046
Total nonoperating revenues (expenses)	\$ (338,868)	\$ (506,139)	\$ 1,814,754	\$ 969,747
Net income (loss) before transfers	\$ (132,200)	\$ (468,773)	\$ 31,979	\$ (568,994)
Transfers:				
Transfers in	\$ -	\$ 1,539	\$ 18,972	\$ 20,511
Net operating transfers	\$ -	\$ 1,539	\$ 18,972	\$ 20,511
Change in net assets	\$ (132,200)	\$ (467,234)	\$ 50,951	\$ (548,483)
Net assets, beginning of year	8,098,458	18,444,752	1,653,356	28,196,566
Net assets, end of year	\$ 7,966,258	\$ 17,977,518	\$ 1,704,307	\$ 27,648,083

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

Statement of Cash Flows - Proprietary Funds
Year Ended June 30, 2011

	Business-type Activities - Enterprise Funds			
	Major Funds		Non-Major Fund	Totals
	Sewer Utility Fund	Water Utility Fund	Transportation Fund	
Cash flows from operating activities:				
Receipts from customers and users	\$ 4,173,259	\$ 9,334,687	\$ 1,195,092	\$ 14,703,038
Payments to employees (including fringe benefits)	(579,840)	(3,304,241)	(2,154,255)	(6,038,336)
Payments for operating activities	(2,906,003)	(4,681,474)	(651,693)	(8,239,170)
Net cash provided by (used in) operating activities	\$ 687,416	\$ 1,348,972	\$ (1,610,856)	\$ 425,532
Cash flows from non-capital financing activities:				
Transfers in	\$ -	\$ 1,539	\$ 18,972	\$ 20,511
Due to and from other funds	101,690	(101,690)	-	-
Intergovernmental grants	92,064	84,982	2,111,367	2,288,413
Net cash provided by (used in) non-capital financing activities	\$ 193,754	\$ (15,169)	\$ 2,130,339	\$ 2,308,924
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	\$ (4,363,445)	\$ (2,132,578)	\$ (12,744)	\$ (6,508,767)
Disposal of capital assets	-	34,912	-	34,912
Proceeds from long-term indebtedness issued	12,521,600	11,558,400	-	24,080,000
Premium on bonds issued	359,346	331,704	-	691,050
Costs of issuance	(232,505)	(214,620)	-	(447,125)
Principal paid on bonds and notes	-	(177,000)	-	(177,000)
Interest paid on debt	(316,771)	(487,471)	-	(804,242)
Net cash provided by (used in) capital and related financing activities	\$ 7,968,225	\$ 8,913,347	\$ (12,744)	\$ 16,868,828
Cash flows from investing activities:				
Interest earned	\$ 14,013	\$ 11,178	\$ -	\$ 25,191
Net increase (decrease) in cash and cash equivalents	\$ 8,863,408	\$ 10,258,328	\$ 506,739	\$ 19,628,475
Cash and cash equivalents at beginning of year	271,574	3,533,828	6,454	3,811,856
Cash and cash equivalents at end of year	\$ 9,134,982	\$ 13,792,156	\$ 513,193	\$ 23,440,331
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Cash flows from operations:				
Income (loss) from operations	\$ 206,668	\$ 37,366	\$ (1,782,775)	\$ (1,538,741)
Adjustment to reconcile net income (loss) to net cash provided by (used in) operations:				
Depreciation and amortization	435,774	987,415	214,246	1,637,435
Changes in operating accounts:				
(Increase) decrease in:				
Accounts receivable and prepaids	(5,493)	193,359	-	187,866
Prepaid items	-	(355)	-	(355)
Due from other governments	73,425	-	-	73,425
Inventories	-	(16,289)	-	(16,289)
Increase (decrease) in:				
Accounts payable	(8,007)	161,594	5,621	159,208
Accrued payroll	(27,048)	(112,118)	(79,242)	(218,408)
Compensated absences	(6,017)	9,704	(23,049)	(19,362)
Other post employment benefits	18,114	81,514	54,343	153,971
Customer deposits and other liabilities	-	6,782	-	6,782
Net cash provided by (used in) operating activities	\$ 687,416	\$ 1,348,972	\$ (1,610,856)	\$ 425,532

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

Statement of Fiduciary Net Assets
Fiduciary Funds
At June 30, 2011

Assets

Mutual funds	\$ 87,291,930
Stocks	23,549,265
Accrued interest	<u>79,578</u>
Total assets	\$ <u>110,920,773</u>

Net Assets

Held in trust for pension benefits	\$ <u>110,920,773</u>
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The accompanying notes to financial statements are an integral part of this statement.

Statement of Changes in Fiduciary Net Assets
 Fiduciary Funds
 Year Ended June 30, 2011

Additions

Plan members and employer contributions	\$ 1,888,136
Investment income:	
Interest and dividends earned on investments	\$ 1,052,887
Net appreciation in fair value of investments	16,611,728
Total investment income	\$ 17,664,615
Less: Investment expenses	567,499
Net investment income	\$ 17,097,116
 Total additions	 \$ 18,985,252

Deductions

Retirement and disability benefits	\$ 5,221,691
Refunds to members	46,765
 Total deductions	 \$ 5,268,456
 Change in net assets	 \$ 13,716,796

Net assets - beginning	97,203,977
Net assets - ending	\$ 110,920,773

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

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
As of June 30, 2011

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of the City of Fairfax, Virginia, conform with accounting principles generally accepted in the United States of America as applied to governmental units promulgated by the Governmental Accounting Standards Board (GASB). The more significant of the government's accounting policies are described below.

A. Entity and Services

The City of Fairfax, Virginia (the "City") is a political subdivision of the Commonwealth of Virginia. Cities in Virginia are separate from counties, and thus, the City is not part of any other political subdivision. Citizens elect a Mayor and a six-member City Council to two-year terms and a Treasurer and Commissioner of Revenue to four-year terms. The Mayor and the Council appoint a City Manager to act as chief executive.

The City provides the following services: public safety (police and fire), community development (planning and zoning), public works (streets, etc.), water treatment and distribution, sewage collection, refuse collection, and local bus service. The City contracts with Fairfax County and the Commonwealth of Virginia to provide the following services to its residents: courts, correctional facilities, educational services (in City-owned buildings), welfare, libraries, and sewage treatment.

B. Financial Reporting Entity

For financial reporting purposes, in conformance with Governmental Accounting Standards Board pronouncements, the City's Basic Financial Statements include all funds, agencies, boards, commissions, authorities and other governmental organizations for which the City has financial accountability. Financial accountability includes the appointment of a voting majority of the organization's governing body and the ability of the Primary Government to impose its will on the organization or if there is a financial benefit/burden relationship. Also, an organization that is fiscally dependent on the Primary Government should be included in its reporting entity.

The financial statements represent the City of Fairfax, Virginia (the Primary Government) and its Component Units. The Component Units discussed below are included in the City's reporting entity because of the significance of the operational or financial relationship with the City.

Blended Component Units - 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 City has no blended component units.

Discretely Presented Component Units - Discretely presented component units are reported separate from the primary government to emphasize that they are legally separate from the City. The following organizations have been included in the reporting entity as discretely presented component units:

City of Fairfax School Board - The City of Fairfax School Board is responsible for educating the school age population of the City. The School Board has entered into a contractual school services agreement with the County of Fairfax, Virginia. The City of Fairfax School Board consists of five (5) qualified voters of the City elected by popular vote at large. Although the School Board is legally separate, the City approves the School Board's budget and any debt issued. Further the City is enjoined in the School Service Agreement for tuition under the County contract. Separate financial statements are not issued on the School Board. The School Board is presented as a governmental fund-type and consists of a general fund and a capital projects fund.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

B. Financial Reporting Entity (Continued)

School Operating Fund - This fund is the primary operating fund of the School Board and accounts for and reports all revenues and expenditures applicable to the general operations of the public school system. Revenues are derived primarily from charges for services, appropriations from the City of Fairfax and state and federal grants. The School Operating Fund is considered a major fund of the School Board for financial reporting purposes.

Capital Projects Fund - Capital projects funds account for and report 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 School Bond Renovation Fund is considered a major fund of the School Board for financial reporting purposes.

Industrial Development Authority and Economic Development Authority - These Authorities have responsibility for encouraging industrial and commercial development in the City and making recommendations to City Council. Each of these Authorities has a board consisting of seven directors appointed by City Council. Although the Authorities are legally separate, they are fiscally dependent on the City of Fairfax and the City acts as fiscal agent for them paying all personnel and administrative expenses associated with the Authorities. Separate financial statements are not issued on the Authorities. The Authorities provide services entirely for the City as administrative entities of the City and, accordingly, are included within the City's financial statements as discretely presented component units. The Authorities do not provide benefits for other governments or others that are not part of the reporting entity. The Authorities are presented as governmental fund types.

Industrial Development Authority Fund - accounts for and reports the general operations of the Authority. Financing is provided by rental income from property owned by the Industrial Development Authority.

Economic Development Authority Fund - accounts for and reports the general operations of the Authority. Financing is provided through miscellaneous reimbursements.

Fairfax Volunteer Fire Department, Inc. - Fairfax Volunteer Fire Department, Inc. is organized as a volunteer firefighting organization and is designed as a Fire Company of the City. The Department Chief shall be the Department Head, appointed by the City Manager, after consultation with the Board of Directors of the Fairfax Volunteer Fire Department, Inc., and with concurrence of City Council. The Department Chief shall have responsibility and authority for all operations and administration of the Department. The City cannot impose its will on the Volunteer Fire Department or override or modify the decisions of the Board of Directors. The Volunteer Fire Department is fiscally independent and there is no financial benefit or burden relationship with the City. Therefore, it is not included in the City's financial statements.

Other Related Organizations not Included in these Financial Statements

Historic Fairfax City, Inc. - Historic Fairfax, Inc. was incorporated in 1983 as a non-profit corporation for the purpose of promoting and preserving historic properties and increasing public awareness and appreciation of the history of the City of Fairfax and the Courthouse area. The Board consists of fourteen (14) members. Five (5) members are appointed by City Council. The Corporation is legally separate and the City cannot impose its will on the Corporation. The Corporation is fiscally independent and there is no financial benefit or burden relationship with the City. Therefore it is not included in the City's financial statements.

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
As of June 30, 2011 (Continued)

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

B. Financial Reporting Entity (Continued)

Other Related Organizations not Included in these Financial Statements: (Continued)

Northern Virginia Regional Park Authority - The Northern Virginia Regional Park Authority was created under the authority of the *Code of Virginia*, Title 15.1, Chapter 27-Park Authorities Act, for the purpose of planning, acquiring, developing, constructing, operating, and maintaining a system of regional parks within the geographical limits of the political subdivisions composing the said Authority.

The bylaws were adopted on February 3, 1959, and amended on April 14, 1965. The Northern Virginia Regional Park Authority consists of twelve (12) members. Two (2) members are appointed by City Council. The Authority is legally separate and the City cannot impose its will on the Authority. The Authority is fiscally independent and there is no financial benefit or burden relationship with the City. Therefore, it is not included in the City's financial statements.

C. Government-Wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. The focus is on both the City 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. 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 Assets, the governmental activities columns (a) are presented on a consolidated basis, 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 City generally first uses restricted assets for expenses incurred for which both restricted and unrestricted assets are available. The City may defer the use of restricted assets based on a review of the specific transaction.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (public safety, public works, health and welfare, etc.) that are otherwise being supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions. The program revenues must be directly associated with the function (public safety, public works, health and welfare, etc.) or a business-type activity. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and 2) grants and contributions that are restricted to meeting the operation or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues. The operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. 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 City's internal activities include water and sewer billings. It is the City's policy not to eliminate water and sewer billing revenues in the government-wide statement of activities.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

C. Government-Wide and Fund Financial Statements (Continued)

In the fund financial statements, financial transactions and accounts of the City 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 adjustment necessary to reconcile the fund financial statements to the governmental column of the government-wide financial statements.

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

The City's fiduciary funds are presented in the fund financial statements by type (private purpose and agency). 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 City in fiscal year 2011.

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:

a. General Fund - The General Fund is the primary operating fund of the City and is used to account for and report all revenues and expenditures applicable to the general operations of the City which are not accounted for in other funds. Revenues are derived primarily from property and other local taxes, licenses, permits, charges for services, use of money and property, and intergovernmental grants. Many of the more important activities of the City, including operation of the City's general service departments, street and highway maintenance, public safety, parks, cemetery, library and recreation programs, are accounted for in this fund. The General Fund is considered a major fund for financial reporting purposes.

b. Capital Projects Funds:

The Capital projects funds account for and report 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 General Capital Projects Fund and Old Town Fairfax Fund are considered major funds. The Commercial Transportation Tax fund and the Stormwater Fund are nonmajor funds.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

C. Government-Wide and Fund Financial Statements (Continued)

1. Governmental Funds: (Continued)

c. 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 only special revenue fund is the Legacy for Fairfax Fund, which is considered a nonmajor fund.

2. Proprietary Funds - account for operations that are financed in a manner similar to private business enterprises. The Proprietary Fund measurement focus is upon determination of net income, financial position, and changes in financial position. Proprietary Funds consist of Enterprise Funds.

Enterprise Funds - Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed. The following comprise the City's major enterprise funds:

Sewer Utility Fund - This fund is used to account for the operation and maintenance of the City's sanitary sewer system.

Water Utility Fund - This fund is used to account for the operation and maintenance of the City's water system.

The other enterprise fund of the City is considered nonmajor and is as follows:

Transportation Fund - This fund is used to account for the operation and maintenance of the City's CUE Bus System. The transportation fund receives funding through State and Federal grants and General Fund transfers, in addition to charges for services.

3. Fiduciary Funds

Fiduciary Funds account for assets held by a governmental unit in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. Private purpose trust funds utilize the accrual basis of accounting as described in the Proprietary Funds presentation.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

C. Government-Wide and Fund Financial Statements (Continued)

3. Fiduciary Funds: (Continued)

The following funds are included in this fund type:

City Supplemental Retirement Plan - This fund accounts for pension funds for the City's full time general employees.

City Firefighters, Policemen and Policewomen Retirement Plan - This fund accounts for pension funds for the City's full time public safety personnel.

D. 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 the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet in the fund statements. Long-term assets and long-term liabilities are included in the government-wide statements. Operating statements of the governmental funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The government-wide Statement of Net Assets and Statement of Activities, all proprietary funds, and private purpose 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 activities are either included on the Statement of Net Assets or on the Statement of Fiduciary Net Assets. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

The Statement of Net Assets, Statement of Activities, and Fiduciary Funds are presented on the accrual basis of accounting. Under this method of accounting, revenues are recognized when earned and expenses are recorded when liabilities are incurred without regard to receipt or disbursement of cash.

The fund financial statements of the General and Capital Projects Funds, (for the primary government and component units) are maintained and reported on the modified accrual basis of accounting using the current financial resources measurement focus. Under this method of accounting, revenues are recognized in the period in which they become measurable and available. With respect to real and personal property tax revenue and other local taxes, the term "available" is limited to collection within forty-five days of the fiscal year-end. Levies made prior to the fiscal year-end but which are not available are deferred. Interest income is recorded as earned. Federal and State reimbursement-type grants are recorded as revenue when related eligible expenditures are incurred. Expenditures, other than accrued interest on long-term debt, are recorded when the fund liability is incurred.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

E. Stewardship, Compliance, and Accountability

1. Budgeting Information

The City Council's fiscal control is exercised through two distinct processes: budgeting and appropriations. The City budget is developed for informative and fiscal planning purposes only and presents an itemized listing of contemplated expenditures and estimated revenues for the ensuing fiscal year. The City Council adopts an annual budget for the General Fund. Budgets for the Capital Projects Funds, Old Town Fairfax Fund, the Commercial Transportation Tax Fund and the Stormwater Fund are prepared annually as part of a five-year plan for capital improvements. Budgets for the enterprise funds serve as a spending guide for the City and do not constitute legally binding limitations.

When the budget becomes effective at the beginning of the fiscal year, the City Council must make appropriations before money may be expended for any budgeted program, project or operation. Appropriations are made on an annual basis with supplemental appropriations made as needed. Such appropriations may be greater than contemplated in the annual budget. All appropriations lapse at year-end.

The City's appropriated budget is prepared by fund and department. Appropriations are legally controlled at the department level. The budget is administratively controlled at the department level. The City Manager may approve all transfers within the same department. All other transfers must be approved by City Council. A supplemental appropriation which exceeds one percent of the total expenditures shown in the currently adopted budget must be accomplished by publishing a notice of a public hearing in a newspaper having general circulation in the City seven days prior to the public hearing. The notice shall state the City's intent to amend the amounts to be appropriated and include a brief synopsis of the proposed action. The City Council approved supplemental appropriations that increased the original budget by \$21,382,480 in the various Funds.

The budgets are prepared using the same accounting basis and practices as are used to account for and prepare the financial reports for the fund; thus, the budgets presented in this report for comparison to actual amounts are presented in accordance with accounting principles generally accepted in the United States of America.

Encumbrance accounting, under which purchase orders and contracts are recorded to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration. Encumbrances outstanding at year end are not included as expenditures but are reported as commitments of fund balances in all funds and are reappropriated in the following year.

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
As of June 30, 2011 (Continued)

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

E. Stewardship, Compliance, and Accountability: (Continued)

2. Excess of Expenditures over Appropriations

Expenditures exceeded appropriations for the year ended June 30, 2011 as follows:

<u>Fund</u>	<u>Appropriations</u>	<u>Actual</u>	<u>Variance</u>
General Fund			
Retirement	\$ 40,000	\$ 41,284	\$ (1,284)
Senior citizen tax relief	588,800	594,815	(6,015)
Social services	1,759,125	1,763,232	(4,107)
Human services coordinator	78,240	79,642	(1,402)
Contribution to Fairfax City School Board	30,014,595	30,121,108	(106,513)
Principal retirement	7,529,330	7,533,041	(3,711)
Interest and fiscal charges	7,408,343	7,887,711	(479,368)

F. Deposits and Investments

For purposes of reporting cash flows for proprietary-type funds, cash and cash equivalents include cash on hand, money market funds, certificates of deposit and investments with maturities of three months or less.

Cash of individual funds (other than the Industrial Development Authority and the Economic Development Authority) is combined to form a pool of cash and investments. The pool consists primarily of certificates of deposit, repurchase agreements, government and corporate obligations, commercial paper, and a local government investment pool. The government and corporate securities are stated at fair value based on quoted market prices and the investment in the Local Government Investment Pool is reported at the pool's share price. The Local Government Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares. Interest earned as a result of pooling is distributed to the appropriate funds utilizing a formula based on month-end balances.

Investments are stated at fair value.

G. Inventories and Prepaid Items

Inventory is stated at cost (first-in, first-out) which is not in excess of market value. It consists primarily of operating materials held for consumption and or supplies for repairs and maintenance.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
As of June 30, 2011 (Continued)

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

H. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e. the current portion of interfund loans). All other outstanding balances between funds are reported as “advances to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

All trade and property tax receivables are shown net of an allowance for uncollectibles. The City calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$543,821 at June 30, 2011 and is comprised of the following:

General Fund-Property taxes	\$	394,019
Sewer Utility Fund		68,909
Water Utility Fund		80,893
		80,893
Total	\$	543,821

Property Taxes-Property taxes are levied as of January 1 based on the assessed value of real and personal property as of that date. The City’s legal right to collect property taxes attaches each year when the rates are approved and the taxes are assessed. Real estate taxes are collectible twice a year, on June 5 and December 5. Personal property taxes are due on October 5. Amounts not collected within 45 days after year-end are reflected as deferred revenue.

	Real Property	Personal Property
Levy date	January 1	January 1
Due date and collection date	June 5 and December 5	October 5
Lien date for delinquent taxes	3 years from due date	Various

I. Capital Assets

The City capitalizes assets which have an initial cost of \$10,000 or more per unit (\$5,000 for assets purchased with Federal monies) and a useable life of two or more years. “Infrastructure” assets (roads, bridges, curbs, gutters, etc.) are capitalized when the initial cost exceeds \$50,000. Also, the City does not capitalize interest costs which are incurred during the construction period of general capital assets. Repairs and maintenance are charged to operations as they are incurred. Additions and betterments are capitalized. The cost of assets retired and accumulated depreciation for enterprise funds are removed from the accounts.

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
As of June 30, 2011 (Continued)

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

I. Capital Assets: (Continued)

All capital assets are included in the financial statements at historical cost or estimated historical cost if actual cost is not available. Donated capital assets are valued at their estimated fair market values on the date donated.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	10-50 years
Infrastructure	12-75 years
Water and Sewer infrastructure	25-50 years
Machinery and equipment	5-25 years
Intangibles	25-32 years

Capital assets having historical significance and being maintained by the City are not expected to decrease in value and, therefore, are not being depreciated.

J. Compensated Absences

City employees accumulate vacation leave hours for subsequent use up to the maximum of 300 hours per employee. Unused vacation in excess of 300 hours is credited toward sick leave. Sick leave does not vest with the employee and is not accrued; however, unused sick leave is credited toward years of service for retirement purposes.

All vacation pay is accrued when incurred in the government-wide and proprietary financial statements. For governmental fund types, the amount of accumulated unpaid vacation leave which is payable from available resources is recorded as a liability of the respective fund only if they have matured, for example, as a result of employee retirement or resignation. For City proprietary funds the cost of vacation and sick leave is recorded as a liability when earned.

K. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued and premiums on issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

L. Retirement Plan

Retirement plan contributions are actuarially determined and consist of current service costs and amortization of prior service costs over a 30-year period. The City's policy is to fund pension cost as it accrues.

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Therefore, unspent bond proceeds are excluded from net assets invested in capital assets, net of related debt. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The City first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

N. Component Unit-School Board Capital Asset and Debt Presentation

By law, the School Board does not have taxing authority and, therefore, it cannot incur debt through general obligation bonds to fund the acquisition, construction or improvement of its capital assets. That responsibility lies with the City who issues the debt on behalf of the School Board. However, the Code of Virginia requires the School Board to hold title to the capital assets (buildings and equipment) due to their responsibility for maintaining the asset.

In the Statement of Net Assets, this scenario presents a dilemma for the City. Debt issued on behalf of the School Board is reported as a liability of the primary government, thereby reducing the net assets of the City. The corresponding capital assets are reported as assets of the Component Unit-School Board (title holder), thereby increasing its net assets.

The Virginia General Assembly amended the Code of Virginia to allow a tenancy in common with the School Board whenever the locality incurs a financial obligation which is payable over more than one fiscal year for any school property. The tenancy in common terminates when the associated debt has been paid in full. For financial reporting purposes, the legislation permits the locality to report the portion of the school property related to any outstanding financial obligation, thus eliminating a potential deficit from financing capital assets with debt.

O. Use of Estimates

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

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

P. Fund Equity

Beginning with fiscal year 2011, the City implemented GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. 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 City's policy to use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed.

City 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 City Council or the Assistant City Manager/Director of Finance as amounts intended for specific purpose (such as the purchase of capital assets, construction, debt service, or for other purposes).

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
As of June 30, 2011 (Continued)

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

P. Fund Equity: (Continued)

	General Fund	General Capital Projects Fund	Old Town Fairfax Fund	Other Governmental Funds	Total
Fund Balances:					
Nonspendable:					
Inventory	\$ 683,576	\$ 4,052,393	\$ -	\$ -	\$ 4,735,969
Advance due from component unit	53,000	-	-	-	53,000
Prepays	73,495	-	3,778	-	77,273
Total Nonspendable Fund Balance	\$ 810,071	\$ 4,052,393	\$ 3,778	\$ -	\$ 4,866,242
Restricted for:					
Grants	\$ 37,703	\$ -	\$ -	\$ -	\$ 37,703
Legacy for fairfax donations	-	-	-	135,766	135,766
Other purposes	28,736	-	-	-	28,736
Total Restricted Fund Balance	\$ 66,439	\$ -	\$ -	\$ 135,766	\$ 202,205
Committed to:					
Sherwood community center	\$ -	\$ 285,793	\$ -	\$ -	\$ 285,793
Asphalt paving - Fairfax boulevard	-	139,840	-	-	139,840
Streets	-	160,000	-	-	160,000
Other purposes	-	-	5,040	-	5,040
Total Committed Fund Balance	\$ -	\$ 585,633	\$ 5,040	\$ -	\$ 590,673
Assigned to:					
Equipment replacement/maintenance	\$ 238,156	\$ -	\$ -	\$ -	\$ 238,156
Contract services	149,476	-	-	-	149,476
Capital projects	-	1,077,456	6,152,909	3,432,099	10,662,464
Other purposes	83,213	-	-	-	83,213
Total Assigned Fund Balance	\$ 470,845	\$ 1,077,456	\$ 6,152,909	\$ 3,432,099	\$ 11,133,309
Unassigned Fund Balance	\$ 15,171,679	\$ -	\$ -	\$ -	\$ 15,171,679
Total Fund Balances	\$ 16,519,034	\$ 5,715,482	\$ 6,161,727	\$ 3,567,865	\$ 31,964,108

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 the 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 the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
As of June 30, 2011 (Continued)

NOTE 2—DEPOSITS AND INVESTMENTS: (CONTINUED)

Investment Policy

State statutes and the City's policy authorize local governments and other public bodies 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, certificates of deposit or savings accounts that are Virginia qualified depositories, mutual funds, the State non-arbitrage pool (SNAP), and the State Treasurer's Local Government Investment Pool (LGIP).

The City has investments with LGIP and SNAP.

The LGIP is a professionally managed money market fund which invests in qualifying obligations and securities as permitted by Virginia statutes. Pursuant to Sec. 2.2-4605 of the Code of Virginia, the Treasury Board of the Commonwealth sponsors the LGIP and has delegated certain functions to the State Treasurer. The LGIP reports to the Treasury Board at its regularly scheduled monthly meetings. The fair value of the position of the LGIP is the same as the value of the pool shares, i.e., the LGIP maintains a stable net asset value of \$1 per share.

Investment in the Virginia State Non-Arbitrage Program is used to assist in avoiding arbitrage penalties enacted with the Tax Reform Act of 1986. Sections 2.2-4700 through 2.2-4705 of the Code of Virginia, the Government Non-Arbitrage Investment Act, authorizes the Virginia Treasury Board to provide assistance to the Commonwealth of Virginia, counties, cities, and towns in the Commonwealth, and to their agencies, institutions and authorities of any combination of the foregoing ("Virginia governments") in the management of and accounting for their bond funds, including, without limitation, bond proceeds, reserves, and sinking funds, and the investment thereof.

The policies and standards that regulate specific investments and the composition of the investment portfolio shall include, but not be limited to, the following:

- No investment shall be purchased if the yield is less than that of the most recently auctioned issue of the United States Treasury of a similar term.
- At no time shall more than 35% of the portfolio be invested in commercial paper.
- No more than 10% of the portfolio shall be invested in the commercial paper of a single entity.
- At no time shall the aggregate dollar amount of securities with maturity dates in excess of six months exceed 10% of the total budget of the City for the current fiscal year.
- The Treasurer shall avoid an excessive concentration in any type of investment and an excessive number of investment transactions with any financial institution or broker/dealer.
- The Treasurer shall use the average of the three-month Treasury bill auctions for a quarter as a benchmark for the return on the investment portfolio.

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
As of June 30, 2011 (Continued)

NOTE 2—DEPOSITS AND INVESTMENTS: (CONTINUED)

Investment Policy (Continued)

The Treasury may direct the State Non-Arbitrage Program to invest bond proceeds in securities with maturities greater than one year if it is determined that such bond proceeds will be redeemed more than one year in the future.

Further, investments of \$500,000 or more must be selected on a competitive basis. The Treasurer may purchase or sell investments at his discretion without competition provided that the securities involved meet all the criteria for allowed investments and do not exceed \$500,000. Consideration for the safety of capital shall be paramount over the probable income to be derived. There are also certain standards of “adequacy” and “appropriateness” set by the Treasurer, in addition to the credit worthiness of an institution that must be considered.

Credit Risk

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 Investor’s 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 Investor Service. Notes having a maturity of greater than one year must be rated “AA” by Standard & Poor’s and “Aa” by Moody’s Investor Service.

City's Rated Debt Investments' Values

Rated Debt Investments	Fair Quality Ratings	
	AAAm	A1+
Local Government Investment Pool	\$ 17,447,718	\$ -
Money Market Mutual Fund	3,512,063	-
SNAP	25,364,857	-
Commercial Paper	-	1,000,000
Total	\$ 46,324,638	\$ 1,000,000

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
As of June 30, 2011 (Continued)

NOTE 2—DEPOSITS AND INVESTMENTS: (CONTINUED)

Concentration of Credit Risk

Concentration of credit risk is defined as the risk of loss attributed to the magnitude of a government's investment in a single issuer. If certain investments in any one issuer represent 5% of total investments, there must be a disclosure for the amount and issuer. At June 30, 2011 no portion of the City's portfolio, excluding the LGIP, SNAP, and U.S. Government money market mutual funds, exceeded 5% of the total portfolio.

Interest Rate Risk

Interest rate risk is defined as the risk that changes in interest rates will adversely affect the fair value of an investment.

As a means of limiting exposure to fair value losses arising from rising interest rates, the City's policy limits the investment of operating funds to investments with a stated maturity of no more than two years from the date of purchase.

<u>Investment Maturities</u>		
<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than 1 Year</u>
Repurchase Agreements	\$ 612,000	\$ 612,000
Commercial Paper	1,000,000	1,000,000
U.S. Treasuries Money Market Funds	<u>3,512,063</u>	<u>3,512,063</u>
Total	<u>\$ 5,124,063</u>	<u>\$ 5,124,063</u>

Interest rate risk does not apply to the Local Government Investment Pool or the State Non-Arbitrage Pool.

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
As of June 30, 2011 (Continued)

NOTE 3—RECEIVABLES AND ALLOWANCE FOR UNCOLLECTIBLE AMOUNTS:

The City determines its allowances using historical collection data, specific account analysis and management’s judgment. Receivables at June 30, 2011 for the government’s individual major and nonmajor funds, including the applicable allowances for uncollectible accounts, are as follows:

Primary Government

	<u>General Fund</u>	<u>General Capital Projects Fund</u>	<u>Old Town Fairfax Fund</u>	<u>Sewer Utility Fund</u>	<u>Water Utility Fund</u>	<u>Totals</u>
Property taxes	\$ 26,267,419	\$ -	\$ -	\$ -	\$ -	\$ 26,267,419
Trade and other accounts	<u>1,188,017</u>	<u>2,469,976</u>	<u>91</u>	<u>722,215</u>	<u>2,207,241</u>	<u>6,587,540</u>
Gross receivables	\$ 27,455,436	\$ 2,469,976	\$ 91	\$ 722,215	\$ 2,207,241	\$ 32,854,959
Less allowance for uncollectible accounts	<u>394,019</u>	<u>-</u>	<u>-</u>	<u>68,909</u>	<u>80,893</u>	<u>543,821</u>
Net receivables	<u>\$ 27,061,417</u>	<u>\$ 2,469,976</u>	<u>\$ 91</u>	<u>\$ 653,306</u>	<u>\$ 2,126,348</u>	<u>\$ 32,311,138</u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the primary governmental funds were as follows:

	<u>Governmental Activities</u>	
	<u>Deferred</u>	<u>Unearned</u>
Property taxes receivable	\$ 25,456,202	\$ 24,479,370
Prepaid property taxes	188,111	188,111
Other	<u>253,892</u>	<u>253,892</u>
Total	<u>\$ 25,898,205</u>	<u>\$ 24,921,373</u>

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
As of June 30, 2011 (Continued)

NOTE 3—RECEIVABLES AND ALLOWANCE FOR UNCOLLECTIBLE AMOUNTS: (CONTINUED)

Amounts due from other governments include the following:

	<u>Governmental Activities</u>			<u>Business-Type Activities</u>		<u>Total Primary Government</u>	<u>Component Unit School Board</u>
	<u>General</u>	<u>General</u>	<u>Stormwater Fund</u>	<u>Sewer Utility Fund</u>	<u>Transportation Fund</u>		
		<u>Capital Projects Fund</u>					
Commonwealth of Virginia:							
Local sales tax	\$ 1,785,591	\$ -	\$ -	\$ -	\$ -	\$ 1,785,591	\$ -
Communication sales tax	360,588	-	-	-	-	360,588	-
State sales tax	-	-	-	-	-	-	450,482
Miscellaneous	126,103	26,511	-	-	-	152,614	-
Federal government	361,027	1,376,739	19,057	-	-	1,756,823	-
County of Fairfax	-	-	-	43,840	-	43,840	-
Northern Virginia							
Transportation Commission	-	-	-	-	785,233	785,233	-
Cigarette Tax Board	87,322	-	-	-	-	87,322	-
District Court	95,441	-	-	-	-	95,441	-
Total	\$ 2,816,072	\$ 1,403,250	\$ 19,057	\$ 43,840	\$ 785,233	\$ 5,067,452	\$ 450,482

NOTE 4—DUE TO/FROM PRIMARY GOVERNMENT BALANCES, ADVANCES AND TRANSFERS:

Interfund Fund/Component Unit receivables and payables related to working capital loans at June 30, 2011 are as follows:

<u>Component Unit / Fund</u>	<u>Due From</u>	<u>Due To</u>
Economic Development Authority	\$ -	\$ 265,000
School Board	488,884	-
General Fund	5,000	488,884
General Capital Projects	160,000	-
Other Governmental Funds	100,000	-
Total	\$ 753,884	\$ 753,884

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
As of June 30, 2011 (Continued)

NOTE 4—DUE TO/FROM PRIMARY GOVERNMENT BALANCES, ADVANCES AND TRANSFERS: (CONTINUED)

The City has the following advances outstanding at June 30, 2011:

	<u>Advances Receivable From Component Unit</u>	<u>Advances Payable to Primary Government</u>
General Fund	\$ 53,000	\$ -
Industrial Development Authority	-	53,000
Total	<u>\$ 53,000</u>	<u>\$ 53,000</u>

A summary of interfund transfer activity is presented as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 3,644	\$ 3,586,327
Capital Projects Fund	2,035,962	3,644
Old Town Fairfax Fund	194,118	-
Commercial Transportation Tax Fund	981,948	-
Stormwater Fund	354,583	795
Water Utility Fund	1,539	-
Transportation Fund	18,972	-
Totals	<u>\$ 3,590,766</u>	<u>\$ 3,590,766</u>

The transfer from the General Fund to the General Capital Projects Fund, Stormwater Fund and Old Town Fairfax Fund are for the City's annual support of capital project expenditures.

The transfer from the General Fund to the Commercial Transportation Tax Fund is to transfer tax revenues.

NOTE 5—INVENTORY:

At June 30, 2011 the City has inventory recorded in the various funds as follows:

	<u>Governmental Funds</u>	<u>Enterprise Funds</u>	<u>Component Unit Economic Development Authority</u>
Expendable supplies / materials	\$ 683,576	\$ 62,311	\$ -
Land and building inventory held for resale	4,052,393	-	2,342,732
Totals	<u>\$ 4,735,969</u>	<u>\$ 62,311</u>	<u>\$ 2,342,732</u>

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
As of June 30, 2011 (Continued)

NOTE 6—CAPITAL ASSETS:

The following is a summary of capital asset activity for the year ended June 30, 2011:

	<u>Balance July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2011</u>
Primary Government:				
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 36,215,069	\$ 16,121	\$ -	\$ 36,231,190
Construction in progress-jointly owned assets	-	75,000	-	75,000
Construction in progress	24,587,015	3,557,390	-	28,144,405
Total capital assets, not being depreciated	<u>\$ 60,802,084</u>	<u>\$ 3,648,511</u>	<u>\$ -</u>	<u>\$ 64,450,595</u>
Capital assets being depreciated:				
Buildings	\$ 44,740,082	\$ -	\$ -	\$ 44,740,082
Equipment	21,683,339	1,571,550	635,363	22,619,526
Jointly owned assets	96,950,093	167,185	3,320,046	93,797,232
Infrastructure	25,816,197	324,772	-	26,140,969
Total capital assets being depreciated	<u>\$ 189,189,711</u>	<u>\$ 2,063,507</u>	<u>\$ 3,955,409</u>	<u>\$ 187,297,809</u>
Less accumulated depreciation for:				
Buildings	\$ 7,979,638	\$ 1,179,090	\$ -	\$ 9,158,728
Equipment	11,312,304	1,679,567	581,500	12,410,371
Jointly owned assets	7,182,899	6,061,348	3,684,937	9,559,310
Infrastructure	15,592,309	671,624	-	16,263,933
Total accumulated depreciation	<u>\$ 42,067,150</u>	<u>\$ 9,591,629</u>	<u>\$ 4,266,437</u>	<u>\$ 47,392,342</u>
Total capital assets being depreciated, net	<u>\$ 147,122,561</u>	<u>\$ (7,528,122)</u>	<u>\$ (311,028)</u>	<u>\$ 139,905,467</u>
Governmental activities capital assets, net	<u>\$ 207,924,645</u>	<u>\$ (3,879,611)</u>	<u>\$ (311,028)</u>	<u>\$ 204,356,062</u>
Business-type Activities:				
Sewer Utility Fund:				
Capital assets, not being depreciated:				
Land and land improvements	\$ 17,583	\$ -	\$ -	\$ 17,583
Total capital assets, not being depreciated	<u>\$ 17,583</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,583</u>
Capital assets being depreciated:				
Buildings and building improvements	\$ 1,264,570	\$ -	\$ -	\$ 1,264,570
Equipment	1,384,849	50,753	106,861	1,328,741
Intangibles	5,374,986	4,274,838	-	9,649,824
Infrastructure	8,018,438	37,855	-	8,056,293
Total capital assets being depreciated, net	<u>\$ 16,042,843</u>	<u>\$ 4,363,446</u>	<u>\$ 106,861</u>	<u>\$ 20,299,428</u>
Less accumulated depreciation for:				
Buildings and building improvements	\$ 77,666	\$ 25,291	\$ -	\$ 102,957
Equipment	705,434	95,955	106,861	694,528
Intangibles	2,860,586	179,600	-	3,040,186
Infrastructure	4,639,099	134,928	-	4,774,027
Total accumulated depreciation	<u>\$ 8,282,785</u>	<u>\$ 435,774</u>	<u>\$ 106,861</u>	<u>\$ 8,611,698</u>
Total capital assets being depreciated, net	<u>\$ 7,760,058</u>	<u>\$ 3,927,672</u>	<u>\$ -</u>	<u>\$ 11,687,730</u>
Net capital assets	<u>\$ 7,777,641</u>	<u>\$ 3,927,672</u>	<u>\$ -</u>	<u>\$ 11,705,313</u>

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
As of June 30, 2011 (Continued)

NOTE 6—CAPITAL ASSETS: (CONTINUED)

	<u>Balance July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2011</u>
Water Utility Fund:				
Capital assets, not being depreciated:				
Land and land improvements	\$ 645,615	\$ -	\$ -	\$ 645,615
Construction in Progress	732,701	107,991	-	840,692
Total capital assets not being depreciated	<u>\$ 1,378,316</u>	<u>\$ 107,991</u>	<u>\$ -</u>	<u>\$ 1,486,307</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 29,541,627	\$ -	\$ -	\$ 29,541,627
Equipment	2,217,694	321,834	53,682	2,485,846
Infrastructure	18,212,597	1,702,753	-	19,915,350
Total capital assets being depreciated	<u>\$ 49,971,918</u>	<u>\$ 2,024,587</u>	<u>\$ 53,682</u>	<u>\$ 51,942,823</u>
Less accumulated depreciation for:				
Buildings and improvements	\$ 20,450,207	\$ 560,950	\$ -	\$ 21,011,157
Equipment	1,780,623	174,502	18,769	1,936,356
Infrastructure	10,468,545	251,963	-	10,720,508
Total accumulated depreciation	<u>\$ 32,699,375</u>	<u>\$ 987,415</u>	<u>\$ 18,769</u>	<u>\$ 33,668,021</u>
Total capital assets being depreciated, net	<u>\$ 17,272,543</u>	<u>\$ 1,037,172</u>	<u>\$ 34,913</u>	<u>\$ 18,274,802</u>
Net capital assets	<u>\$ 18,650,859</u>	<u>\$ 1,145,163</u>	<u>\$ 34,913</u>	<u>\$ 19,761,109</u>
Transportation Fund:				
Capital assets being depreciated:				
Buildings and improvements	\$ 226,958	\$ -	\$ -	\$ 226,958
Equipment	3,633,056	12,746	-	3,645,802
Total capital assets being depreciated	<u>\$ 3,860,014</u>	<u>\$ 12,746</u>	<u>\$ -</u>	<u>\$ 3,872,760</u>
Less accumulated depreciation for:				
Buildings and improvements	\$ 27,235	\$ 4,539	\$ -	\$ 31,774
Equipment	2,935,335	209,707	-	3,145,042
Total accumulated depreciation	<u>\$ 2,962,570</u>	<u>\$ 214,246</u>	<u>\$ -</u>	<u>\$ 3,176,816</u>
Total capital assets being depreciated, net	<u>\$ 897,444</u>	<u>\$ (201,500)</u>	<u>\$ -</u>	<u>\$ 695,944</u>
Net capital assets	<u>\$ 897,444</u>	<u>\$ (201,500)</u>	<u>\$ -</u>	<u>\$ 695,944</u>

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
As of June 30, 2011 (Continued)

NOTE 6—CAPITAL ASSETS: (CONTINUED)

	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2011</u>
Discretely Presented Component Unit-School Board:				
Capital assets, not being depreciated:				
Land	\$ 1,381,115	\$ -	\$ -	\$ 1,381,115
Construction in progress	<u>24,644</u>	<u>-</u>	<u>-</u>	<u>24,644</u>
Total capital assets, not being depreciated	<u>\$ 1,405,759</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,405,759</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 19,335,020	\$ 3,320,046	\$ -	\$ 22,655,066
Equipment	<u>1,560,608</u>	<u>-</u>	<u>99,086</u>	<u>1,461,522</u>
Total capital assets being depreciated	<u>\$ 20,895,628</u>	<u>\$ 3,320,046</u>	<u>\$ 99,086</u>	<u>\$ 24,116,588</u>
Less accumulated depreciation for:				
Buildings and improvements	\$ 7,614,668	\$ 4,259,478	\$ -	\$ 11,874,146
Equipment	<u>418,694</u>	<u>124,716</u>	<u>57,954</u>	<u>485,456</u>
Total accumulated depreciation	<u>\$ 8,033,362</u>	<u>\$ 4,384,194</u>	<u>\$ 57,954</u>	<u>\$ 12,359,602</u>
Total capital assets being depreciated, net	<u>\$ 12,862,266</u>	<u>\$ (1,064,148)</u>	<u>\$ 41,132</u>	<u>\$ 11,756,986</u>
School Board capital assets, net	<u>\$ 14,268,025</u>	<u>\$ (1,064,148)</u>	<u>\$ 41,132</u>	<u>\$ 13,162,745</u>

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
As of June 30, 2011 (Continued)

NOTE 6—CAPITAL ASSETS: (CONTINUED)

Depreciation expense was charged to functions / programs as follows:

Primary government:	
Governmental activities:	
General government administration	\$ 683,267
Public safety	667,129
Public works	1,636,625
Education	6,061,348
Parks, recreation and cultural	<u>543,260</u>
Total governmental activities	<u>\$ 9,591,629</u>
Business-type activities:	
Water utility	\$ 987,415
Sewer utility	435,774
Transportation	<u>214,246</u>
Total business-type activities	<u>\$ 1,637,435</u>
Component Unit-School Board:	\$ <u>699,257</u> (1)
Education	
(1) Depreciation expense	\$ 699,257
Accumulated depreciation on Joint tenancy transfer	<u>3,684,937</u>
Total increase in accumulated depreciation, page 60	<u>\$ 4,384,194</u>

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
As of June 30, 2011 (Continued)

NOTE 7—LONG-TERM OBLIGATIONS:

Primary Government

The following is a summary of long-term obligation transactions of the City for the year ended June 30, 2011:

	Amounts Payable at June 30, 2010	Increases	Decreases	Amounts Payable at June 30, 2011	Amounts Due Within One Year
Governmental Obligations:					
General obligation bonds	\$ 106,825,000	\$ -	\$ 4,220,000	\$ 102,605,000	\$ 4,060,000
Lease revenue bonds	38,170,000	-	885,000	37,285,000	915,000
Public Improvement COPS	-	19,905,800	-	19,905,800	2,333,000
Notes payable	26,489,109	-	21,948,984	4,540,125	116,733
Capital leases	298,625	690,807	111,527	877,905	358,974
Compensated absences	2,210,634	381,848	425,597	2,166,885	433,377
Other post employment benefits	1,415,550	1,011,200	340,975	2,085,775	-
Premiums on bonds payable	5,621,636	-	335,185	5,286,451	335,185
Loss on refunding	(3,894,752)	267,342	-	(3,627,410)	(267,342)
Total	<u>\$ 177,135,802</u>	<u>\$ 22,256,997</u>	<u>\$ 28,267,268</u>	<u>\$ 171,125,531</u>	<u>\$ 8,284,927</u>
Enterprise Funds:					
Sewer Utility Fund:					
Lease revenue bonds	\$ -	\$ 12,521,600	\$ -	\$ 12,521,600	\$ -
Premium on bonds payable	-	359,346	-	359,346	11,978
Other post employment benefits	59,011	27,330	9,216	77,125	-
Compensated absences	71,061	7,106	13,123	65,044	6,504
Total	<u>\$ 130,072</u>	<u>\$ 12,915,382</u>	<u>\$ 22,339</u>	<u>\$ 13,023,115</u>	<u>\$ 18,482</u>
Water Utility Fund:					
Lease revenue bonds	\$ 4,652,000	\$ 11,558,400	\$ 177,000	\$ 16,033,400	\$ 184,000
Premium on bonds payable	-	331,704	-	331,704	11,057
Other post employment benefits	137,778	122,984	41,470	219,292	-
Compensated absences	158,785	17,077	7,373	168,489	4,435
Total	<u>\$ 4,948,563</u>	<u>\$ 12,030,165</u>	<u>\$ 225,843</u>	<u>\$ 16,752,885</u>	<u>\$ 199,492</u>
Transportation Fund:					
Other post employment benefits	\$ 98,266	\$ 81,989	\$ 27,646	\$ 152,609	\$ -
Compensated absences	131,708	14,291	37,340	108,659	57,488
Total	<u>\$ 229,974</u>	<u>\$ 96,280</u>	<u>\$ 64,986</u>	<u>\$ 261,268</u>	<u>\$ 57,488</u>
Total Enterprise Funds	<u>\$ 5,308,609</u>	<u>\$ 25,041,827</u>	<u>\$ 313,168</u>	<u>\$ 30,037,268</u>	<u>\$ 275,462</u>
Discretely Presented Component Units:					
School Board:					
Compensated absences	\$ 13,959	\$ 4,334	\$ 1,396	\$ 16,897	\$ 1,690
Economic Development Authority:					
Notes Payable	\$ 2,392,305	\$ -	\$ -	\$ 2,392,305	\$ -

General Fund revenues are used to pay all long-term general obligation debt, capital leases and compensated absences. School Fund revenues and appropriations from the General Fund are used to pay its compensated absences.

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
As of June 30, 2011 (Continued)

NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)

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

Year Ending June 30,	Governmental Obligations									
	General Obligation Bonds		Public Facility Lease Revenue Bonds		COPS		Notes Payable		Capital Leases	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 4,060,000	\$ 4,457,882	\$ 915,000	\$ 1,754,462	\$ 2,333,000	\$ 351,020	\$ 116,733	\$ 311,312	\$ 358,974	\$ 28,222
2013	4,130,000	4,312,873	940,000	1,724,725	2,477,700	452,810	116,733	312,714	242,609	14,635
2014	4,230,000	4,146,342	975,000	1,694,175	2,522,000	407,910	4,306,660	170,560	138,161	10,742
2015	4,355,000	3,962,685	1,005,000	1,660,050	1,647,300	362,128	-	-	138,161	10,742
2016	4,510,000	3,723,772	1,040,000	1,624,875	791,000	332,577	-	-	-	-
2017	4,640,000	3,549,211	1,095,000	1,572,875	816,100	307,847	-	-	-	-
2018	4,730,000	3,394,710	1,150,000	1,518,125	841,400	282,367	-	-	-	-
2019	3,520,000	3,234,224	1,195,000	1,472,075	3,772,300	295,790	-	-	-	-
2020	3,635,000	3,120,924	1,240,000	1,424,325	4,705,000	72,928	-	-	-	-
2021	3,810,000	2,946,680	1,290,000	1,374,725	-	-	-	-	-	-
2022	3,965,000	2,790,250	1,355,000	1,310,225	-	-	-	-	-	-
2023	4,125,000	2,625,725	1,425,000	1,242,475	-	-	-	-	-	-
2024	2,815,000	2,463,351	1,495,000	1,171,225	-	-	-	-	-	-
2025	2,955,000	2,329,693	1,570,000	1,096,475	-	-	-	-	-	-
2026	3,095,000	2,190,693	1,635,000	1,029,750	-	-	-	-	-	-
2027	3,235,000	2,042,270	1,720,000	948,000	-	-	-	-	-	-
2028	3,490,000	1,925,588	1,805,000	862,000	-	-	-	-	-	-
2029	3,655,000	1,755,500	1,895,000	771,750	-	-	-	-	-	-
2030	3,835,000	1,577,363	1,990,000	677,000	-	-	-	-	-	-
2031	4,020,000	1,390,450	2,090,000	577,500	-	-	-	-	-	-
2032	4,215,000	1,201,994	2,195,000	473,000	-	-	-	-	-	-
2033	4,410,000	1,004,394	2,305,000	363,250	-	-	-	-	-	-
2034	4,615,000	797,650	2,420,000	248,000	-	-	-	-	-	-
2035	4,830,000	584,150	2,540,000	127,000	-	-	-	-	-	-
2036	5,050,000	360,700	-	-	-	-	-	-	-	-
2037	2,675,000	127,063	-	-	-	-	-	-	-	-
Total	\$ 102,605,000	\$ 62,016,137	\$ 37,285,000	\$ 26,718,062	\$ 19,905,800	\$ 2,865,377	\$ 4,540,125	\$ 794,586	\$ 877,905	\$ 64,341

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
As of June 30, 2011 (Continued)

NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)

Details of Long-Term Obligations: (Continued)

Primary Government: (Continued)

General Obligation Bonds:

\$20,000,000 public improvement bonds issued July 2002, due in annual maturities of \$875,000 to \$940,000 through July 2013, plus interest at 3.0% to 5.0% \$ 1,850,000

\$42,000,000 school bonds, issued December 31, 2004, due in annual maturities of \$725,000 to \$2,495,000 through January 2036, plus interest at 3.25% to 5.50% 30,615,000

\$11,975,000 school refunding bonds, issued March 17, 2005, due in annual maturities of \$30,000 to \$1,360,000 through April 2018, plus interest at 2.5% to 5.0% 9,085,000

\$44,800,000 school bonds issued November 2005, due in annual maturities of \$745,000 beginning January 15, 2008 to \$2,675,000 through January 15, 2037, plus interest at 4.68% 28,920,000

\$32,480,000 refunding bonds issued March 25, 2010 due in annual maturities of \$110,000 to \$3,520,000 beginning July 15, 2010 through July 15, 2026, plus interest at 1.75% to 5.0% 32,135,000

Total General Obligation Bonds \$ 102,605,000

Lease Revenue Bonds:

\$39,630,000 lease revenue bonds dated July 2005, due in annual maturities of \$300,000 beginning January 2008 to \$2,540,000 through January 2035, interest at 4.12% \$ 37,285,000

Notes Payable:

\$2,167,325 Fairfax County note payable, due in annual maturities of \$116,733 through July 2014, plus interest at 2% \$ 350,198

\$4,189,927 financing lease agreement, Series 2007, due in full at maturity on July 15, 2013, interest payable semi-annually at 6.87% 4,189,927

Total Notes Payable \$ 4,540,125

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
As of June 30, 2011 (Continued)

NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)

Details of Long-Term Obligations: (Continued)

Primary Government: (Continued)

Public Improvement Certificates of Participation:

\$6,167,000 certificate issued April 2011, due in semi-annual maturities of \$876,000 to \$890,000 through July 15, 2014, interest at 1.27% \$ 6,167,000

\$5,164,800 certificate issued April 2011, due in semi-annual maturities of \$114,000 to \$3,011,100 through June 15, 2019, interest at 3.10% 5,164,800

\$8,574,000 certificate issued May 2011, due in semi-annual maturities of \$170,000 to \$4,705,000 through August 1, 2019, interest at 3.10% 8,574,000

Total Public Improvement Certificates of Participation \$ 19,905,800

Capital Lease:

\$606,750 capital lease for the acquisition of trash trucks, due in annual maturities of \$129,952 through June 2015, including interest at 1.41% \$ 606,750

\$84,057 capital lease for the acquisition of a lawn mower, due in annual maturities of \$18,952 through July 2014, including interest at 2.55% 67,246

\$711,430 capital lease for financing the acquisition of turf for a football field, due in semi-annual maturities of \$54,170 through January 2013, including interest at 4.95% 203,909

Total Capital Leases \$ 877,905

Compensated absences \$ 2,166,885

Other post employment benefits \$ 2,085,775

Premium on bonds payable \$ 5,286,451

Loss on refunding \$ (3,627,410)

Total governmental funds \$ 171,125,531

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
As of June 30, 2011 (Continued)

NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)

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

Year Ending June 30,	Water Utility Fund		Sewer Utility Fund	
	Principal	Interest	Principal	Interest
2012	\$ 184,000	\$ 859,324	\$ -	\$ 722,474
2013	192,000	851,412	-	722,474
2014	200,000	843,156	-	722,474
2015	441,800	829,667	252,200	717,178
2016	462,800	809,787	265,200	705,377
2017	483,800	788,631	278,200	692,613
2018	508,200	766,042	293,800	678,716
2019	532,600	741,374	309,400	663,033
2020	558,000	715,528	325,000	646,539
2021	585,800	688,397	343,200	629,165
2022	608,800	660,807	356,200	611,807
2023	630,400	632,616	366,600	594,310
2024	655,400	602,715	379,600	575,520
2025	680,400	571,026	392,600	555,398
2026	708,800	537,498	408,200	533,889
2027	737,200	501,147	423,800	509,975
2028	769,000	462,133	442,000	483,827
2029	422,400	421,530	457,600	456,658
2030	441,600	395,438	478,400	428,391
2031	458,400	368,255	496,600	398,943
2032	477,600	339,743	517,400	368,055
2033	496,800	309,827	538,200	335,646
2034	518,400	278,660	561,600	301,882
2035	540,000	246,169	585,000	266,683
2036	561,600	212,348	608,400	230,044
2037	585,600	177,126	634,400	191,886
2038	609,600	140,435	660,400	152,138
2039	633,600	102,271	686,400	110,794
2040	660,000	62,556	715,000	67,769
2041	688,800	21,146	746,200	22,908
Total	\$ 16,033,400	\$ 14,936,764	\$ 12,521,600	\$ 14,096,566

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
As of June 30, 2011 (Continued)

NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)

Water Utility Fund:

Lease Revenue Bonds:

\$4,821,000 lease revenue bonds issued June 2008, due in annual maturities ranging from \$169,000 to \$361,000 through January 2028, plus interest at 4.30% \$ 4,475,000

\$11,558,400 lease revenue bonds issued November 2010, due in annual maturities ranging from \$232,800 to \$688,800 through October 2040, plus interest ranging from 4.2% to 6.142% 11,558,400

Total Lease Revenue Bonds \$ 16,033,400

Sewer Utility Fund:

Lease Revenue Bonds:

\$12,521,600 lease revenue bonds issued November 2010, due in annual maturities ranging from \$252,200 to \$746,200 through October 2040, plus interest ranging from 1.245% to 6.142% \$ 12,521,600

Component Unit—Economic Development Authority

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

	Year Ending June 30,	Principal	Interest
2012	\$ -	\$ 120,572	
2013	-	120,572	
2014	757,777	101,476	
2015	796,336	62,313	
2016	<u>838,192</u>	<u>21,123</u>	
Total	\$ <u><u>2,392,305</u></u>	\$ <u><u>426,056</u></u>	

Details of Long-Term Debt

\$392,305 note payable issued August 2004, due in various installments through July 15, 2015 with semi-annual interest payments at 5.04% \$ 392,305

\$2,000,000 note payable issued October 2004, due in various installments through July 15, 2015 with semi-annual interest payments at 5.04% 2,000,000

\$ 2,392,305

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
As of June 30, 2011 (Continued)

NOTE 8—DEFINED BENEFIT PENSION PLANS:

The City's employees are covered under various plans as follows:

A. Plan Description

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

All full-time, salaried permanent employees of participating employers are automatically covered by VRS upon employment. Benefits vest after five years of service credit. Members earn one month of service credit for each month they are employed and their employer is paying into the VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as credit in their plan.

VRS administers two defined benefit plans for local government employees - Plan 1 and Plan 2:

- Members hired before July 1, 2010 and who have service credits before July 1, 2010 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit early at age 55 with at least 10 years of service credit or age 50 with at least five years of service credit.
- Members hired or rehired on or after July 1, 2010 and who have no service credits before July 1, 2010 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.
- Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the member's plan apply.

The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member's average final compensation multiplied by the member's total service credit. Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation. Under Plan 2, average final compensation is the average of the member's 60 consecutive months of highest compensation. The retirement multiplier for non-hazardous duty members is 1.70%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier for eligible political subdivision hazardous duty employees other than sheriffs and jail superintendents is 1.70% or 1.85% as elected by the employer. At retirement, members can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum Option Payment (PLOP) or the Advance Pension Option. A retirement reduction factor is applied to the Basic Benefit amount for members electing the Survivor Option, PLOP or Advance Pension Option or those retiring with a reduced benefit.

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
As of June 30, 2011 (Continued)

NOTE 8—DEFINED BENEFIT PENSION PLANS: (CONTINUED)

A. Plan Description: (Continued)

Retirees are eligible for an annual cost-of-living adjustment (COLA) effective July 1 of the second calendar year of retirement. Under Plan 1, the COLA cannot exceed 5.00%; under Plan 2, the COLA cannot exceed 6.00%. During years of no inflation or deflation, the COLA is 0.00%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the report may be obtained from the VRS website at <http://www.varetire.org/Pdf/publications/2010-Annual-Report.pdf> or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. In addition, the City and School Board are required to contribute the remaining amounts necessary to fund participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The City’s and School’s non-professional employee contribution rates for the fiscal year ended 2011 were 9.91% and 3.93% of annual covered payroll, respectively.

C. Annual Pension Cost

For fiscal year 2011, the City’s annual pension cost of \$2,581,987 was equal to the City’s required and actual contributions.

For fiscal year 2011, the City School Board’s annual pension cost for the Board’s non-professional employees was \$3,008 which was equal to the Board’s required and actual contributions.

Three-year Trend information for the City and School Board:

Fiscal Year Ending	Annual Pension Cost (APC) (1)	Percentage of APC Contributed	Net Pension Obligation
City:			
June 30, 2011	\$ 2,581,987	100%	\$ -
June 30, 2010	2,258,911	100%	-
June 30, 2009	2,235,111	100%	-
School Board:			
June 30, 2011	\$ 3,008	100%	\$ -
June 30, 2010	5,288	100%	-
June 30, 2009	6,929	100%	-

(1) Employer portion only

NOTE 8—DEFINED BENEFIT PENSION PLANS: (CONTINUED)

C. Annual Pension Cost: (Continued)

The FY2011 required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2009 included (a) an investment rate of return (net of administrative expenses) of 7.50%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the City's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. City's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2009 was 20 years.

D. Funded Status and Funding Progress

As of June 30, 2010, the most recent actuarial valuation date, the City's plan was 69.82% funded. The actuarial accrued liability for benefits was \$120,366,342, and the actuarial value of assets was \$84,039,964, resulting in an unfunded actuarial accrued liability (UAAL) of \$36,326,378. The covered payroll (annual payroll of active employees covered by the plan) was \$26,381,262, and ratio of the UAAL to the covered payroll was 137.70%.

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

E. Defined Benefit Pension Plan-Supplemental Retirement Plans

Plan Description

The City's Supplemental Retirement Plans cover all full-time and permanent part-time employees of the City except police officers and firefighters who are covered under the plan for police and firefighters. Both plans are single-employer, defined benefit pension plans, authorized by the City Council, and administered by the City Retirement Committee composed of nine individuals appointed by the Mayor and Council.

Upon retirement, a participant in the two City 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 beneficiary receives the same monthly benefit that would have been payable to the participant, assuming the joint and 100% survivor option was elected.

Significant Accounting Policies

Basis of accounting: The City's Supplemental Retirement Plans' financial statements are prepared using the accrual basis of accounting.

Reporting: The plans are accounted for as a pension trust fund of the City. A separate actuarial report for each plan is generated by the Actuary each year.

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
As of June 30, 2011 (Continued)

NOTE 8—DEFINED BENEFIT PENSION PLANS: (CONTINUED)

E. Defined Benefit Pension Plan-Supplemental Retirement Plans (Continued)

Significant Accounting Policies: (Continued)

Investment valuation and income recognition: Shares of registered investment companies (mutual funds), corporate bonds, and stocks are reported at fair value based on the quoted market price of the investment, which represents the net asset value of the shares held by the Plan.

Payment of benefits: Benefits are recorded when paid.

Refunds: In the event that a participant terminates employment with the City before reaching normal retirement age, other than by death or disability, and has less than five years of credited service, the participant's accumulated contributions including credited interest will be refunded. Participants with at least 5 years of credited service will be eligible for a deferred retirement benefit if accumulated contributions remain in deposit in the plan.

Administrative costs: Administrative costs are financed from investment earnings.

Concentrations

At June 30, 2011, plan assets were comprised of stocks, corporate bonds, and mutual funds. The following table presents the fair value of the investments in this Plan. Single investments representing more than 5% of the Plan's net assets as of June 30, 2011 are separately identified.

<u>Investments at Fair Value as Determined by Quoted Market Prices</u>	
Mutual Funds:	
Foreign Fund Class II	\$ 13,342,276
Wellington	25,539,879
Strategic Opp Allocation - III	10,045,017
Mariner Select	12,293,258
Putnam Total Return	15,275,971
Other Investments Individually Less than 5% of Plan Assets	<u>34,344,794</u>
Total	<u>\$ 110,841,195</u>

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
As of June 30, 2011 (Continued)

NOTE 8—DEFINED BENEFIT PENSION PLANS: (CONTINUED)

E. Defined Benefit Pension Plan-Supplemental Retirement Plans (Continued)

Funding Policy

The contribution requirements of Plan members and the City are established and may be amended by City Council. The City's annual pension cost for the current year and related information for each Plan is as follows:

	<u>City Supplemental Retirement Plan</u>	<u>City Firefighters, Policemen and Policewomen</u>
Contribution rate: (2010)		
City	None	7.18%
Plan members - hire pre - April 1, 1983 *	1.5%	5.5%
Plan members - hire post - March 31, 1983	3.0%	7%

* Until reaching 30 years of service, then no further contributions are required.

Annual pension cost (2010) (1)	None	\$365,744
Contributions made (2010) (1)	None	\$365,744
Actuarial valuation date	June 30, 2010	June 30, 2010
Actuarial cost method	Entry age actuarial cost method	Entry age actuarial cost method
Amortization method	Level percent of payroll	Level percent of payroll
Remaining amortization period	10 years, open	10 years, open
Asset valuation method	5 year smoothed market value	5 year smoothed market value
Actuarial assumptions:		
Investment rate of return **	7%	7%
Projected salary increases **	4.5% - 10%	4.4% - 9.9%
** Includes wage inflation of cost of living adjustments	4%	4%
	2.8% compound	2.8% compound
(1) Employer portion only		

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
As of June 30, 2011 (Continued)

NOTE 8—DEFINED BENEFIT PENSION PLANS: (CONTINUED)

E. Defined Benefit Pension Plan-Supplemental Retirement Plans (Continued)

Trend Information

	<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
City Supplemental Retirement Plan	2005	\$ -	100%	\$ -
	2006	-	100%	-
	2007	-	100%	-
	2008	-	100%	-
	2009	-	100%	-
	2010	-	100%	-
	2005	\$ -	100%	\$ -
	2006	-	100%	-
	2007	87,866	100%	-
	2008	471,789	100%	-
	2009	356,692	100%	-
	2010	365,744	100%	-

Six-year trend information is required.

Other Information

According to the last available actuary statement, the membership in the City Supplemental and Police and Firefighters Plan at June 30, 2011 is as follows:

	<u>City Supplemental Retirement Plan</u>	<u>City Firefighters, Policemen and Policewomen Plan</u>
Retirees and beneficiaries	\$ 148	\$ 86
Terminated vested members	27	6
Active members	286	133
Total	<u>\$ 461</u>	<u>\$ 225</u>

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
As of June 30, 2011 (Continued)

NOTE 8—DEFINED BENEFIT PENSION PLANS: (CONTINUED)

E. Defined Benefit Pension Plan-Supplemental Retirement Plans (Continued)

The following is a summary of financial information for the City's local retirement plans:

	Pension Trust Funds		
	City Supplemental Pension Trust Fund	Firefighters, Policemen and Policewomen Pension Trust Fund	Totals
Assets			
Mutual funds	\$ 41,626,311	\$ 45,665,619	\$ 87,291,930
Stocks	11,229,778	12,319,487	23,549,265
Accrued interest	37,948	41,630	79,578
	<u>\$ 52,894,037</u>	<u>\$ 58,026,736</u>	<u>\$ 110,920,773</u>
Total assets			
Net Assets			
Held in trust for pension benefits	<u>\$ 52,894,037</u>	<u>\$ 58,026,736</u>	<u>\$ 110,920,773</u>
Additions			
Plan members contributions	<u>\$ 760,029</u>	<u>\$ 1,128,107</u>	<u>\$ 1,888,136</u>
Investment income:			
Interest and dividends earned on investments	\$ 495,015	\$ 557,872	\$ 1,052,887
Net appreciation in fair value of investments	7,807,512	8,804,216	16,611,728
Total investment income	<u>\$ 8,302,527</u>	<u>\$ 9,362,088</u>	<u>\$ 17,664,615</u>
Less: Investment expenses	266,725	300,774	567,499
Net investment income	<u>\$ 8,035,802</u>	<u>\$ 9,061,314</u>	<u>\$ 17,097,116</u>
Total additions	<u>\$ 8,795,831</u>	<u>\$ 10,189,421</u>	<u>\$ 18,985,252</u>
Deductions			
Retirement and disability benefits	\$ 2,258,027	\$ 2,963,664	\$ 5,221,691
Refunds to members	46,765	-	46,765
Total deductions	<u>\$ 2,304,792</u>	<u>\$ 2,963,664</u>	<u>\$ 5,268,456</u>
Change in net assets	\$ 6,491,039	\$ 7,225,757	\$ 13,716,796
Net assets - beginning	46,402,998	50,800,979	97,203,977
Net assets - ending	<u>\$ 52,894,037</u>	<u>\$ 58,026,736</u>	<u>\$ 110,920,773</u>

F. Funded Status and Funding Progress

As of June 30, 2010, the most recent actuarial valuation date, the City Supplemental plan was 112.05% funded. The actuarial accrued liability for benefits was \$49,030,000, and the actuarial value of assets was \$54,940,000, resulting in an unfunded actuarial accrued liability (UAAL) of (\$5,910,000). The covered payroll (annual payroll of active employees covered by the plan) was \$16,980,000, and ratio of the UAAL to the covered payroll was (34.81%).

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
As of June 30, 2011 (Continued)

NOTE 8—DEFINED BENEFIT PENSION PLANS: (CONTINUED)

F. Funded Status and Funding Progress: (Continued)

As of June 30, 2010, the most recent actuarial valuation date, the City Firefighters, Policemen, and Policewomen Plan was 101.28% funded. The actuarial accrued liability for benefits was \$59,430,000, and the actuarial value of assets was \$60,190,000, resulting in an unfunded actuarial accrued liability (UAAL) of (\$760,000). The covered payroll (annual payroll of active employees covered by the plan) was \$10,510,000, and ratio of the UAAL to the covered payroll was (7.23%).

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

NOTE 9—FAIRFAX COUNTY AGREEMENTS:

The City and School Board are parties to certain contracts under which services are provided to its citizens by Fairfax County (the “County”), an unrelated local governmental entity. The costs of these services are summarized below.

	<u>Description</u>	
Joint court service	\$	539,154
Jail and custody services		1,013,928
Fire communication charges		307,993
Health		918,529
Social services		975,361
Library services		694,373
Education		37,927,714
Refuse collection		451,833
County agent		34,972
Debt service judicial center		83,861
Sewage treatment		<u>1,851,921</u>
Total	\$	<u>44,799,639</u>

The City constructs and owns its school facilities. In accordance with the education contract, the County manages, maintains and provides instruction in these facilities to City residents for a fee. Under the contract the City reimburses the County for the portion of the County’s school expenditures related to City students.

The City’s first quarter tuition payment for the fiscal year ending June 30, 2012 will be increased by \$907,722. This amount has been recorded as a payable and represents the final adjustment to fiscal year 2011 tuition cost.

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
As of June 30, 2011 (Continued)

NOTE 10—TRANSPORTATION CONTRACTS:

The City provides bus transportation services to its citizens in two ways.

CUE Bus

CUE Bus is an intracity bus service operated in cooperation with George Mason University. Funding received from George Mason University was \$540,000 for the fiscal year ended 2011.

Washington Metropolitan Area Transit Authority

The City contracts on an annual basis for rail service from the Washington Metropolitan Area Transit Authority (“WMATA”). The City’s share of WMATA’s capital and operating for bus and rail service for the year ending June 30, 2011 was \$1,518,673. These amounts were paid from the City’s account at the Northern Virginia Transportation Commission (“NVTC”).

Northern Virginia Transportation Commission (“NVTC”)

NVTC receives funds designated for the City and it also disburses the designated funds for the City. As of June 30, 2011, the balance designated for the City is \$1,647,888. The NVTC received \$3,044,161 and disbursed \$3,761,254 on behalf of the City for the fiscal year ended June 30, 2011.

NOTE 11—MAJOR CUSTOMER:

The City of Fairfax has one major water customer and for the year ended June 30, 2011, water revenue from this customer was approximately \$1,830,801. Accounts receivable from this customer amounted to approximately \$825,682 at June 30, 2011.

NOTE 12—SURETY BONDS:

	<u>Coverage</u>
City Funds:	
VML Insurance Programs:	
Stephen L. Moloney, City Treasurer	\$ 250,000
City Council and all employees	250,000
City of Fairfax School Board	250,000
State Funds:	
Stephen L. Moloney, City Treasurer	500,000
William Page Johnson, II, Commissioner of Revenue	450,000
Commonwealth of Virginia Performance of Duty Bond Self Insurance Plan:	
All Employees of constitutional officers-blanket bond-each loss	250,000

* The coverage with respect to the Treasurer of the City does not apply to pecuniary loss sustained by the City by reason or in consequence of the failure of the Treasurer to faithfully and fully discharge according to laws the duties pertaining to said position.

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
As of June 30, 2011 (Continued)

NOTE 13—OTHER POST-EMPLOYMENT BENEFITS PROGRAM:

City:

A. Plan Description:

In addition to the pension benefits described in Note 8, the City provides post-retirement health care insurance benefits for employees who are eligible for retirement benefits. General Government employees are eligible for normal retirement if they have attained the age of 60 with 5 years of service. Public Safety employees are eligible for normal retirement if they have attained the age of 50 with 5 years of service or have 20 years of service. General Government employees are eligible for early retirement if they have attained the age of 50 years with 5 years of service or have 25 years of service. Disabled individuals must have completed 5 years of service to be eligible to participate in the plan.

B. Funding Policy:

The City establishes employer contribution rates for plan participants as part of the budgetary process each year. The City 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. For participating retirees which retired before July 1, 2004 the Retiree pays 100% of the monthly premium. For participating retirees which retired on or after July 1, 2004 the City pays a stipend ranging from \$50 to \$175 per month depending on years of service towards the monthly premium and the retiree contributes remaining funds towards the monthly premium. Retirees pay 100% of spousal premiums. Surviving spouses can stay in the plan, but must pay the entire premium.

C. Annual OPEB Cost and Net OPEB Obligation:

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

Annual required contribution	\$ 1,232,099
Interest on net OPEB obligation	68,424
Adjustment to annual required contribution	(57,020)
Annual OPEB cost (expense)	\$ 1,243,503
Contributions made	(419,307)
Increase in net OPEB obligation	\$ 824,196
Net OPEB obligation-beginning of year	1,710,605
Net OPEB obligation-end of year	\$ 2,534,801

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
As of June 30, 2011 (Continued)

NOTE 13—OTHER POST-EMPLOYMENT BENEFITS PROGRAM: (CONTINUED)

City: (Continued)

C. Annual OPEB Cost and Net OPEB Obligation: (Continued)

Funded Status and Funding Progress

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the last three years are as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2009	\$ 1,160,319	26%	\$ 861,420
June 30, 2010	1,211,486	30%	1,710,605
June 30, 2011	1,243,503	34%	2,534,801

The funded status of the plan as of June 30, 2010 is as follows:

Actuarial accrued liability (AAL)	\$ 14,931,043
Actuarial value of plan assets	-
Unfunded actuarial accrued liability	14,931,043
Funded ratio (actuarial value of plan assets / AAL)	-
Covered payroll (active plan members)	26,381,262
UAAL as a percentage of covered payroll	56.60%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

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

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
As of June 30, 2011 (Continued)

NOTE 13—OTHER POST-EMPLOYMENT BENEFITS PROGRAM: (CONTINUED)

City: (Continued)

C. Annual OPEB Cost and Net OPEB Obligation: (Continued)

Cost Method

Normal cost, the allocation of benefit values between service rendered before and after the valuation date, was determined using an Individual Entry-Age Actuarial Cost Method having the following characteristics:

- (i) The annual normal cost for each individual active member, payable from the date of employment to the date of retirement, is sufficient to accumulate the value of the member's benefits at the time of retirement;
- (ii) Each annual normal cost is a constant percentage of the member's year by year projected covered pay.

Interest Assumptions

In the June 30, 2010 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 4% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 9% initially, reduced by decrements to an ultimate rate of 4% after ten years. Both rates included a 4% inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2010, was thirty years.

	<u>Unfunded</u>
Discount rate	4.00%
Payroll growth	4.00%

NOTE 14—RISK MANAGEMENT:

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. To reduce insurance costs and the need for self-insurance, the City has joined with other municipalities in the Commonwealth of Virginia in several public entity risk pools that operate as common risk management and insurance programs for member municipalities. The City is not self-insured.

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
As of June 30, 2011 (Continued)

NOTE 14—RISK MANAGEMENT: (CONTINUED)

The City has coverage with the VML Insurance Programs (Programs). Each Program member jointly and severally agrees to assume, pay and discharge any liability. The City pays VML the contributions and assessments based upon classifications and rates into a designated cash reserve fund out of which expenses of the Program and claims and awards are to be paid. In the event of a loss deficit and depletion of all available excess insurance, the Program may assess all members in the proportion which the premium of each bears to the total premiums of all members in the year in which such deficit occurs.

The City also contracts with private insurance carriers for accident insurance for all volunteer firefighters and holds a policy for any pollution associated with underground storage tanks. Settled claims have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 15—COMMITMENTS AND CONTINGENCIES:

Federal programs in which the City participates were audited in accordance with the provisions of U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Pursuant to the provisions of this circular all major programs and certain other programs were tested for compliance with applicable grant requirements.

While no matters of noncompliance were disclosed by audit, 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 16—LITIGATION:

At June 30, 2011, the City has been named as defendant in matters involving tax assessments. It is not known what liability if any, the City faces.

NOTE 17—CONSTRUCTION COMMITMENTS:

At June 30, 2011 the City has several major projects under construction which are summarized below:

<u>Project</u>	<u>Contract Amount</u>	<u>Expenditures as of June 30, 2011</u>	<u>Contract Balance</u>
Primary Government:			
Dry Duct	\$ 903,196	\$ 898,156	\$ 5,040
Fairfax Boulevard	1,219,777	1,079,937	139,840
Brick Sidewalk	160,000	-	160,000
Sherwood Community Center	3,695,176	3,409,383	285,793
Total	<u>\$ 5,978,149</u>	<u>\$ 5,387,476</u>	<u>\$ 590,673</u>

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
As of June 30, 2011 (Continued)

NOTE 18—DEBT REFUNDING:

The City of Fairfax, Virginia issued \$19,905,800 in Public Facility Certificates of Participation, with an effective interest rate from 1.27% to 3.10%. The Certificates of Participation were issued to refund \$19,679,033 of Notes. The Certificates of Participation will be repaid in various installments beginning July 15, 2011 to August 1, 2019. The refunding was undertaken to reduce the total debt service payments over the next 9 years by \$2,522,846 and resulted in an economic gain of \$1,126,579.

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REQUIRED SUPPLEMENTARY INFORMATION

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Schedules of Funding Progress

A. Virginia Retirement System:

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded (Excess Funded) Actuarial Accrued Liability	Funded Ratio (2) / (3)	Annual Covered Payroll	UAAL as % of Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2010	\$ 84,039,964	\$ 120,366,342	\$ 36,326,378	69.82%	\$ 26,381,262	137.70%
6/30/2009	83,342,627	107,585,559	24,242,932	77.47%	25,804,906	93.95%
6/30/2008	81,374,194	99,005,213	17,631,019	82.19%	25,784,857	68.38%

B. City Supplemental Retirement Plan:

6/30/2010	\$ 54,940,000	\$ 49,030,000	(5,910,000)	112.05%	\$ 16,980,000	(34.81%)
6/30/2009	55,230,000	48,270,000	(6,960,000)	114.42%	16,870,000	(41.26%)
6/30/2008	55,730,000	46,440,000	(9,290,000)	120.00%	16,750,000	(55.46%)
6/30/2007	53,110,000	44,070,000	(9,040,000)	120.51%	15,970,000	(56.61%)
6/30/2006	45,769,920	36,740,493	(9,029,427)	124.58%	14,964,917	(60.34%)
6/30/2005	44,125,227	34,981,002	(9,144,225)	126.14%	14,486,960	(63.12%)

C. City Firefighters, Policemen and Policewomen Plan:

6/30/2010	\$ 60,190,000	\$ 59,430,000	(760,000)	101.28%	\$ 10,510,000	(7.23%)
6/30/2009	60,640,000	58,540,000	(2,100,000)	103.59%	10,330,000	(20.33%)
6/30/2008	61,170,000	56,590,000	(4,580,000)	108.09%	10,570,000	(43.33%)
6/30/2007	57,910,000	54,020,000	(3,890,000)	107.20%	9,660,000	(40.27%)
6/30/2006	46,433,098	41,829,858	(4,603,240)	111.00%	9,147,911	(50.32%)
6/30/2005	45,640,229	38,570,580	(7,069,649)	118.33%	8,096,909	(87.31%)

Note: Starting with 6/30/07 the City Supplemental Retirement Plan and City Firefighters, Policemen and Policewomen Plan's actuarial valuation presented the Schedule of Funding Progress amounts in millions.

D. Other Post-Employment Benefits

6/30/2010	\$ -	\$ 14,931,043	14,931,043	0.00%	\$ 26,381,262	56.60%
6/30/2008	-	13,001,916	13,001,916	0.00%	25,784,857	50.42%

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OTHER SUPPLEMENTARY INFORMATION

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Combining and Individual Fund Statements and Schedules

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Combining Balance Sheet
 Nonmajor Governmental Funds
 At June 30, 2011

	Special Revenue Fund	Capital Projects Funds		Total Nonmajor Governmental Funds
	Legacy for Fairfax Fund	Stormwater Fund	Commercial Transportation Tax Fund	
Assets				
Cash and cash equivalents	\$ 135,766	\$ 813,595	\$ 2,645,502	\$ 3,594,863
Due from other governmental units	-	19,057	-	19,057
Total assets	<u>\$ 135,766</u>	<u>\$ 832,652</u>	<u>\$ 2,645,502</u>	<u>\$ 3,613,920</u>
Liabilities				
Accounts payable	\$ -	\$ 6,488	\$ 39,567	\$ 46,055
Fund Balances				
Fund balances:				
Restricted	\$ 135,766	\$ -	\$ -	\$ 135,766
Assigned	-	826,164	2,605,935	3,432,099
Total fund balances	<u>\$ 135,766</u>	<u>\$ 826,164</u>	<u>\$ 2,605,935</u>	<u>\$ 3,567,865</u>
Total liabilities and fund balances	<u>\$ 135,766</u>	<u>\$ 832,652</u>	<u>\$ 2,645,502</u>	<u>\$ 3,613,920</u>

Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances - Nonmajor Governmental Funds
Year Ended June 30, 2011

	Special Revenue Fund	Capital Projects Funds		Total Nonmajor Governmental Funds
	Legacy for Fairfax Fund	Stormwater Fund	Commercial Transportation Tax Fund	
Revenues				
Miscellaneous	\$ 189,222	\$ -	\$ -	\$ 189,222
Intergovernmental: Federal	-	23,084	-	23,084
Total revenues	\$ 189,222	\$ 23,084	\$ -	\$ 212,306
Expenditures				
Current:				
Public works	\$ -	\$ 178,397	\$ 258,435	\$ 436,832
Parks, recreation and cultural	60,456	-	-	60,456
Total expenditures	\$ 60,456	\$ 178,397	\$ 258,435	\$ 497,288
Excess (deficiency) of revenue over expenditures	\$ 128,766	\$ (155,313)	\$ (258,435)	\$ (284,982)
Other financing sources (uses)				
Transfers in	\$ -	\$ 354,583	\$ 981,948	\$ 1,336,531
Transfers (out)	-	(795)	-	(795)
Total other financing sources (uses)	\$ -	\$ 353,788	\$ 981,948	\$ 1,335,736
Net changes in fund balances	\$ 128,766	\$ 198,475	\$ 723,513	\$ 1,050,754
Fund balances, beginning	7,000	627,689	1,882,422	2,517,111
Fund balances, ending	\$ 135,766	\$ 826,164	\$ 2,605,935	\$ 3,567,865

Combining Statement of Fiduciary Net Assets
 Fiduciary Funds
 At June 30, 2011

	City Supplemental Pension Trust Fund	Firefighters, Policemen and Policewomen Pension Trust Fund	Totals
	<u> </u>	<u> </u>	<u> </u>
Assets			
Mutual funds	\$ 41,626,311	\$ 45,665,619	\$ 87,291,930
Stocks	11,229,778	12,319,487	23,549,265
Accrued interest	37,948	41,630	79,578
	<u>\$ 52,894,037</u>	<u>\$ 58,026,736</u>	<u>\$ 110,920,773</u>
Total assets			
Net Assets			
Held in trust for pension benefits	<u>\$ 52,894,037</u>	<u>\$ 58,026,736</u>	<u>\$ 110,920,773</u>

Combining Statement of Changes in Fiduciary Net Assets
 Fiduciary Funds
 Year Ended June 30, 2011

	City Supplemental Pension Trust Fund	Firefighters, Policemen and Policewomen Pension Trust Fund	Totals
Additions			
Plan member and employer contributions	\$ 760,029	\$ 1,128,107	\$ 1,888,136
Investment income:			
Interest and dividends earned on investments	\$ 495,015	557,872	\$ 1,052,887
Net appreciation in fair value of investments	7,807,512	8,804,216	16,611,728
Total investment income	\$ 8,302,527	\$ 9,362,088	\$ 17,664,615
Less: Investment expenses	266,725	300,774	567,499
Net investment income	\$ 8,035,802	\$ 9,061,314	\$ 17,097,116
Total additions	\$ 8,795,831	\$ 10,189,421	\$ 18,985,252
Deductions			
Retirement and disability benefits	\$ 2,258,027	\$ 2,963,664	\$ 5,221,691
Refunds to members	46,765	-	46,765
Total deductions	\$ 2,304,792	\$ 2,963,664	\$ 5,268,456
Change in net assets	\$ 6,491,039	\$ 7,225,757	\$ 13,716,796
Net assets - beginning	46,402,998	50,800,979	97,203,977
Net assets - ending	\$ 52,894,037	\$ 58,026,736	\$ 110,920,773

Balance Sheet -
 Discretely Presented Component Unit - School Board
 At June 30, 2011

	School Operating Fund	School Bond Renovation Fund	Total
ASSETS			
Advance to Fairfax County Public Schools	\$ -	\$ 1,681,383	\$ 1,681,383
Due from primary government	488,884		488,884
Due from other governmental units	450,482	-	450,482
	<u>939,366</u>	<u>1,681,383</u>	<u>2,620,749</u>
Total assets	\$ <u>939,366</u>	\$ <u>1,681,383</u>	\$ <u>2,620,749</u>
LIABILITIES			
Accounts payable	\$ 31,644	\$ -	\$ 31,644
Due to other governments	907,722	-	907,722
	<u>939,366</u>	<u>-</u>	<u>939,366</u>
Total liabilities	\$ <u>939,366</u>	\$ <u>-</u>	\$ <u>939,366</u>
FUND BALANCES			
Nonspendable - advance	\$ -	\$ 1,681,383	\$ 1,681,383
Total fund balances	\$ -	\$ 1,681,383	\$ 1,681,383
Total liabilities and fund balances	\$ <u>939,366</u>	\$ <u>1,681,383</u>	\$ <u>2,620,749</u>

Reconciliation of the Balance Sheet of the Governmental Funds
to the Statement of Net Assets -
Discretely Presented Component Unit - School Board
At June 30, 2011

	<u>Governmental Funds</u>
Total fund balances - governmental funds	\$ 1,681,383
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not current financial resources and therefore not reported in the governmental funds:	
Capital assets:	
Land	\$ 1,381,115
Buildings and improvements	22,655,066
Equipment	1,461,522
Construction in progress	24,644
Less: accumulated depreciation	<u>(12,359,602)</u> 13,162,745
Long-term liabilities, including compensated absences, are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds.	
Compensated absences	<u>(16,897)</u>
Net assets of governmental activities	\$ <u><u>14,827,231</u></u>

Statement of Revenues, Expenditures and Changes in Fund Balances -
Discretely Presented Component Unit - School Board
Year Ended June 30, 2011

	School Operating Fund	School Bond Renovation Fund	Total
Revenues:			
Revenue from use of money and property	\$ 1,586,952	\$ 8,480	\$ 1,595,432
Charges for services	421,973	-	421,973
Miscellaneous	20,000	-	20,000
Recovered costs	110,546		110,546
Intergovernmental:			
City contribution to School Board	30,242,343	-	30,242,343
Commonwealth	6,309,784	-	6,309,784
Total revenues	\$ 38,691,598	\$ 8,480	\$ 38,700,078
Expenditures:			
Current:			
Education	\$ 38,691,598	-	\$ 38,691,598
Capital projects	-	621,512	621,512
Contribution to the City	-	121,235	121,235
Total expenditures	\$ 38,691,598	\$ 742,747	\$ 39,434,345
Net changes in fund balances	\$ -	\$ (734,267)	\$ (734,267)
Fund balances at beginning of year	-	2,415,650	2,415,650
Fund balances at end of year	\$ -	\$ 1,681,383	\$ 1,681,383

Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities -
Discretely Presented Component Unit - School Board
Year Ended June 30, 2011

	<u>Governmental Funds</u>
Amounts reported for governmental activities in the Statement of Activities are different because:	
Net changes in fund balances - total governmental funds	\$ (734,267)
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 the depreciation expense exceeded capital outlay in the current period.	
Book value of dispositions	\$ (41,132)
Depreciation expense	<u>(699,257)</u> (740,389)
Transfer of joint tenancy assets from Primary Government to Component Unit School Board, net	(364,891)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds. The following is a summary of items supporting this adjustment:	
Change in compensated absences	<u>(2,938)</u>
Change in net assets of governmental activities	\$ <u><u>(1,842,485)</u></u>

Combining Statement of Net Assets -
Discretely Presented Nonmajor Component Units
At June 30, 2011

	<u>Industrial Development Authority</u>	<u>Economic Development Authority</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 263,116	\$ 96,553	\$ 359,669
Prepaid items	53,000	-	53,000
Inventory - property held for resale	-	2,342,732	2,342,732
	<u> </u>	<u> </u>	<u> </u>
Total assets	\$ <u>316,116</u>	\$ <u>2,439,285</u>	\$ <u>2,755,401</u>
LIABILITIES			
Current liabilities:			
Accrued interest	\$ -	\$ 55,261	\$ 55,261
Advances payable to primary government	53,000	-	53,000
Due to primary government	-	265,000	265,000
	<u> </u>	<u> </u>	<u> </u>
Total current liabilities	\$ 53,000	\$ 320,261	\$ 373,261
Noncurrent Liabilities:			
Noncurrent portion of long-term obligations	-	2,392,305	2,392,305
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	\$ <u>53,000</u>	\$ <u>2,712,566</u>	\$ <u>2,765,566</u>
NET ASSETS			
Unrestricted	\$ <u>263,116</u>	\$ <u>(273,281)</u>	\$ <u>(10,165)</u>
	<u> </u>	<u> </u>	<u> </u>
Total net assets	\$ <u>263,116</u>	\$ <u>(273,281)</u>	\$ <u>(10,165)</u>
	<u> </u>	<u> </u>	<u> </u>
Total liabilities and net assets	\$ <u>316,116</u>	\$ <u>2,439,285</u>	\$ <u>2,755,401</u>

CITY OF FAIRFAX, VIRGINIA

Combining Statement of Activities -
 Discretely Presented Nonmajor Component Units
 Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Nonmajor component units:				
Industrial Development Authority	\$ 834,312	\$ 963,797	\$ -	\$ -
Economic Development Authority	85,840	65,862	-	-
Total nonmajor component units	\$ 920,152	\$ 1,029,659	\$ -	\$ -

General revenues:
 Unrestricted revenues from use of money and property
 Miscellaneous
 Total general revenues
 Change in net assets
 Net assets - beginning
 Net assets - ending

Exhibit 23

<u>Industrial Development Authority</u>	<u>Economic Development Authority</u>	<u>Total</u>
\$ 129,485	\$ -	\$ 129,485
<u>-</u>	<u>(19,978)</u>	<u>(19,978)</u>
\$ 129,485	\$ (19,978)	\$ 109,507
\$ 206	\$ 126	\$ 332
<u>-</u>	<u>50,100</u>	<u>50,100</u>
\$ 206	\$ 50,226	\$ 50,432
\$ 129,691	\$ 30,248	\$ 159,939
133,425	(303,529)	(170,104)
<u>\$ 263,116</u>	<u>\$ (273,281)</u>	<u>\$ (10,165)</u>

Balance Sheet -
Discretely Presented Nonmajor Component Units
At June 30, 2011

	<u>Industrial Development Authority</u>	<u>Economic Development Authority</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 263,116	\$ 96,553	\$ 359,669
Prepaid items	<u>53,000</u>	<u>-</u>	<u>53,000</u>
Total assets	<u>\$ 316,116</u>	<u>\$ 96,553</u>	<u>\$ 412,669</u>
LIABILITIES			
Advances payable to primary government	\$ 53,000	\$ -	\$ 53,000
Due to primary government	<u>-</u>	<u>265,000</u>	<u>265,000</u>
Total liabilities	<u>\$ 53,000</u>	<u>\$ 265,000</u>	<u>\$ 318,000</u>
FUND BALANCES			
Nonspendable - prepaids	\$ 53,000	\$ -	\$ 53,000
Unassigned	<u>210,116</u>	<u>(168,447)</u>	<u>41,669</u>
Total fund balances	<u>\$ 263,116</u>	<u>\$ (168,447)</u>	<u>\$ 94,669</u>
Total liabilities and fund balances	<u>\$ 316,116</u>	<u>\$ 96,553</u>	<u>\$ 412,669</u>

Reconciliation of the Balance Sheet of the Governmental Funds to the Statement of Net Assets -
Discretely Presented Nonmajor Component Units
At June 30, 2011

	<u>Industrial Development Authority</u>	<u>Economic Development Authority</u>	<u>Totals</u>
Total fund balances - governmental funds	\$ 263,116	\$ (168,447)	\$ 94,669
Amounts reported for governmental activities in the statement of net assets (Exhibit 1) are different because:			
Capital assets used in governmental activities are not current financial resources and therefore not reported in the governmental funds:			
Inventory held for resale	-	2,342,732	2,342,732
Interest on long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due.	-	(55,261)	(55,261)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds.			
Notes payable	-	(2,392,305)	(2,392,305)
Net assets of governmental activities	<u>\$ 263,116</u>	<u>\$ (273,281)</u>	<u>\$ (10,165)</u>

Statement of Revenues, Expenditures and Changes in Fund Balances -
 Discretely Presented Nonmajor Component Units
 Year Ended June 30, 2011

	Industrial Development Authority	Economic Development Authority	Totals
Revenues:			
Revenue from use of money and property	\$ 964,003	\$ 65,988	\$ 1,029,991
Miscellaneous	-	50,100	50,100
Total revenues	<u>\$ 964,003</u>	<u>\$ 116,088</u>	<u>\$ 1,080,091</u>
Expenditures:			
Current:			
Planning and community development	\$ 834,312	\$ 31,712	\$ 866,024
Debt service:			
Interest and fiscal charges	-	69,819	69,819
Total expenditures	<u>\$ 834,312</u>	<u>\$ 101,531</u>	<u>\$ 935,843</u>
Net changes in fund balances	\$ 129,691	\$ 14,557	\$ 144,248
Fund balances at beginning of year	<u>133,425</u>	<u>(183,004)</u>	<u>(49,579)</u>
Fund balances at end of year	<u>\$ 263,116</u>	<u>\$ (168,447)</u>	<u>\$ 94,669</u>

Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances
to the Statement of Activities - Discretely Presented Nonmajor Component Units
Year Ended June 30, 2011

	<u>Industrial Development Authority</u>	<u>Economic Development Authority</u>	<u>Totals</u>
Net changes in fund balances-discretely presented nonmajor component units	\$ 129,691	\$ 14,557	\$ 144,248

Amounts reported for governmental activities in the statement of activities are different because:

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds. The following is a summary of items supporting this adjustment:

Change in interest payable	<u>-</u>	<u>15,691</u>	<u>15,691</u>
Change in net assets of governmental activities	\$ <u>129,691</u>	\$ <u>30,248</u>	\$ <u>159,939</u>

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STATISTICAL SECTION
TABLE OF CONTENTS

The statistical section of the City's comprehensive annual financial report presents detailed information as a context for understanding what the information presented in the financial statements, note disclosures and required supplementary information say about the City's overall financial health. This information has not been audited by the independent auditor.

<u>Contents</u>	<u>Table Number</u>
Financial Trends These tables contain trend information to help the reader understand how the City's financial performance and well being have changed over time.	1 to 5
Revenue Capacity These tables contain information to help the reader assess the City's most significant local revenue sources, the property tax, as well as other revenue sources.	6 to 10
Debt Capacity These tables present information to help the reader assess the affordability of the City's current level of outstanding debt and the City's ability to issue additional debt in the future.	11 to 13
Demographic and Economic Information These tables offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	14
Operating Information These tables contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	15 to 18

Sources:

Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial report for the relevant year. The City implemented GASB 34 in fiscal year 2003; tables presenting government-wide information include information beginning in that year.

COMMENTS RELATIVE TO STATISTICAL SECTION

The following statistical table recommended by the National Council on Governmental Accounting is not included for the reason stated below:

The City of Fairfax, Virginia has no overlapping debt with any other government within its boundaries. Cities in the Commonwealth of Virginia are not part of the surrounding counties, and cities have no political subdivisions.

CITY OF FAIRFAX, VIRGINIA

Net Assets By Component
 Last Nine Fiscal Years (1)
 (accrual basis of accounting)
 (Unaudited)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Governmental activities:				
Invested in capital assets, net of related debt	\$ 22,031,344	\$ 24,783,163	\$ 46,953,895	\$ (11,812,521)
Restricted	7,072	49,245	43,764	-
Unrestricted	14,804,578	15,626,504	(40,550,651)	(16,939,669)
Total governmental activities net assets	<u>\$ 36,842,994</u>	<u>\$ 40,458,912</u>	<u>\$ 6,447,008</u>	<u>\$ (28,752,190)</u>
Business-type activities:				
Invested in capital assets, net of related debt	\$ 20,597,502	\$ 23,348,054	\$ 25,198,355	\$ 25,002,792
Unrestricted	12,522,432	11,124,005	8,002,028	5,850,290
Total business-type activities net assets	<u>\$ 33,119,934</u>	<u>\$ 34,472,059</u>	<u>\$ 33,200,383</u>	<u>\$ 30,853,082</u>
Primary government:				
Invested in capital assets, net of related debt	\$ 42,628,846	\$ 48,131,217	\$ 72,152,250	\$ 13,190,271
Restricted	7,072	49,245	43,764	-
Unrestricted (deficit)	27,327,010	26,750,509	(32,548,623)	(11,089,379)
Total primary government net assets	<u>\$ 69,962,928</u>	<u>\$ 74,930,971</u>	<u>\$ 39,647,391</u>	<u>\$ 2,100,892</u>
Component units: (2)				
Component unit - school board:				
Invested in capital assets, net of related debt	\$ 30,807,245	\$ 31,615,523	\$ 35,369,476	\$ 66,251,923
Unrestricted	912,881	1,358,664	38,556,759	50,485,036
Total component unit - school board net assets	<u>\$ 31,720,126</u>	<u>\$ 32,974,187</u>	<u>\$ 73,926,235</u>	<u>\$ 116,736,959</u>
Component unit - all others aggregate				
Invested in capital assets, net of related debt	\$ 2,303,650	\$ 2,280,550	\$ 1,258,300	\$ -
Restricted	433,606	306,522	299,529	307,920
Unrestricted (deficit)	420,085	410,990	437,389	456,061
Total component unit - all others aggregate net assets	<u>\$ 3,157,341</u>	<u>\$ 2,998,062</u>	<u>\$ 1,995,218</u>	<u>\$ 763,981</u>
Component units:				
Invested in capital assets, net of related debt	\$ 33,110,895	\$ 33,896,073	\$ 36,627,776	\$ 66,251,923
Restricted	433,606	306,522	299,529	307,920
Unrestricted (deficit)	1,332,966	1,769,654	38,994,148	50,941,097
Total component units net assets	<u>\$ 34,877,467</u>	<u>\$ 35,972,249</u>	<u>\$ 75,921,453</u>	<u>\$ 117,500,940</u>
Total reporting entity:				
Invested in capital assets, net of related debt	\$ 56,239,741	\$ 63,827,290	\$ 49,605,026	\$ (23,202,806)
Restricted	440,678	355,767	343,293	307,920
Unrestricted (deficit)	48,159,976	46,720,163	65,620,525	142,496,718
Total reporting entity net assets	<u>\$ 104,840,395</u>	<u>\$ 110,903,220</u>	<u>\$ 115,568,844</u>	<u>\$ 119,601,832</u>

Notes:

- (1) This table reports financial information based on the accrual basis of accounting. The City implemented GASB 34, the new reporting standard, in fiscal year 2003. Therefore, ten years of data is not available but will be accumulated over time.
- (2) Component Unit net assets are included in this table due to public schools and the others aggregated being significant portions of the City operations. In Virginia, the City issues debt to finance the construction of facilities for these component units because they do not have borrowing or taxing authority.

Table 1

	2007	2008	2009	2010	2011
\$	(48,500,591)	\$ 38,986,748	\$ 34,396,876	\$ 39,308,283	\$ 39,486,639
	-	-	-	-	-
	(1,066,325)	12,750,610	23,158,474	25,359,148	24,969,176
\$	<u>(49,566,916)</u>	<u>51,737,358</u>	<u>57,555,350</u>	<u>64,667,431</u>	<u>64,455,815</u>
\$	24,895,262	\$ 20,264,835	\$ 24,450,435	\$ 24,498,812	\$ 22,938,374
	5,369,440	7,224,926	2,854,098	3,697,754	4,709,709
\$	<u>30,264,702</u>	<u>27,489,761</u>	<u>27,304,533</u>	<u>28,196,566</u>	<u>27,648,083</u>
\$	(23,605,329)	\$ 59,251,583	\$ 58,847,311	\$ 63,807,095	\$ 62,425,013
	-	-	-	-	-
	4,303,115	19,975,536	26,012,572	29,056,902	29,678,885
\$	<u>(19,302,214)</u>	<u>79,227,119</u>	<u>84,859,883</u>	<u>92,863,997</u>	<u>92,103,898</u>
\$	103,979,947	\$ 13,005,785	\$ 13,508,352	\$ 14,268,025	\$ 13,162,745
	19,401,869	6,517,420	2,947,883	2,401,691	1,664,486
\$	<u>123,381,816</u>	<u>19,523,205</u>	<u>16,456,235</u>	<u>16,669,716</u>	<u>14,827,231</u>
\$	-	\$ -	\$ -	\$ -	\$ -
	273,943	-	-	-	-
	466,884	(27,149)	(106,376)	(170,104)	(10,165)
\$	<u>740,827</u>	<u>(27,149)</u>	<u>(106,376)</u>	<u>(170,104)</u>	<u>(10,165)</u>
\$	103,979,947	\$ 13,005,785	\$ 13,508,352	\$ 14,268,025	\$ 13,162,745
	273,943	-	-	-	-
	19,868,753	6,490,271	2,841,507	2,231,587	1,654,321
\$	<u>124,122,643</u>	<u>19,496,056</u>	<u>16,349,859</u>	<u>16,499,612</u>	<u>14,817,066</u>
\$	(28,390,382)	\$ 72,257,368	\$ 72,355,663	\$ 78,075,120	\$ 75,587,758
	273,943	-	-	-	-
	132,936,868	26,465,807	28,854,079	31,288,489	31,333,206
\$	<u>104,820,429</u>	<u>98,723,175</u>	<u>101,209,742</u>	<u>109,363,609</u>	<u>106,920,964</u>

Changes In Net Assets
Last Nine Fiscal Years (1)
(accrual basis of accounting)
(Unaudited)

	Fiscal Year June 30,								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
Expenses:									
Governmental activities:									
General government administration	\$ 5,992,243	\$ 8,181,818	\$ 7,944,888	\$ 6,588,630	\$ 4,501,657	\$ 5,790,057	\$ 7,477,262	\$ 7,163,564	\$ 7,909,199
Judicial administration	1,026,564	1,020,073	1,105,303	1,098,304	1,588,440	1,672,007	1,739,567	2,032,559	1,810,335
Public safety	14,160,416	15,085,222	17,097,263	18,918,613	18,375,185	22,370,185	22,617,672	22,569,030	23,001,352
Public works	10,772,058	11,305,843	12,035,896	12,993,041	15,645,734	15,056,333	12,547,792	10,373,323	14,190,482
Health and social services	3,418,460	3,627,848	3,874,857	4,303,021	4,623,541	4,874,994	4,790,384	4,839,913	4,715,869
Parks, recreation and cultural	3,334,352	3,625,794	4,155,577	5,506,525	18,451,806	9,104,464	5,012,481	4,735,093	7,490,623
Planning and community development	1,610,783	1,602,478	1,564,705	1,928,300	8,433,836	3,435,986	2,101,996	2,108,858	2,072,584
Education	22,543,976	25,153,505	65,673,214	69,700,277	34,051,143	19,030,288	30,778,612	35,884,552	35,635,880
Interest	2,008,605	2,013,416	2,744,269	6,479,175	7,392,158	7,950,084	7,299,070	6,863,092	7,580,448
Total governmental activities expenses	\$ 64,867,457	\$ 71,615,997	\$ 116,195,972	\$ 127,515,886	\$ 113,063,500	\$ 89,284,398	\$ 94,364,836	\$ 96,569,984	\$ 104,406,772
Business-type activities:									
Sewer	\$ 3,479,636	\$ 3,544,868	\$ 3,647,372	\$ 3,766,595	\$ 3,967,948	\$ 3,876,585	\$ 3,960,547	\$ 3,770,579	\$ 4,417,029
Water	6,345,220	6,431,715	7,431,685	7,735,802	8,007,885	7,859,380	8,420,622	8,503,675	9,706,260
Transportation	2,453,768	3,139,468	2,947,051	2,981,937	3,085,684	3,137,971	3,048,667	2,981,900	2,977,867
Total business-type activities expenses	\$ 12,278,624	\$ 13,116,051	\$ 14,026,108	\$ 14,484,334	\$ 15,061,517	\$ 14,873,936	\$ 15,429,836	\$ 15,256,154	\$ 17,101,156
Total primary government expenses	\$ 77,146,081	\$ 84,732,048	\$ 130,222,080	\$ 142,000,220	\$ 128,125,017	\$ 104,158,334	\$ 109,794,672	\$ 111,826,138	\$ 121,507,928
Program revenue:									
Governmental activities:									
Charges for services:									
General government administration	\$ 303,100	\$ 371,202	\$ 354,887	\$ 465,151	\$ 358,362	\$ 221,030	\$ 239,652	\$ 263,865	\$ 291,048
Judicial administration	544,835	969,096	922,229	978,733	848,240	771,992	768,841	855,289	1,005,567
Public safety	959,923	881,927	1,349,949	744,380	634,789	735,565	1,571,900	1,675,070	1,700,143
Public works	314,674	322,523	349,295	292,250	342,136	343,431	345,774	378,634	624,368
Parks, recreation and cultural	350,828	463,813	452,081	434,290	557,264	780,237	918,688	946,381	1,027,621
Planning and community development	133,482	129,040	144,488	184,211	242,676	261,461	284,462	386,282	282,954
Operating grants and contributions:									
General government administration	266,073	268,679	284,555	298,925	319,875	347,860	335,316	301,953	262,777
Public safety	769,842	819,684	1,359,793	1,679,357	1,201,134	1,312,710	1,361,192	1,480,939	1,278,573
Public works	1,745,860	1,932,737	1,792,120	1,889,760	1,962,308	2,026,573	2,092,878	2,120,166	2,193,594
Parks, recreation and cultural	-	36,415	5,000	-	-	5,000	5,000	30,499	23,084
Planning and community development	-	-	-	7,182	5,000	32,052	79,307	-	-
Capital grants and contributions:									
General government administration	114,904	58,979	107,398	-	-	-	-	-	-
Public safety	426,950	664,969	-	-	898	-	-	-	-
Public works	260,009	234,135	298,914	373,386	241,350	467,991	2,437,582	595,393	1,662,535
Parks, recreation and cultural	-	30,000	-	-	74,457	-	-	-	-
Total governmental activities program revenue	\$ 6,190,480	\$ 7,183,199	\$ 7,420,709	\$ 7,347,625	\$ 6,788,489	\$ 7,305,902	\$ 10,440,592	\$ 9,034,471	\$ 10,352,264
Business-type activities:									
Charges for services:									
Sewer	\$ 3,131,569	\$ 2,741,097	\$ 3,078,461	\$ 3,067,876	\$ 3,127,259	\$ 2,989,180	\$ 3,323,391	\$ 3,532,646	\$ 4,178,752
Water	6,753,714	6,596,970	6,540,968	6,408,222	7,744,604	7,468,413	8,893,201	9,319,840	9,141,327
Transportation	509,413	562,117	634,659	558,927	596,367	705,693	846,825	811,570	1,195,092
Operating grants and contributions:									
Sewer	-	7,346	-	-	-	-	-	-	-
Water	3,722	10,110	3,757	-	-	-	-	-	-
Transportation	-	-	-	1,245,472	1,206,004	1,094,448	1,103,651	1,707,647	1,814,754
Capital grants and contributions:									
Sewer	\$ 269,850	\$ 534,500	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 92,064
Water	74,235	757,425	-	-	-	-	-	-	84,982
Transportation	2,652,989	1,610,481	1,109,375	53,172	-	-	-	-	-
Total business-type activities program revenues	\$ 13,395,492	\$ 12,820,046	\$ 11,367,220	\$ 11,333,669	\$ 12,674,234	\$ 12,257,734	\$ 14,167,068	\$ 15,371,703	\$ 16,506,971
Total primary government program revenues	\$ 19,585,972	\$ 20,003,245	\$ 18,787,929	\$ 18,681,294	\$ 19,462,723	\$ 19,563,636	\$ 24,607,660	\$ 24,406,174	\$ 26,859,235
Net (expense) revenue:									
Governmental activities	\$ (58,676,977)	\$ (64,432,798)	\$ (108,775,263)	\$ (120,168,261)	\$ (106,275,011)	\$ (81,978,496)	\$ (83,924,244)	\$ (87,535,513)	\$ (94,054,508)
Business-type activities	1,116,868	(296,005)	(2,658,888)	(3,150,665)	(2,387,283)	(2,616,202)	(1,262,768)	115,549	(594,185)
Total primary government net expense	\$ (57,560,109)	\$ (64,728,803)	\$ (111,434,151)	\$ (123,318,926)	\$ (108,662,294)	\$ (84,594,698)	\$ (85,187,012)	\$ (87,419,964)	\$ (94,648,693)
General revenues and other changes in net assets:									
Governmental activities:									
Taxes:									
General property	\$ 35,230,935	\$ 38,155,395	\$ 41,913,827	\$ 44,736,332	\$ 47,189,602	\$ 50,795,457	\$ 56,197,375	\$ 56,195,202	\$ 56,379,581
Local sales	9,875,008	10,608,683	11,604,756	13,721,180	13,587,593	13,433,256	8,831,495	10,644,038	9,907,063
Business license	7,660,442	7,664,177	8,370,119	8,444,976	8,662,866	8,599,019	8,375,552	7,485,809	8,151,072
Consumer utility	2,403,880	2,850,414	2,774,256	3,063,302	2,132,805	1,459,146	1,512,860	1,547,114	1,551,010
Meals	1,930,225	2,087,428	2,176,558	2,235,496	2,301,359	4,628,046	4,646,735	4,654,171	4,938,869
Other local taxes	2,925,083	3,793,123	4,278,371	4,601,572	4,521,076	6,203,308	5,713,597	3,760,252	4,117,253
Intergovernmental, other than grants	3,176,355	3,321,928	3,178,470	3,283,706	3,367,088	3,307,841	3,288,406	5,673,620	5,691,383
Gain/(loss) on disposal of capital assets	-	-	-	-	-	-	-	2,915,936	-
Use of money and property	1,001,487	880,309	1,493,699	5,106,837	5,246,271	2,595,320	946,400	350,867	282,100
Miscellaneous	268,957	230,315	260,376	475,662	220,325	298,029	1,244,816	2,200,585	2,845,072
Transfers	(1,007,107)	(1,543,056)	(1,287,073)	(700,000)	(1,768,700)	218,686	(1,015,000)	(780,000)	(20,511)
Total governmental activities	\$ 63,465,265	\$ 68,048,716	\$ 74,763,359	\$ 84,969,063	\$ 85,460,285	\$ 91,538,108	\$ 89,742,236	\$ 94,647,594	\$ 93,842,892

Changes In Net Assets
Last Nine Fiscal Years (1)
(accrual basis of accounting)
(Unaudited)

	Fiscal Year June 30,								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
Program revenue: (Continued)									
Business-type activities:									
Use of money and property	\$ 170,483	\$ 105,074	\$ 100,139	\$ 103,364	\$ 30,203	\$ 59,947	\$ 62,540	\$ (3,516)	\$ 25,191
Transfers	1,007,107	1,543,056	1,287,073	700,000	1,768,700	(218,686)	1,015,000	780,000	20,511
Total business-type activities	\$ 1,177,590	\$ 1,648,130	\$ 1,387,212	\$ 803,364	\$ 1,798,903	\$ (158,739)	\$ 1,077,540	\$ 776,484	\$ 45,702
Total primary government	\$ 64,642,855	\$ 69,696,846	\$ 76,150,571	\$ 85,772,427	\$ 87,259,188	\$ 91,379,369	\$ 90,819,776	\$ 95,424,078	\$ 93,888,594
Changes in net assets:									
Governmental activities	\$ 4,788,288	\$ 3,615,918	\$ (34,011,904)	\$ (35,199,198)	\$ (20,814,726)	\$ 9,559,612	\$ 5,817,992	\$ 7,112,081	\$ (211,616)
Business-type activities	2,294,458	1,352,125	(1,271,676)	(2,347,301)	(588,380)	(2,774,941)	(185,228)	892,033	(548,483)
Total primary government	\$ 7,082,746	\$ 4,968,043	\$ (35,283,580)	\$ (37,546,499)	\$ (21,403,106)	\$ 6,784,671	\$ 5,632,764	\$ 8,004,114	\$ (760,099)
Component units: (3)									
Component unit - school board:									
Expenses:									
Instruction	\$ 28,517,588	\$ 29,626,772	\$ 32,482,318	\$ 34,905,380	\$ 36,420,856	\$ 39,724,887	\$ 39,197,375	\$ 37,627,755	\$ 39,703,706
Total expenses	\$ 28,517,588	\$ 29,626,772	\$ 32,482,318	\$ 34,905,380	\$ 36,420,856	\$ 39,724,887	\$ 39,197,375	\$ 37,627,755	\$ 39,703,706
Program revenues:									
Charges for services	\$ 255,000	\$ 289,914	\$ 313,991	\$ 338,006	\$ 354,796	\$ 377,503	\$ 396,955	\$ 406,213	\$ 421,973
Operating grants and contributions	4,637,081	4,916,007	5,683,282	5,911,101	6,870,293	7,023,599	6,970,754	6,156,427	6,309,784
Total program revenues	\$ 4,892,081	\$ 5,205,921	\$ 5,997,273	\$ 6,249,107	\$ 7,225,089	\$ 7,401,102	\$ 7,367,709	\$ 6,562,640	\$ 6,731,757
Net expense	\$ (23,625,507)	\$ (24,420,851)	\$ (26,485,045)	\$ (28,656,273)	\$ (29,195,767)	\$ (32,323,785)	\$ (31,829,666)	\$ (31,065,115)	\$ (32,971,949)
General revenues and other changes in net assets:									
Component Unit-School Board:									
Grants and contributions not restricted to specific programs	\$ 22,543,976	\$ 25,153,505	\$ 65,673,214	\$ 69,697,297	\$ 34,051,143	\$ 18,632,758	\$ 30,408,392	\$ 29,634,913	\$ 29,514,032
Use of money and property	506,197	521,407	1,763,879	1,749,700	1,769,481	1,557,078	1,480,065	1,623,683	1,595,432
Gain/(loss) on disposal of capital assets	-	-	-	-	-	-	(3,145,761)	-	-
Miscellaneous	-	-	-	20,000	20,000	20,000	20,000	20,000	20,000
Total general revenues and other changes in net assets	\$ 23,050,173	\$ 25,674,912	\$ 67,437,093	\$ 71,466,997	\$ 35,840,624	\$ 20,209,836	\$ 28,762,696	\$ 31,278,596	\$ 31,129,464
Total component unit - school board change in net assets	\$ (575,334)	\$ 1,254,061	\$ 40,952,048	\$ 42,810,724	\$ 6,644,857	\$ (12,113,949)	\$ (3,066,970)	\$ 213,481	\$ (1,842,485)
Component unit - all others aggregate									
Expenses:									
Renaissance Housing Corporation	\$ 230,116	\$ 340,929	\$ 189,556	\$ 97,041	\$ 194,873	\$ -	\$ -	\$ -	\$ -
Industrial Development Authority	521,355	622,649	1,530,901	2,166,704	781,294	784,763	783,726	821,075	834,312
Economic Development Authority	27,831	29,122	331,777	264,379	136,953	182,692	203,086	195,187	85,840
Total expenses	\$ 779,302	\$ 992,700	\$ 2,052,234	\$ 2,528,124	\$ 1,113,120	\$ 967,455	\$ 986,812	\$ 1,016,262	\$ 920,152
General revenues and other changes in net assets:									
Grants and contributions not restricted to specific programs	\$ 300,000	\$ 200,000	\$ 242,133	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Use of money and property	510,767	608,216	801,051	21,878	37,506	10,418	4,711	1,012	332
Miscellaneous	2,325	25,205	6,206	150,000	200,000	40,000	27,000	25,617	50,100
Charges for services	-	-	-	1,092,573	852,460	865,148	875,874	925,905	1,029,659
Total general revenues and other changes in net assets	\$ 813,092	\$ 833,421	\$ 1,049,390	\$ 1,264,451	\$ 1,089,966	\$ 915,566	\$ 907,585	\$ 952,534	\$ 1,080,091
Total component unit - all others aggregate change in net assets	\$ 33,790	\$ (159,279)	\$ (1,002,844)	\$ (1,263,673)	\$ (23,154)	\$ (51,889)	\$ (79,227)	\$ (63,728)	\$ 159,939
Total component units change in net assets	\$ (541,544)	\$ 1,094,782	\$ 39,949,204	\$ 41,547,051	\$ 6,621,703	\$ (12,165,838)	\$ (3,146,197)	\$ 149,753	\$ (1,682,546)
Total reporting entity change in net assets	\$ 6,541,202	\$ 6,062,825	\$ 4,665,624	\$ 4,000,552	\$ (14,781,403)	\$ (5,381,167)	\$ 2,486,567	\$ 8,153,867	\$ (2,442,645)

Notes:

- (1) This table reports financial information based on the accrual basis of accounting. The City implemented GASB 34, the new reporting standard, in fiscal year 2003. Therefore, ten years of data is not available but will be accumulated over time.
- (2) Net (expense) revenue is the difference between the expenses and program revenues. This difference indicates the degree to which a function or program is supported with its own fees and program-specific grants versus its reliance upon funding from taxes and other general revenues. Numbers in a parentheses are net expenses indicating that expenses were greater than program revenues and, therefore, general revenues were needed to finance that function or program. Numbers without parentheses are net revenues, demonstrating that program revenues were more than sufficient to cover expenses.
- (3) Component units were included in this table due to their significance to the City.

CITY OF FAIRFAX, VIRGINIA

Program Revenues by Function/Program
 Last Nine Fiscal Years (1)
 (accrual basis of accounting)
 (Unaudited)

Function / Program	2003	2004	2005	2006
Primary government:				
Governmental activities:				
General government administration	\$ 684,077	\$ 698,860	\$ 746,840	\$ 764,076
Judicial administration	544,835	969,096	922,229	978,733
Public safety	2,156,715	2,366,580	2,709,742	2,423,737
Public works	2,320,543	2,489,395	2,440,329	2,555,396
Parks, recreation and cultural	350,828	530,228	457,081	434,290
Planning and community development	133,482	129,040	144,488	191,393
Total governmental activities	<u>\$ 6,190,480</u>	<u>\$ 7,183,199</u>	<u>\$ 7,420,709</u>	<u>\$ 7,347,625</u>
Business-type activities:				
Sewer	\$ 3,401,419	\$ 3,282,943	\$ 3,078,461	\$ 3,067,876
Water	6,831,671	7,364,505	6,544,725	6,408,222
Transportation	3,162,402	2,172,598	1,744,034	1,857,571
Total business-type activities	<u>\$ 13,395,492</u>	<u>\$ 12,820,046</u>	<u>\$ 11,367,220</u>	<u>\$ 11,333,669</u>
Total government	<u>\$ 19,585,972</u>	<u>\$ 20,003,245</u>	<u>\$ 18,787,929</u>	<u>\$ 18,681,294</u>
Component units:				
Component unit - school board:				
Instruction	\$ 4,892,081	\$ 5,205,921	\$ 5,997,273	\$ 6,249,107
Component unit - all others aggregate				
Renaissance Housing Corporation	\$ 316,028	\$ 207,355	\$ 211,232	\$ 168,922
Industrial Development Authority	496,666	599,822	626,457	937,870
Economic Development Authority	398	26,244	211,701	3,266,871
Total non major component unit	<u>813,092</u>	<u>833,421</u>	<u>1,049,390</u>	<u>4,373,663</u>
Total reporting entity	<u>\$ 25,291,145</u>	<u>\$ 26,042,587</u>	<u>\$ 25,834,592</u>	<u>\$ 29,304,064</u>

Note:

(1) This table reports financial information based on the accrual basis of accounting. The City implemented GASB 34, the new report of data is not available but will be accumulated over time.

Table 3

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$	678,237	\$ 568,890	\$ 574,968	\$ 565,818	\$ 553,825
	848,240	771,992	768,841	855,289	1,005,567
	1,836,821	2,048,275	2,933,092	3,156,009	2,978,716
	2,545,794	2,837,995	4,876,234	3,094,193	4,480,497
	631,721	785,237	923,688	976,880	1,050,705
	247,676	293,513	363,769	386,282	282,954
\$	<u>6,788,489</u>	<u>7,305,902</u>	<u>10,440,592</u>	<u>9,034,471</u>	<u>10,352,264</u>
\$	3,127,259	\$ 2,989,180	\$ 3,323,391	\$ 3,532,646	\$ 4,270,816
	7,744,604	7,468,413	8,893,201	9,319,840	9,226,309
	1,802,371	1,800,141	1,950,476	2,519,217	3,009,846
\$	<u>12,674,234</u>	<u>12,257,734</u>	<u>14,167,068</u>	<u>15,371,703</u>	<u>16,506,971</u>
\$	<u>19,462,723</u>	<u>19,563,636</u>	<u>24,607,660</u>	<u>24,406,174</u>	<u>26,859,235</u>
\$	<u>7,225,089</u>	<u>7,401,102</u>	<u>7,367,709</u>	<u>7,186,929</u>	<u>6,731,757</u>
\$	174,325	\$ -	\$ -	\$ -	\$ -
	808,699	815,602	819,095	866,044	963,797
	106,943	49,546	56,779	59,861	65,862
	<u>1,089,967</u>	<u>865,148</u>	<u>875,874</u>	<u>925,905</u>	<u>1,029,659</u>
\$	<u>27,777,779</u>	<u>27,829,886</u>	<u>32,851,243</u>	<u>32,519,008</u>	<u>34,620,651</u>

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Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(Unaudited)

	Fiscal Year June 30,				
	2002	2003	2004	2005	2006
General Fund:					
Reserved	\$ 354,727	\$ 378,305	\$ 460,566	\$ 576,450	\$ 1,102,170
Unreserved	9,599,276	10,078,259	10,514,821	11,957,796	13,176,313
Total General Fund	<u>\$ 9,954,003</u>	<u>\$ 10,456,564</u>	<u>\$ 10,975,387</u>	<u>\$ 12,534,246</u>	<u>\$ 14,278,483</u>
All Other Governmental Funds:					
Reserved	\$ 2,953,741	\$ 2,219,532	\$ 2,239,943	\$ 20,327,193	\$ 24,235,778
Unreserved, reported in:					
Capital projects funds	2,633,662	23,616,201	23,840,377	6,644,780	30,878,626
Total all other government funds	<u>\$ 5,587,403</u>	<u>\$ 25,835,733</u>	<u>\$ 26,080,320</u>	<u>\$ 26,971,973</u>	<u>\$ 55,114,404</u>

	Fiscal Year June 30,				
	2007	2008	2009	2010	2011
General Fund:					
Reserved	\$ 694,142	\$ 811,052	\$ 1,278,465	\$ 1,254,535	\$ -
Unreserved	14,612,947	16,312,240	14,420,568	15,569,904	-
Nonspendable	-	-	-	-	810,071
Restricted	-	-	-	-	66,439
Committed	-	-	-	-	-
Assigned	-	-	-	-	470,845
Unassigned	-	-	-	-	15,171,679
Total General Fund	<u>\$ 15,307,089</u>	<u>\$ 17,123,292</u>	<u>\$ 15,699,033</u>	<u>\$ 16,824,439</u>	<u>\$ 16,519,034</u>
All Other Governmental Funds:					
Reserved	\$ 6,522,884	\$ 4,505,089	\$ 8,581,428	\$ 6,682,971	\$ -
Unreserved, reported in:					
Capital projects funds	24,899,521	17,927,671	10,360,928	10,959,407	-
Nonspendable, reported in:					
Capital projects funds	-	-	-	-	4,056,171
Restricted, reported in:					
Special revenue funds	-	-	-	-	135,766
Committed, reported in:					
Capital projects funds	-	-	-	-	590,673
Assigned, reported in:					
Capital projects funds	-	-	-	-	10,662,464
Total all other government funds	<u>\$ 31,422,405</u>	<u>\$ 22,432,760</u>	<u>\$ 18,942,356</u>	<u>\$ 17,642,378</u>	<u>\$ 15,445,074</u>

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

CITY OF FAIRFAX, VIRGINIA

Changes In Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(Unaudited)

	2002	2003	2004
Revenues:			
General property taxes	\$ 31,948,617	\$ 35,055,871	\$ 38,325,686
Other local taxes	22,907,426	24,794,638	27,003,825
Permits, privilege fees and licenses	1,378,832	1,268,887	1,280,551
Fines and forfeitures	926,276	916,078	1,243,358
Use of money and property	1,051,373	1,001,487	880,309
Charges for services	680,238	536,781	672,671
Miscellaneous	228,029	268,957	310,315
Recovered costs	-	-	-
Intergovernmental	6,645,141	6,645,089	7,228,547
Total revenues	\$ 65,765,932	\$ 70,487,788	\$ 76,945,262
Expenditures:			
General government administration	\$ 5,839,159	\$ 5,586,736	\$ 5,782,988
Judicial administration	1,035,404	1,003,637	981,164
Public safety	13,469,879	14,351,969	15,142,630
Public works	7,355,888	8,150,943	8,668,491
Health and social services	3,309,906	3,418,164	3,627,545
Parks, recreation and cultural	2,859,765	3,168,627	3,431,311
Planning and community development	1,676,509	1,610,564	1,595,332
Education	23,544,386	21,977,841	24,781,155
Non-departmental	-	-	2,167,325
Capital outlay	4,953,988	5,620,278	5,470,831
Debt service:			
Principal	2,518,966	2,377,815	3,045,450
Interest and fiscal charges	1,426,935	1,861,103	2,111,899
Total expenditures	\$ 67,990,785	\$ 69,127,677	\$ 76,806,121
Excess of revenues (under) expenditures	\$ (2,224,853)	\$ 1,360,111	\$ 139,141
Other financing sources (uses):			
Transfers in	\$ 3,883,298	\$ 25,511,695	\$ 5,430,017
Transfers out	(4,650,928)	(26,518,802)	(6,973,073)
Issuance of debt	-	20,000,000	5,417,325
Proceeds from the sale of capital assets	-	-	-
Issuance of refunding bonds	-	-	-
Payment to refunded bond escrow agent	-	-	(3,250,000)
Premium on issuance debt	-	189,993	-
Total other financing sources (uses)	\$ (767,630)	\$ 19,182,886	\$ 624,269
Net changes in fund balance	\$ (2,992,483)	\$ 20,542,997	\$ 763,410
Debt Service as a percentage of noncapital expenditures:			
Primary government:			
Total debt service	\$ 3,945,901	\$ 4,238,918	\$ 5,157,349
Total expenditures	\$ 67,990,785	\$ 69,127,677	\$ 76,806,121
Less: Capital outlay - primary government	1,240,197	3,798,161	3,772,576
Noncapital expenditures	\$ 66,750,588	\$ 65,329,516	\$ 73,033,545
Debt service as a percentage of Noncapital expenditures	5.91%	6.49%	7.06%
Component units: (2)			
Expenditures:			
School board	\$ 28,120,041	\$ 27,665,696	\$ 30,062,202
All others aggregate	358,422	756,202	969,600
Less: Capital outlay - school board	504,630	777,054	1,918,229
Less: Capital outlay - others aggregate	-	-	-
Noncapital expenditures	\$ 27,973,833	\$ 27,644,844	\$ 29,113,573
Total reporting entity:			
Total noncapital expenditures (4)	\$ 70,820,035	\$ 70,696,519	\$ 77,165,963
Debt service as a percentage of Noncapital expenditures	5.91%	6.49%	7.06%

Notes:

- (1) For 2002, the amount used for capital outlay was obtained from the increase to the General Fixed Asset Account Group, which is no longer used under the new reporting model. For fiscal years 2003 through 2011, the amounts used for capital outlay were obtained from the Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities.
- (2) In Virginia, the City issues debt to finance the construction of school facilities for the public schools because the public schools do not have borrowing or taxing authority. Therefore, the debt service payments related to school facilities are presented as debt service of that component unit. Debt service as a percentage of noncapital expenditures for the total reporting entity more appropriately reflects the unique Virginia school debt requirement.

Table 5

	2005	2006	2007	2008	2009	2010	2011
\$	41,962,115	\$ 44,808,950	\$ 47,059,528	\$ 50,687,883	\$ 55,639,263	\$ 56,070,278	\$ 56,771,987
	29,204,060	32,066,526	31,205,699	34,322,775	29,080,239	28,091,384	28,665,267
	1,472,063	1,509,454	1,397,467	1,206,160	1,228,451	1,484,843	1,434,252
	1,567,914	954,306	879,235	893,190	873,601	919,492	1,041,171
	1,493,699	5,106,837	5,246,271	2,595,320	946,400	350,867	282,100
	640,350	635,255	706,765	1,014,366	2,027,265	2,101,186	2,456,278
	260,376	331,140	220,325	298,029	1,244,816	2,200,585	2,845,072
	-	-	-	-	420,009	3,244,991	-
	6,918,852	8,197,105	8,024,260	8,487,759	10,552,826	11,024,414	11,806,319
\$	<u>83,519,429</u>	<u>93,609,573</u>	<u>94,739,550</u>	<u>99,505,482</u>	<u>102,012,870</u>	<u>105,488,040</u>	<u>105,302,446</u>
\$	6,994,940	\$ 6,824,416	\$ 8,089,989	\$ 7,369,660	\$ 6,954,234	\$ 7,123,209	\$ 7,120,746
	1,062,608	1,090,776	1,588,440	1,672,007	1,720,033	1,950,422	1,728,595
	16,956,386	19,586,179	21,185,213	22,375,860	21,745,756	21,821,855	22,457,743
	9,647,984	24,608,412	21,262,349	16,274,979	15,269,159	17,229,424	15,846,187
	3,873,923	4,302,640	4,612,319	4,874,283	4,746,065	4,787,163	4,666,290
	4,024,734	9,098,348	18,889,445	12,319,692	8,977,780	7,401,377	7,938,260
	1,581,489	9,992,176	8,376,952	3,452,197	3,505,001	3,988,566	3,322,835
	65,608,917	70,224,788	34,051,143	27,571,892	27,724,105	28,571,397	30,181,608
	-	-	-	-	-	-	-
	14,973,743	-	-	-	-	-	-
	4,366,347	4,192,126	5,123,537	6,515,101	6,951,253	7,003,215	7,549,852
	2,240,243	5,304,550	8,254,858	8,661,866	8,319,147	8,482,176	7,890,102
\$	<u>131,331,314</u>	<u>155,224,411</u>	<u>131,434,245</u>	<u>111,087,537</u>	<u>105,912,533</u>	<u>108,358,804</u>	<u>108,702,218</u>
\$	<u>(47,811,885)</u>	<u>(61,614,838)</u>	<u>(36,694,695)</u>	<u>(11,582,055)</u>	<u>(3,899,663)</u>	<u>(2,870,764)</u>	<u>(3,399,772)</u>
\$	7,519,836	\$ 9,692,142	\$ 14,139,244	\$ 2,554,297	\$ 3,383,729	\$ 5,441,825	\$ 3,570,275
	(8,806,909)	(10,392,142)	(15,907,944)	(2,335,611)	(4,398,729)	(6,221,825)	(3,590,786)
	63,036,430	90,480,000	15,800,000	4,189,927	-	-	690,807
	-	-	-	-	-	3,129,357	-
	-	-	-	-	-	32,480,000	19,905,800
	(12,638,993)	-	-	-	-	(35,442,932)	(19,679,033)
	1,152,033	1,721,506	-	-	-	3,309,767	-
\$	<u>50,262,397</u>	<u>91,501,506</u>	<u>14,031,300</u>	<u>4,408,613</u>	<u>(1,015,000)</u>	<u>2,696,192</u>	<u>897,063</u>
\$	<u>2,450,512</u>	<u>29,886,668</u>	<u>(22,663,395)</u>	<u>(7,173,442)</u>	<u>(4,914,663)</u>	<u>(174,572)</u>	<u>(2,502,709)</u>
\$	<u>6,606,590</u>	<u>9,496,676</u>	<u>13,378,395</u>	<u>15,176,967</u>	<u>15,270,400</u>	<u>15,485,391</u>	<u>15,439,954</u>
\$	<u>131,331,314</u>	<u>155,224,411</u>	<u>131,434,245</u>	<u>111,087,537</u>	<u>105,912,533</u>	<u>108,358,804</u>	<u>108,702,218</u>
	13,159,210	26,577,656	14,778,965	18,442,278	9,842,310	11,609,406	5,712,018
\$	<u>118,172,104</u>	<u>128,646,755</u>	<u>116,655,280</u>	<u>92,645,259</u>	<u>96,070,223</u>	<u>96,749,398</u>	<u>102,990,200</u>
	5.59%	7.38%	11.47%	16.38%	15.90%	16.01%	14.99%
\$	36,167,553	\$ 33,500,788	\$ 34,917,722	\$ 51,631,725	\$ 41,994,373	\$ 37,941,520	\$ 39,434,345
	6,329,984	4,356,865	1,113,120	942,378	986,812	1,018,335	935,843
	4,844,913	32,489,768	38,796,585	300,793	1,532,448	227,897	-
	5,245,736	-	-	-	-	-	-
\$	<u>32,406,888</u>	<u>5,367,885</u>	<u>(2,765,743)</u>	<u>52,273,310</u>	<u>41,448,737</u>	<u>38,731,958</u>	<u>40,370,188</u>
\$	<u>84,727,942</u>	<u>134,014,640</u>	<u>113,889,537</u>	<u>144,918,569</u>	<u>107,789,125</u>	<u>106,925,459</u>	<u>113,118,045</u>
	5.59%	7.38%	11.47%	16.38%	15.90%	16.01%	14.99%

(3) Prior to implementation of GASB 34, the City's contribution to the public schools were reported as transfers out. Implementation of GASB 34 required that the contribution to component units be reported as expenditures. It also required all debt service paid on the outstanding debt to be paid by the primary government and not the public schools. For comparability, fiscal year 2002 has been restated on this table to reflect the transfers as expenditures and the debt service paid by the public schools as primary government debt service.

(4) For the reporting entity totals, the expenditures have been reduced by the amounts given to the public schools and the other component units so that the expenditures are not counted twice.

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Tax Revenues by Source, Governmental Funds
 Last Ten Fiscal Years
 (modified accrual basis of accounting)
 (Unaudited)

Fiscal Year June 30,	Property	Local Sales	Business License	Consumer Utility	Meals	Tobacco	Other	Totals
2002	\$ 31,948,617	\$ 8,889,946	\$ 6,958,287	\$ 2,511,708	\$ 1,839,986	\$ 604,316	\$ 2,103,183	\$ 54,856,043
2003	35,055,871	9,875,008	7,660,442	2,403,880	1,930,225	609,630	2,315,453	59,850,509
2004	38,325,686	10,608,683	7,664,177	2,850,414	2,087,428	963,680	2,829,443	65,329,511
2005	41,962,115	11,604,756	8,370,119	2,774,256	2,176,558	939,837	3,338,534	71,166,175
2006	44,808,950	13,721,180	8,444,976	3,063,302	2,235,496	897,579	3,703,993	76,875,476
2007	47,059,528	13,587,593	8,662,866	2,132,805	2,301,359	811,123	3,709,953	78,265,227
2008	50,687,883	13,433,256	8,599,019	1,459,146	4,628,046	778,192	5,425,116	85,010,658
2009	55,639,263	8,831,495	8,375,552	1,512,860	4,646,735	775,714	4,937,883	84,719,502
2010	56,070,278	10,644,038	7,485,809	1,547,114	4,654,171	829,555	2,930,697	84,161,662
2011	56,771,987	9,907,063	8,151,072	1,551,010	4,938,869	1,028,992	3,088,261	85,437,254
Change 2002-2011	77.70%	11.44%	17.14%	-38.25%	168.42%	70.27%	46.84%	55.75%

Source:**Notes:**

- (1) During FY2007 - House Bill 568 replaced many of the state & local communications taxes and fees with a centrally administrated communications sales, use tax, and a landline E-911 fee.
 This bill resulted in City Consumer Utility revenue dropping significantly from FY 2006 to FY 2007.

CITY OF FAIRFAX, VIRGINIA

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

Fiscal Year June 30,	Residential Property	Direct Tax Rate	Commercial Property	Direct Tax Rate	Public Service Corporation	Nontaxable	Total Assessed Value
2002	\$ 1,756,005,200	0.96	\$ 1,103,310,900	0.96	\$ 87,593,266	\$ 199,921,900	\$ 3,146,831,266
2003	2,111,088,700	0.92	1,206,961,700 (6)	0.92	103,967,671	226,029,300	3,648,047,371
2004	2,439,123,400	0.90	1,314,291,800	0.90	98,693,202	251,341,800	4,103,450,202
2005	3,063,115,200	0.84	1,382,126,100	0.84	96,641,780	296,497,400	4,838,380,480
2006	3,817,504,900	0.71	1,626,385,700	0.71	90,098,852	333,581,700	5,867,571,152
2007	3,723,667,700	0.72	1,884,634,000	0.72	93,444,978	353,598,900	6,055,345,578
2008	3,475,794,600	0.79	2,161,997,400	0.79	87,580,035	372,660,900	6,098,032,935
2009	3,182,468,200	0.88	2,177,141,900	0.88	94,044,526	388,478,700	5,842,133,326
2010	3,013,912,200	0.955	1,968,035,100	0.955	93,846,777	389,153,800	5,464,947,879
2011	3,123,099,700	0.942	1,954,294,800	0.942	97,144,428	394,555,500	5,569,094,430

Source: Real Estate Assessor's Office

- Notes:
- 1) Real Estate assessments are done on a calendar year basis.
 - 2) Commercial property values include commercial, industrial & apartments
 - 3) "Nontaxable" is interpreted to mean tax exempt properties.
 - 4) Total Assessed Value category includes real estate, public service corporations and exempt properties.
 - 5) Total taxable assessed value includes real estate and public service corporation properties.
 - 6) The Public Service Corporation assessment listed for 2003 is the original assessment.
 This assessment was revised based on a law suit settlement.

Table 7

	<u>Total Taxable Assessed Value</u>	<u>Percent Growth</u>	<u>Total Direct Tax Rate</u>	<u>Actual Taxable Value</u>	<u>Value as a Percentage of Actual Value</u>
\$	2,946,909,366	14.3%	\$ 0.96	\$ 2,946,909,366	100%
	3,422,018,071	16.1%	0.92	3,422,018,071	100%
	3,852,108,402	12.6%	0.90	3,852,108,402	100%
	4,541,883,080	17.9%	0.84	4,541,883,080	100%
	5,533,989,452	21.8%	0.71	5,533,989,452	100%
	5,701,746,678	3.0%	0.72	5,701,746,678	100%
	5,725,372,035	0.4%	0.79	5,725,372,035	100%
	5,453,654,626	-4.8%	0.88	5,453,654,626	100%
	5,075,794,077	-6.9%	0.955	5,075,794,077	100%
	5,174,538,928	2.0%	0.942	5,174,538,928	100%

Direct and Overlapping Property Tax Rates
 Last Ten Fiscal Years
 (Unaudited)

Fiscal Year June 30,	Real Estate	Personal Property
2002	\$ 0.96	\$ 3.29
2003	0.92	3.29
2004	0.90	3.29
2005	0.87/0.81	3.29
2006	0.71	3.79
2007	0.72	4.13
2008	0.79	4.13
2009	0.88	4.13
2010	0.955	4.13
2011	0.955/0.942	4.13

Note:

- (1) The City of Fairfax has no overlapping tax rates (Cities in the Commonwealth of Virginia are not part of Counties, and Cities have no political subdivisions).

Principal Property Taxpayers
Current Year and Nine Years Ago
(Unaudited)

Taxpayer	2011			2002		
	Taxable Assessed Value	Rank	Percentage (%) of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage (%) of Total City Taxable Assessed Value
RKB & RPB Willowood LLC (I, II)	\$ 100,273,400	1	1.97	\$ -	-	-
Fairfax Square LP.	87,850,000	2	1.73	46,526,700	2	1.63
Fair City HHH, LLC	71,784,900	3	1.41	49,762,600	1	1.74
Army Navy Country Club	69,859,500	4	1.38	24,551,100	5	0.86
CH Realty III/Old Town	31,938,500	5	0.63	-	-	-
Saul Holdings, LP	31,653,700	6	0.62	18,158,500	8	0.64
Avalon Properties, Inc.	28,000,000	7	0.55	-	-	-
Main Street Retail Partners LLC	26,916,400	8	0.53	-	-	-
USRP I, LLC	26,602,800	9	0.52	-	-	-
Gloria Haft	24,052,200	10	0.47	-	-	-
John Swart, Jr., et al	-	-	-	21,692,900	6	0.76
SMII Fairfax LLC	-	-	-	36,083,300	4	1.26
Norman Higginbotham, et al	-	-	-	17,898,400	9	0.63
Combined Properties LTD	-	-	-	20,477,500	7	0.72
Ann Farr Lewis, et al	-	-	-	16,925,400	10	0.59
Willowood Plaza Partners LLC	-	-	-	41,709,000	3	1.46
Total	\$ 498,931,400		9.81	\$ 293,785,400		10.29

Source:
Real Estate Assessments

Real Property Tax Levies And Collections
 Last Ten Fiscal Years
 (Unaudited)

Fiscal Year June 30,	Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2002	\$ 27,095,632	\$ 26,685,922	98.49%	\$ 409,060	\$ 27,094,982	100.00%
2003	30,123,867	29,572,768	98.17%	550,476	30,123,244	100.00%
2004	33,302,756	32,873,737	98.71%	429,019	33,302,756	100.00%
2005	37,407,495	36,859,176	98.53%	548,319	37,407,495	100.00%
2006	38,862,866	38,330,448	98.63%	532,418	38,862,866	100.00%
2007	41,095,855	40,508,516	98.57%	587,339	41,095,855	100.00%
2008	43,780,473	43,171,104	98.61%	597,296	43,768,400	99.97%
2009	47,682,500	46,678,811	97.90%	937,642	47,616,453	99.86%
2010	49,560,633	48,593,292	98.05%	809,681	49,402,973	99.68%
2011	49,769,304	48,879,797	98.21%	N/A	48,879,797	98.21%

Source:
 City of Fairfax Treasurer's Office.

Ratios of Outstanding Debt by Type and General Bonded Debt Outstanding
Last Ten Fiscal Years
(Unaudited)

Fiscal Year June 30,	Governmental Activities					Business-Type Activities			Total Primary Government	Percentage of Personal Income	Debt Per Capita
	General Obligation Bonds	Lease Revenue Bonds	Notes Payable	Public Improvement COPS	Capital Leases	Revenue Bonds	Capital Leases	Notes Payable			
2002	\$ 25,180,000	\$ 1,105,000	\$ -	\$ -	\$ 313,578	\$ 4,986,563	\$ 626,054	\$ 296,436	\$ 32,507,631	3.35%	\$ 1,505
2003	43,300,000	755,000	-	-	188,690	4,055,000	409,581	258,873	48,967,144	4.88%	2,276
2004	40,755,000	390,000	2,167,325	-	92,147	3,316,589	180,510	219,817	47,121,388	4.50%	2,227
2005	80,665,418	-	9,040,404	-	711,430	2,246,942	-	179,210	92,843,404	8.42%	4,451
2006	122,682,596	39,630,000	13,975,798	-	634,394	1,183,034	-	136,990	178,242,812	14.86%	8,326
2007	119,124,230	39,630,000	28,355,767	-	556,505	387,882	-	93,093	188,147,477	14.55%	8,678
2008	114,767,655	39,330,000	30,768,959	-	474,713	5,016,885	-	47,452	190,405,664	14.26%	8,611
2009	110,300,000	39,030,000	28,671,254	-	388,821	4,821,000	-	-	183,211,075	13.90%	8,172
2010	106,825,000	38,170,000	26,489,109	-	298,625	4,652,000	-	-	176,434,734	13.56%	7,819
2011	102,605,000	37,285,000	4,540,125	19,905,800	877,905	28,555,000	-	-	193,768,830	14.93%	8,547

General bonded debt outstanding:

Fiscal Year June 30,	General Obligation Bonds	Percentage of Actual Taxable Value of Property	Debt Per Capita
2002	\$ 26,285,000	0.89%	\$ 1,190
2003	44,055,000	1.29%	1,980
2004	41,145,000	1.07%	1,862
2005	80,665,418	1.78%	3,667
2006	162,312,596	2.93%	7,118
2007	158,754,230	2.78%	6,809
2008	154,097,655	2.69%	6,403
2009	149,330,000	2.74%	6,054
2010	144,995,000	2.86%	5,727
2011	139,890,000	2.70%	6,170

Notes:

(1) Details regarding the City's outstanding debt may be found in the notes to the basic financial statements.

(2) Population and personal income data can be found in table 14

(3) See table 7 for property value data

(4) The Lease Revenue Bonds under the Governmental Activities will be repaid with general government resources

CITY OF FAIRFAX, VIRGINIA

Legal Debt Margin Information
Last Ten Fiscal Years
(Unaudited)

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Debt limit	\$ 294,690,937	\$ 342,201,807	\$ 385,210,840	\$ 454,188,308	\$ 553,398,945
Total net debt applicable to limit	<u>25,180,000</u>	<u>44,055,000</u>	<u>41,145,000</u>	<u>90,417,252</u>	<u>176,922,788</u>
Legal debt margin	<u>\$ 269,510,937</u>	<u>\$ 298,146,807</u>	<u>\$ 344,065,840</u>	<u>\$ 363,771,056</u>	<u>\$ 376,476,157</u>
Total net debt applicable to the limit as a percentage of debt limit	8.54%	12.87%	10.68%	19.91%	31.97%

Legal debt margin calculation for fiscal year 2010	Summary of outstanding debt:		<u>2006</u>
Assessed value of real estate	<u>\$ 5,174,538,928</u>	2010 general obligation refunding bonds	\$ -
		2004 general obligation refunding bonds	2,187,596
		2002 general obligation bonds	17,850,000
		Public Improvement COPS	-
Debt limit (10% of assessed value)	\$ 517,453,893	School bonds	102,645,000
		Lease Revenue Bonds	39,630,000
Debt applicable to limit:		Notes payable	13,975,798
Net direct debt outstanding	<u>165,213,830</u>	Capital leases	<u>634,394</u>
Legal debt margin	<u>\$ 352,240,063</u>		<u>\$ 176,922,788</u>

Notes:

(1) Net direct debt excludes debt service on general obligation bond issues supported by revenues of the water and sewer systems. Revenues of the water and sewer system have been sufficient to cover debt service on such bonds.

(2) Under the City Charter and Constitution of Virginia, the City may not issue bonds in excess of 10% of assessed valuation. Self-supporting debt is not included in this calculation.

Table 12

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$	570,174,668	\$ 572,537,204	545,365,463	507,579,408	517,453,893
	<u>187,666,502</u>	<u>185,341,328</u>	<u>178,390,076</u>	<u>171,782,735</u>	<u>165,213,830</u>
\$	<u><u>382,508,166</u></u>	<u><u>387,195,876</u></u>	<u><u>366,975,387</u></u>	<u><u>335,796,673</u></u>	<u><u>352,240,063</u></u>
	32.91%	32.37%	32.71%	33.84%	31.93%
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$	-	\$ -	\$ -	\$ 12,017,600	\$ 11,889,950
	1,469,230	747,655	-	-	-
	17,090,000	16,305,000	15,490,000	2,725,000	1,850,000
	-	-	-	-	19,905,800
	100,565,000	97,715,000	94,810,000	92,082,400	88,865,050
	39,630,000	39,330,000	39,030,000	38,170,000	37,285,000
	28,355,767	30,768,960	28,671,255	26,489,109	4,540,125
	<u>556,505</u>	<u>474,713</u>	<u>388,821</u>	<u>298,625</u>	<u>877,905</u>
\$	<u><u>187,666,502</u></u>	<u><u>185,341,328</u></u>	<u><u>178,390,076</u></u>	<u><u>171,782,734</u></u>	<u><u>165,213,830</u></u>

CITY OF FAIRFAX, VIRGINIA

Pledged-Revenue Coverage
 Last Ten Fiscal Years
 (Unaudited)

Fiscal Year June 30,	Water Revenue Bonds						Coverage
	Utility Service Charges	Operating Expenses	Net Available Revenue	Debt Service			
				Principal	Interest		
2002	\$ 7,850,910	\$ 5,174,068	\$ 2,676,842	\$ 945,000	\$ 284,800	2.18	
2003	6,876,281	4,700,402	2,175,879	938,599	325,247	1.72	
2004	6,673,100	5,140,636	1,532,464	738,411	120,666	1.78	
2005	6,608,525	6,152,166	456,359	1,069,647	61,158	0.40	
2006	6,453,364	6,391,239	62,125	1,063,908	41,413	0.06	
2007	8,502,293	6,813,558	1,688,735	795,152	21,771	2.07	
2008	7,526,494	6,704,459	822,035	191,997	119,549	2.64	
2009	8,940,605	7,159,290	1,781,315	195,885	128,544	5.49	
2010	9,315,674	7,268,863	2,046,811	169,000	213,246	5.35	
2011	8,676,006	8,116,546	559,460	177,000	477,471	0.85	

Notes:

- (1) Total utility service charges include interest & transfers in from other funds, but do not include developer contributions.
- (2) Total operating expenses are exclusive of depreciation, amortization, interest expense and losses on disposition of assets.
- (3) The Sewer Fund retired two notes early totaling \$2,400,000 in fiscal year 2002.

Table 13

Sewer Revenue Bonds						
Utility Service Charges	Operating Expenses	Net Available Revenue	Debt Service		Coverage	
			Principal	Interest		
\$ 3,839,869	\$ 2,571,757	\$ 1,268,112	\$ 2,437,241	\$ 16,537	0.52 (3)	
3,183,207	3,047,513	135,694	37,563	11,775	2.75	
2,787,497	3,103,903	(316,406)	39,056	10,283	N/A	
3,114,800	3,195,501	(80,701)	40,607	8,731	N/A	
3,126,098	3,322,479	(196,381)	42,220	7,120	N/A	
3,528,473	3,549,732	(21,259)	43,897	5,440	N/A	
4,075,046	3,444,774	630,272	45,641	3,698	N/A	
3,338,527	3,544,242	(205,715)	47,452	1,884	N/A	
3,543,296	3,362,005	181,291	-	-	N/A	
4,284,829	3,536,310	748,519	-	316,771	2.36	

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Demographic and Economic Statistics
Last Ten Fiscal Years
(Unaudited)

Fiscal Year June 30,	Population	Personal Income	Per Capita Personal Income	School Enrollment	Unemployment Rate
	(1)	(2)	(2)	(3)	(4)
2002	21,603	\$ 971,462,000	\$ 45,000	2,761	2.20%
2003	21,518	1,002,852,000	46,600	2,751	2.70%
2004	21,160	1,047,422,000	49,500	2,767	2.70%
2005	20,860	1,102,682,000	52,900	2,784	2.60%
2006	21,407	1,199,790,000	56,000	2,582	2.40%
2007	21,682	1,293,463,000	59,700	2,766	2.50%
2008	22,112	1,335,019,000	60,400	2,771	3.20%
2009	22,418	1,317,776,000	58,800	2,764	5.60%
2010	22,565	1,300,755,709	57,600 *	2,905	5.70%
2011	22,671	1,297,429,219	57,200 *	2,976	6.00% *

Notes:

*Estimated by City of Fairfax

(1) Population updated from 2010 US Census Bureau results and 2001-2009 intercensal estimates.

(2) Personal income derived from 1997 - 2008 figures from the US Bureau of Economic Analysis (BEA).

(2) Personal income is published annually (with a 2-year delay) by the BEA. The most recent available figures are for 2009 (2010 estimates are due for release in April 2012).

(2) To estimate personal income for 2010 and 2011, an estimated annual change in personal income was projected for these two years. In this case, due to wage stagnation resulting from the nationwide recession, both years resulted in negative projections.

(2) The BEA agglomerates the City of Fairfax with Fairfax County and the City of Falls Church in its reporting of personal income. To separate City data, each year's Census-reported proportion of City population within these three jurisdictions was applied to the total personal income figure. Further, the proportion of City Per Capita Personal Income to its County equivalent, as reported in the American Community Survey, was applied to give a more accurate estimate of City PCPI.

(3) Final tuition bills from Fairfax County. The numbers represent Average Daily Membership "ADM". Average daily attendance approximates 94 % of ADM.

(4) US Bureau of Labor Statistics, Local Area Unemployment Statistics.

(4) 2011 unemployment rate estimated by averaging all available months (Jan-Sep) of 2011 data.

Principal Employers
Current Year and Nine Years Ago
(Unaudited)

Employer (1)	2011			2002		
	(1) Employees	Rank	Percentage (2) of Total City Employment	Employees	Rank	Percentage of Total City Employment
Inova Fairfax Hospital	450	1	1.57%	-	-	-
Crestar Bank	-	-	-	450	1	1.66%
City of Fairfax	420	2	1.47%	340	2	1.26%
Virginia Electric & Power Company	300	3	1.05%	170	10	0.63%
Bell Atlantic Cellular	-	-	-	262	3	0.97%
Fairfax Nursing Center	280	4	0.98%	250	4	0.92%
A&L Service Industries	250	5	0.87%	-	-	-
Zeta Associates	250	5	0.87%	-	-	-
Fairfax Honda	-	-	-	200	6	0.74%
U.S. Department of Homeland Defense	220	7	0.77%	-	-	-
Mid-Atlantic Cars	-	-	-	200	6	0.74%
Lockheed Martin, Integrated Microcompt	200	8	0.70%	-	-	-
Commonwealth Nursing	-	-	-	192	8	0.71%
The Wackenhut Corporation	180	9	0.63%	-	-	-
DA Foster Industries	-	-	-	190	9	0.70%
Federal Technology Services (GSA)	150	10	0.52%	-	-	-
Total			<u>9.43%</u>			<u>8.33%</u>

Sources:

- (1) City of Fairfax Economic Development Office, Fall 2010
(2) US Census Bureau State & County QuickFacts

Full-Time Equivalent City Government Employees By Function/Program
Last Ten Fiscal Years
(Unaudited)

Function/program	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
City Clerk	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Electoral Board	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50
City Manager	3.00	3.00	3.00	3.00	3.00	2.50	2.50	2.50	2.50	2.13
Personnel	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	4.00	4.00
Community Relations	2.75	2.75	2.00	2.00	2.50	2.50	2.50	2.00	1.00	1.00
Marketing	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.88	0.00	0.50
Cable TV	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50
Information Technology	9.00	10.00	10.00	10.00	11.00	11.00	11.00	11.00	9.00	9.00
Printing & Office Supplies	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Motor Pool	12.00	13.00	13.00	13.00	13.00	13.00	13.00	13.00	13.00	13.00
Finance & Accounting	7.00	7.00	7.00	7.00	7.00	7.50	7.50	7.50	7.50	7.50
Real Estate Assessment	4.00	4.00	4.00	5.00	5.00	5.00	5.00	5.00	4.00	4.00
Treasurer	7.50	7.50	7.50	7.50	7.50	7.75	7.75	7.75	7.75	7.75
Commissioner of Revenue	9.25	8.50	8.50	8.50	9.00	9.00	9.00	9.00	9.00	9.00
Police Department	83.57	85.95	86.95	85.75	85.50	85.75	88.00	88.00	90.00	91.13
Fire Department	62.00	65.00	70.00	69.00	70.00	80.00	80.00	80.00	79.00	80.00
Public Works	69.00	70.00	70.70	70.70	69.20	74.70	77.00	77.00	76.10	77.50
Social Services	0.62	0.62	0.62	0.62	0.62	0.62	0.62	0.62	0.62	0.62
Parks & Recreation	15.75	16.75	16.75	17.00	17.63	17.63	18.63	18.25	17.13	19.88
Historic Resources	3.00	3.95	3.95	3.95	3.95	3.95	3.95	3.95	3.95	3.95
Planning & Design	12.12	12.25	12.25	12.63	14.50	15.00	15.70	15.70	15.70	15.70
Economic Development	2.00	2.00	2.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Education	3.00	4.13	3.13	2.26	3.13	2.63	1.90	1.90	1.90	2.85
Sewer	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	6.00
Water	29.00	29.00	29.00	29.00	31.00	31.00	31.00	32.00	32.00	32.00
Transit	30.00	30.00	30.00	30.00	30.00	30.50	30.50	30.50	30.38	31.50
Total	<u>384.56</u>	<u>395.40</u>	<u>400.35</u>	<u>397.91</u>	<u>404.53</u>	<u>421.03</u>	<u>425.30</u>	<u>425.30</u>	<u>425.30</u>	<u>427.01</u>

Source:

City Budget Office.

CITY OF FAIRFAX, VIRGINIA

Operating Indicators By Function/Program
Last Ten Fiscal Years
(Unaudited)

	Actual 2002	Actual 2003	Actual 2004	Actual 2005
GENERAL GOVERNMENT:				
Public Works				
Homes Served - Refuse Collection	6,000	6,000	6,032	6,032
Elections				
Registered Voters	13,498	13,809	13,937	14,478
# of Votes cast last General Election	6,807	6,227	2,090	10,651
% of Registered Voters last General Election	50.4%	45.1%	15.0%	73.6%
Parks and Recreation				
Old Town Hall Occupancy Rate	90%	90%	90%	92%
Old Town Hall Rentals	*	*	*	*
Total Unique Recreation Programs	*	*	*	*
Total Recreation Programs	*	*	*	*
Day Camp program participants	*	*	*	534
Community Development and Planning				
Planning Studies/Reports prepared	200	225	225	275
Residential/Non-residential Use Permits	990	1,110	1,100	1,250
Administrative Permit-Review/Approve	475	2,970	2,500	2,500
Neighborhood Renaissance Conferences	*	*	*	*
Board of Architectural Review (BAR) Applications	*	*	*	*
Enforcement Citations	*	*	*	*
Land Use Applications	*	*	*	*
Development Plans & Subdivisions	*	*	*	*
Economic Development				
Vacancy Rate - Office Space	4.80%	8.50%	8.50%	6.25%
Vacancy Rate - Retail Space	4%	2.20%	2.20%	0.90%
SCHOOLS:				
Education				
Average Daily Membership	2,761	2,751	2,767	2,784
Elementary - Kindergarten	190	204	215	204
Elementary - (1-6)	1,235	1,250	1,255	1,266
Secondary - (7-12)	1,336	1,297	1,297	1,314
Tuition Cost Per Student	\$ 9,377	\$ 9,745	\$ 10,486	\$ 10,812
PUBLIC SAFETY:				
Police Department				
Cases Assigned	439	500	382	346
Cases Closed	290	300	286	221
Calls for Service	18,355	18,375	18,013	16,042
Criminal Arrests	1,585	1,626	1,748	1,894
Fire Department				
Staff Training Hours	6,605	8,000	8,355	9,056
Responses to Fire Incidents	*	3,265	3,325	3,325
Responses to EMS Incidents	7,910	7,362	7,400	7,400
Plans reviewed	923	1,094	1,207	1,028
Building Permits Issued	2,475	2,447	2,522	2,604
Cost Associated with Building Permits	\$ 62,004,149	\$ 32,875,698	\$ 30,286,780	\$ 34,834,731
UTILITIES:				
Sewer				
Number of New Service Connections	62	45	35	57
\$ Amount of New Service Connections	\$ 1,031,376	\$ 341,282	\$ 213,656	\$ 372,106
Average Daily Flow (MGD)	4	4	4	4
Feet of Pipeline Rehabilitated	6,333	6,156	3,603	2,346
Site Plans Reviewed	52	31	31	25
Water				
\$ Amount of New Customer Connections	\$ 42,520	\$ 52,048	\$ 49,691	\$ 50,440
Number New Service Connections	23	21	55	11
\$ Amount of New Service Connections	\$ 935,727	\$ 296,228	\$ 360,317	\$ 406,235
Gallons of Water Produced (millions)	4,425	4,417	4,426	4,426
Feet of Pipeline replaced	60,085	6,800	4,650	4,707
Number of Site Plans Reviewed	52	31	31	26
TRANSIT:				
Total Ridership	920,000	920,000	985,000	1,000,000

Notes:

Source: City Annual Operating Budget & Comprehensive Annual Financial Report

* - information not available

MGD - Millions Gallons Daily

- (1) The City held off replacing water pipeline in 2006 waiting for completion of downtown renovation.
- (2) The dollar amount of new water service connections increased more than 100% due to a large new townhouse development called Beech Grove.
- (3) The dollar amount of new water service connections increased more than 100% due to a large new townhouse development called Beech Grove and GMU's growth.
- (4) The City will continue this work in FY 2011 due to the revised CIP plan.

Table 17

Actual 2006	Actual 2007	Actual 2008	Actual 2009	Actual 2010	Actual/Estimate 2011
6,168	6,226	6,245	6,249	6,249	6,249
14,387	13,772	15,476	14,920	14,937	15,000
8,177	5,557	11,478	7,206	9,914	11,000
56.8%	40.3%	74.20%	48.30%	66.37%	73.33%
90%	90%	*	*	*	*
*	74	75	85	153	160
49	50	51	50	98	80
117	135	386	306	512	465
507	563	574	759	819	784
225	220	*	*	*	*
1,400	1,400	*	*	*	*
2,500	2,500	*	*	*	*
*	450	600	600	600	600
*	48	51	51	51	51
*	450	540	550	450	550
*	38	42	45	38	42
*	37	59	60	37	59
6.75%	6.90%	7.25%	9.50%	12.00%	12.50%
1.10%	1.10%	1.50%	6.00%	4.50%	4.00%
2,745	2,766	2,771	2,764	2,905	2,976
205	189	229	198	221	*
1,290	1,324	1,294	1,307	1,319	*
1,250	1,253	1,248	1,260	1,398	*
\$ 11,915	\$ 12,030	\$ 13,548	\$ 13,078	\$ 12,027	\$ 12,000
332	245	255	250	240	260
207	173	172	168	171	177
17,414	14,970	14,589	13,958	13,764	13,800
1,756	1,756	1,388	1,340	1,243	1,300
9,725	14,399	14,420	15,090	16,568	17,396
3,390	3,169	3,367	3,327	2,221	2,226
7,435	7,395	7,458	5,907	6,409	6,813
932	1,088	1,290	894	972	1,000
653	629	531	530	494	500
\$ 47,430,498	\$ 37,402,772	\$ 33,968,649	\$ 21,654,448	\$ 38,388,562	\$ 35,000,000
43	53	47	31	20	20
\$ 331,611	\$ 341,075	\$ 377,208	\$ 347,858	\$ 223,358	\$ 223,358
4	4	3.8	3.9	3.9	3.9
3,881	3,881	4,288	4,500	3,906	4,747
22	22	22	21	23	20
\$ 54,218	\$ 49,542	\$ 46,130	\$ 61,213	\$ 64,450	\$ 64,450
52	105	111	200	40	40
\$ 301,773	\$ 826,596 (2)	\$ 1,243,299 (2)	\$ 1,621,803 (2)	\$ 1,294,495	\$ 1,294,495
4,351	4,351	4,380	3,400	3,167	3,250
600 (1)	600 (1)	0 (1)	3000 (1)	0 (4)	0
22	25	22	22	24	20
1,093,926	1,126,966	1,055,664	952,072	941,694	950,000

Capital Asset Statistics By Function/Program
Last Ten Fiscal Years
(Unaudited)

	2002	2003	2004	2005	2006	2007	2008	2009	Actual/ Estimate 2010	Estimate 2011
<u>GENERAL GOVERNMENT</u>										
Parks and Recreation										
Acres of Parks	178	178	222	279	279	279	279	279	279	279
Number of Major Parks	8	8	9	9	9	9	9	9	9	9
Number of Neighborhood Parks	8	8	13	13	13	13	13	14	14	14
Public Works										
Vehicle Availability (%)	97%	97%	97%	97%	97%	97%	97%	97%	97%	97%
Vehicle Repair Orders	3,103	3,389	3,389	2,823	2,455	2,672	3,800	3,600	3,600	3,600
Total Fleet	502	512	522	522	548	560	563	590	590	590
Miles of Streets - Primary	15.58	15.58	15.58	15.58	15.58	15.58	15.58	15.58	15.58	15.58
Miles of Streets - Secondary	54.38	54.38	54.38	54.38	54.76	54.76	54.76	55.33	55.33	55.33
Number of Street Lights	2,888	2,928	2,940	2,950	2,950	2,950	2,950	2,967	2,967	2,967
<u>PUBLIC SAFETY</u>										
Police										
Number of Stations	1	1	1	1	1	1	1	1	1	1
Fire										
Number of Stations	2	2	2	2	2	2	2	2	2	2
Number of Fire Hydrants	1,099	1,099	1,110	1,110	1,110	1,110	1,110	1,124	1,129	1,129
<u>UTILITIES:</u>										
Water										
Gallons produced (millions)	4,425	4,417	4,426	4,426	4,351	4,351	4,380	3,431	3,500	3,250
Water Mains (miles)	181.69	181.93	182.68	182.68	182.68	182.68	182.68	183.77	184.01	184.01
Sewer										
Sanitary Sewers (miles)	96.14	96.74	97.03	97.03	97.03	97.03	97.03	97.07	97.14	97.14
<u>TRANSIT:</u>										
Number of Buses	12	12	12	12	12	12	12	12	12	12

Notes:

Source: City Annual Operating Budget & Comprehensive Annual Financial Report

* - information not available

**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 City Council
City of Fairfax
Fairfax, Virginia

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Fairfax, Virginia as of and for the year ended June 30, 2011, which collectively comprise the City of Fairfax, Virginia's basic financial statements and have issued our report thereon dated December 14, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Fairfax, Virginia's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the City of Fairfax, Virginia's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Fairfax, Virginia's internal control over financial reporting.

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 City's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting 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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

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

Robinson, Tamun, Cox Associates

Fredericksburg, Virginia
December 14, 2011

Independent Auditors' Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

To The Honorable Members of City Council
City of Fairfax
Fairfax, Virginia

Compliance

We have audited the City of Fairfax, Virginia's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. The City of Fairfax, Virginia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Fairfax, Virginia's management. Our responsibility is to express an opinion on the City of Fairfax, Virginia's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Fairfax, Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City of Fairfax, Virginia complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

Management of the City of Fairfax, Virginia is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Fairfax, Virginia's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

Internal Control Over Compliance (Continued)

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

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

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

Robinson, Tamara, Cox Associates

Fredericksburg, Virginia
December 14, 2011

CITY OF FAIRFAX, VIRGINIA

Schedule of Expenditures of Federal Awards
 Year Ended June 30, 2011

Federal Grantor/State Pass - Through Grantor/ Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
<u>DEPARTMENT OF CRIMINAL JUSTICE:</u>			
<u>Direct payments:</u>			
Bulletproof Vest Partnership Program	16.607	N/A	\$ 2,758
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580	N/A	101,992
<u>Pass through payments:</u>			
Department of Criminal Justice Services: Edward Byrne Memorial Justice Assistance Program	16.738	39001-41100	4,346
Total Department of Criminal Justice			\$ 109,096
<u>DEPARTMENT OF TRANSPORTATION:</u>			
<u>Direct payments:</u>			
Federal Highway Administration: Highway Planning and Construction Grant	20.205	N/A	\$ 486,299
ARRA - Highway Planning and Construction Grant	20.205	N/A	1,095,508
Total 20.205			\$ 1,581,807
<u>Pass through payments:</u>			
National Highway Traffic Safety Administration: Alcohol Impaired Driving Countermeasures	20.601	60507-50289	\$ 22,456
Total Department of Transportation			\$ 1,604,263
<u>DEPARTMENT OF TREASURY:</u>			
<u>Direct payments:</u>			
Department of the Treasury Law Enforcement Organization: United States Secret Service Task Force	21.000	N/A	\$ 5,145
<u>DEPARTMENT OF HOMELAND SECURITY:</u>			
<u>Direct payments:</u>			
State Homeland Security Program	97.073	N/A	\$ 32,055
<u>Pass through payments:</u>			
Federal Emergency Management Agency: State Homeland Security Program	97.073	77501-52709	13,020
Total 97.073			\$ 45,075
<u>Direct payments:</u>			
Emergency Management Performance Grant	97.042	N/A	\$ 2,795
<u>Pass through payments:</u>			
Federal Emergency Management Agency: Emergency Management Performance Grant	97.042	77501-52749	30,272
Total 97.042			\$ 33,067
<u>Direct payments:</u>			
Homeland Security Grant Program	97.067	N/A	\$ 236,350
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	N/A	\$ 88,019
<u>Pass through payments:</u>			
Federal Emergency Management Agency: Disaster Grants - Public Assistance	97.036	77602-00148	24,751
Total Department of Homeland Security			\$ 427,262
<u>ENVIRONMENTAL PROTECTION AGENCY:</u>			
<u>Direct Payments:</u>			
Chesapeake Bay Program	66.466	N/A	\$ 23,084
Total expenditures of federal awards			\$ 2,168,850

See accompanying notes to schedule of expenditures of federal awards.

CITY OF FAIRFAX, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards
For The Year Ended June 30, 2011

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the City of Fairfax, Virginia under programs of the federal government for the year ended June 30, 2011. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the City of Fairfax, Virginia, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City of Fairfax, Virginia.

Note 2 - Summary of Significant Accounting Policies

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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

Note 3 - Relationship to Financial Statements

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

Intergovernmental federal revenues per the basic financial statements:	
Primary government:	
Governmental Funds	\$ 2,168,850
Enterprise Funds	<u>177,046</u>
Total primary government	\$ <u>2,345,896</u>
Less: Interest Subsidy	\$ <u>(177,046)</u>
Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$ <u><u>2,168,850</u></u>

CITY OF FAIRFAX, VIRGINIA

Schedule of Findings and Questioned Costs
Year Ended June 30, 2011

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510 (a)?	No

Identification of major programs:

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
20.205	Highway Planning and Construction Grant
20.205	ARRA - Highway Planning and Construction Grant

Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes

Section II - Financial Statement Findings

There are no financial statement findings to report.

Section III - Federal Award Findings and Questioned Costs

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

CITY OF FAIRFAX, VIRGINIA

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2011

There were no prior year audit findings.