City of Fairfax, Virginia

Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2014

CITY OF FAIRFAX, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2014

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, 2014

TABLE OF CONTENTS

		Page
Title Page		
Table of Contents		
INTRODUCTORY SECTION		
Letter of Transmittal		i-vii
Organizational Chart		ix
Directory of Principal Officials		xi
Certificate of Achievement for Excellence in Financial Reporting		xiii
FINANCIAL SECTION		
Independent Auditors' Report		1-3
Management's Discussion and Analysis		5-17
BASIC FINANCIAL STATEMENTS		
Government-wide Financial Statements:		
Exhibit 1	Statement of Net Position	23
Exhibit 2	Statement of Activities	24-25
Fund Financial Statements:		
Exhibit 3	Balance Sheet–Governmental Funds	29
Exhibit 4	Reconciliation of the Balance Sheet of the Governmental Funds to the Statement of Net Position	30
Exhibit 5	Statement of Revenues, Expenditures and Changes in Fund Balances–Governmental Funds	31
Exhibit 6	Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	32
Exhibit 7	Statement of Revenues, Expenditures and Changes in Fund Balances—Budget and Actual—General Fund	33-35
Exhibit 8	Statement of Net Position—Proprietary Funds	36
Exhibit 9	Statement of Revenues, Expenses and Changes in Net Position—Proprietary Funds	37

TABLE OF CONTENTS
(Continued)

		Page
FINANCIAL SECTION: (CONTINUED)		
BASIC FINANCIAL STATEMENTS: (CONTINUED)		
Fund Financial Statements: (continued)		
Exhibit 10	Statement of Cash Flows—Proprietary Funds	38
Exhibit 11	Statement of Fiduciary Net Position—Fiduciary Funds	39
Exhibit 12	Statement of Changes in Fiduciary Net Position—Fiduciary Funds	40
Notes to Financial Statements		41-94
REQUIRED SUPPLEMENTARY INFORMATION:		
Exhibit 13	Schedule of Pension and OPEB Funding Progress	97
Exhibit 14	Schedule of Changes in Net Pension Liability and Related Ratios	98
Exhibit 15	Schedule of Employer Contributions	99
Exhibit 16	Schedule of Investment Returns	100
OTHER SUPPLEMENTARY INFORMATION:		
Combining and Individual Fund Financial Statements and Schedules		
Exhibit 17	Combining Balance Sheet—Nonmajor Governmental Funds	105
Exhibit 18	Combining Statement of Revenues, Expenditures, and Changes in Fund Balances—Nonmajor Governmental Funds	106
Exhibit 19	Combining Statement of Fiduciary Net Position—Fiduciary Funds	107
Exhibit 20	Combining Statement of Changes in Fiduciary Net Position—Fiduciary Funds	108
Exhibit 21	Balance Sheet—Discretely Presented Component Unit School Board	109
Exhibit 22	Reconciliation of the Balance Sheet of the Governmental Funds to the Statement of Net Position —Discretely Presented Component Unit School Board	110
Exhibit 23	Statement of Revenues, Expenditures and Changes in Fund Balances—Discretely Presented Component Unit School Board	111

TABLE OF CONTENTS
(Continued)

		Page
OTHER SUPPLEMENTARY INFORMATION: (Continued)		
Combining and Individual Fund Financial Statements and Schedules: (Continued)		
Exhibit 24	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	112
Exhibit 25	Combining Statement of Net Position—Discretely Presented Nonmajor Component Units	113
Exhibit 26	Combining Statement of Activities— Discretely Presented Nonmajor Component Units	114-115
Exhibit 27	Combining Balance Sheet—Discretely Presented Nonmajor Component Units	116
Exhibit 28	Combining Reconciliation of the Balance Sheet of the Governmental Funds to the Statement of Position—Discretely Presented Nonmajor Component Units	117
Exhibit 29	Combining Statement of Revenues, Expenditures and Changes in Fund Balances—Discretely Presented Nonmajor Component Units	118
Exhibit 30	Combining Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities—Discretely Presented Nonmajor Component Units	119
STATISTICAL SECTION:		
Statistical Section—Table of Contents		
Table 1	Net Position by Component	122-123
Table 2	Changes in Net Position	124-125
Table 3	Program Revenues by Function/Program	126-127
Table 4	Fund Balances, Governmental Funds	129
Table 5	Changes in Fund Balances, Governmental Funds	130-131
Table 6	Tax Revenues by Source, Governmental Funds	133
Table 7	Assessed and Estimated Actual Value of Taxable Property	134-135

TABLE OF CONTENTS
(Continued)

		Page
STATISTICAL SECTION: (CONTINUED)		
Table 8	Direct and Overlapping Property Tax Rates	136
Table 9	Principal Property Taxpayers	137
Table 10	Real Property Tax Levies and Collections	138
Table 11	Ratios of Outstanding Debt by Type and General Bonded Debt Outstanding	139
Table 12	Legal Debt Margin Information	140-141
Table 13	Pledged Revenue Coverage	142-143
Table 14	Demographic and Economic Statistics	145
Table 15	Principal Employers	146
Table 16	Full-time Equivalent City Government Employees by Function/Program	147
Table 17	Operating Indicators by Function/Program	148-149
Table 18	Capital Asset Statistics by Function/Program	150
COMPLIANCE SECTION:		
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*		151-152
Independent Auditors' Report on Compliance For Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133		153-154
Schedule of Expenditures of Federal Awards		155
Notes to Schedule of Expenditures of Federal Awards		156
Schedule of Findings and Questioned Costs		157
Summary Schedule of Prior Audit Findings		158

City of Fairfax
10455 Armstrong Street • Fairfax, VA 22030-3630

December 29, 2014

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, 2014. 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 unmodified ("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, 2014, 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; wastewater; 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 provides inter-County and intra-City bus service. The City also operated its own water treatment and distribution system until January 2014, when the City sold its distribution system to Fairfax County Water Authority and its water treatment plant, reservoir, and dams to Loudoun County Water Authority, effectively divesting from the water treatment and distribution business. Residential and commercial water customers located in the City are now customers of Fairfax County Water Authority.

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 City's public school program is provided through an independent school district administered by a school board and superintendent that contracts with the Fairfax County Public School system for operating the four City schools – Fairfax High, Sidney Lanier Middle, Daniels 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

The City is 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, a 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, just 15 miles west of Washington D.C., the City of Fairfax lies in the heart of Northern Virginia. Bounded by Interstate 66 to the north and less than five miles west of the Capital Beltway, the City is at the crossroads of the area's major north/south and east/west highways. Two major airports, Washington Dulles International Airport and Reagan National Airport, are within 30 minutes; and the City-run bus system provides direct access to rail mass transit at the Vienna/Fairfax/GMU Metro station, less than three miles from the center of the City.

ECONOMIC CONDITION AND OUTLOOK (CONTINUED)

Local Economy

The City continues to recover and adapt from the recession and the ripple effects of sustained reductions in federal spending. Sluggish employment growth persists and has impacted localities across the region. As of the end of 2013, there were 19,490 jobs within the City of Fairfax representing a slight decrease from the 2012 average of 19,731. Encouragingly, the City's unemployment rate of 4.1% is well below state (5.3%) and national (5.8%) averages.

Downsizing by federal contractors has had a discernable impact on the regional office market. The City of Fairfax experienced an increase of almost 2% in office vacancy over the last year, reaching 15%. Fortunately the retail market continues to bolster the City's economy; at 3.4%, the City's vacancy rates remain among the lowest in the region.

Three key revenue sources are bellwethers for the local economy - Real Estate tax (RE), local sales and use tax, and Business Professional and Occupational License (BPOL) taxes. RE tax revenue increased $2.43 million or 4.26% in F/Y 14 over F/Y 13, and is projected to increase by 1.5% in F/Y 15. Local sales and use tax revenues of $11.2 million in F/Y 14 (net of a one-time transfer adjustment of $0.4 million) reflected a significant increase of $0.9 million or 9.4% over F/Y 13. These revenues are projected to remain steady in F/Y 15. Conversely, BPOL decreased by $0.1 million or 1.5% in F/Y 14, driven mainly be reduced volume flowing through the tank farm located in the City. This revenue category is also projected to remain relatively flat in F/Y 15. These overall positive trends show continued strengthening in the real estate market and consumer spending as the City recovers during this post-recession period.

Economic Development Program

The Economic Development Office (EDO) in conjunction with the Economic Development Authority (EDA) focus on ensuring a strong economic base across the City. The EDO promotes the City's office and retail spaces to business prospects and vacant commercial properties to developers, assists businesses in their location decisions and processing through the City's administrative procedures, and acts as a facilitator for existing businesses in understanding and working through issues with City ordinances and policies.

Major Projects

Over 230,000 square feet (7%) in existing retail centers are currently undergoing renovations or are planned for future improvements or redevelopment. An additional 133,000 square feet (3%) of office space is undergoing significant exterior and interior improvements. Multiple high-end residential projects are under construction or have recently been added to the market.

Commercial:
Major mixed-use development projects are on the horizon that will begin to fulfill the City's Fairfax Boulevard Master Plan.

Fairfax Circle Plaza Shopping Center Redevelopment: A proposal to redevelop approximately 108,000 square feet of commercial space (the oldest dating back to 1964) was approved earlier this year. The mixed-use development will include 400 multifamily apartments and 88,000 square feet of retail space, including a 54,000 square feet grocery store. Ground breaking is expected in 2017.

Northfax: The $30 million Northfax transportation and stormwater improvement project is underway creating new and significant opportunities for public and private investment on Fairfax Boulevard. The City is actively working with land owners to assess potential development strategies, property consolidations and public private partnership opportunities. A feasibility study of the entire area is planned with a third-party consultant.

Aldi: Recently named as Retailer of the Year by Private Label Store Magazine, Aldi opened its newest location in the City's Kamp Washington area in September 2014. Occupying 20,000 square feet, the retailer is a welcome addition to the City, adding new, well-paying jobs, providing more retail choice, and contributing to the commercial tax base.

Lowe's: This big-box retailer was approved to redevelop a former Kmart in the City's Kamp Washington area, occupying roughly 75,000 square feet of space. In addition to constructing a new building, the developer will make various site improvements including façade enhancements, landscaping, bike facilities, and maximized visibility of other businesses in the shopping center with new signage.

Residential:

Layton Hall Apartments: A plan to redevelop a 7.81 acre site currently occupied by a 110-unit garden apartment complex with 360 multifamily units has been approved with construction expected to begin in late 2015.

Eleven Oaks: This project is currently under construction and will consist of 12 single family detached units.

Residences at Main: This project includes 42 luxury town homes with more than half constructed as of the date of this letter.

Canfield Village: This project is currently under construction with approximately 20,000 square feet of commercial (office and first floor retail) space and 14 town homes.

Accolades/Distinctions:

Google named the City of Fairfax as the 2014 e-City for Virginia. Google's e-City Awards "recognize the strongest online business community in each state," observing how businesses in each city use their Web presence for business development and customer service.

The Mason Enterprise Center at George Mason University (GMU) was recently named as one of the Top 10 U.S. and Top 20 Global University Business Incubators (UBI) by the UBI Index. A project spearheaded and supported by the City in an ongoing partnership with GMU, the Mason Enterprise Center (MEC) is an integrated network of programs and professional resources. It provides direct support for university- and corporate-based entrepreneurship, technology transfer and innovation, and for private sector clients engaged in business start-up and expansion.

ECONOMIC CONDITION AND OUTLOOK (CONTINUED)

The City of Fairfax Parks & Recreation Department wins the National Gold Medal Award, 2011. The National Recreation and Park Association Gold Medal Award honors communities throughout the United States that demonstrate excellence in long-range planning, resource management, and agency recognition. Each agency is judged on its ability to address the needs of those it serves through the collective energies of citizens, staff, and elected officials.

Forbes called the City of "a great place for entrepreneurs" and stated the City's sole-proprietors-per-capita ranks in the top 1% nationwide.

The Atlantic magazine, a brand of Atlantic Media, which is "dedicated to equipping opinion leaders with breakthrough ideas and original insights," recently identified the City as one of the nation's top jurisdictions for its high concentration of "creative class" workers.

In 2009, the City 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 City's bond ratings continue to be Aaa (Moody's) and AAA (Standard & Poor's), placing the City in the top tier of municipal bond issuers.

FINANCIAL CONDITION

The total taxable assessed value of residential and commercial real property increased by 3.9% over the prior year. Though the real estate tax rate decreased by $0.02 for the June billing cycle, revenues increased by $2.43 million or 4.26% over F/Y 13. School tuition costs increased by $0.67 million or 1.54%, which was $1.14 million lower than budgeted. Current estimates indicate the population of City students in city schools will remain flat in F/Y 15.

Keeping existing programs funded, salaries of public employees competitive, and addressing the expanding program needs of the community in a recovering economy, careful budgeting is required. The City strives to keep operating costs flat; however, in F/Y 14 the City provided a merit increase of 3.5% for eligible employees to remain competitive with surrounding jurisdictions. The City took advantage of continued low interest rates to finance the construction of a park in Old Town Square, the renovation of the police firearms training facility, and additional vehicle and equipment replacement. Wastewater rates increased 12.5% for the second year in a row due to additional debt service costs relating to the City's share of Fairfax County wastewater plant upgrades (where the City's wastewater is treated). Water rates remained frozen for up to three years, as part of the sale of the City's water utility and subsequent purchase of capacity from Fairfax County Water Authority (Fairfax Water). Water rates for customers formerly served by the City's utility are expected to normalize with Fairfax Water's rates (decrease) in the next few years.

The City's outstanding debt is on the decline. Though the City uses debt financing in addition to the "pay-as-you-go" approach to fund certain capital projects, the City's net direct debt to tax base ratio decreased to 1.70% at June 30, 2014 from 1.85% at June 30, 2013.

GENERAL GOVERNMENT FUNCTIONS

The following table shows the overall real property assessed value has increased over $3.0 billion since 2001 including a 3.9% increase from 2013 to 2014. 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 second half 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	3.0
2008	3,475,794,600	(6.7)	2,161,997,400	14.7	5,637,792,000	0.5
2009	3,182,468,200	(8.4)	2,177,141,800	0.7	5,359,610,100	(4.9)
2010	3,013,912,200	(5.2)	1,968,035,100	(9.6)	4,981,947,300	(7.0)
2011	3,123,099,700	3.6	1,954,294,800	(0.7)	5,077,394,500	1.9
2012	3,195,889,977	2.3	2,025,966,286	3.7	5,221,856,263	2.8
2013	3,266,638,900	2.2	2,073,994,400	2.4	5,340,633,300	2.3
2014	3,463,135,200	6.0	2,085,815,600	0.6	5,548,950,800	3.9

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

BOND RATING

As of December 2014, the City's bond ratings were as follows:

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

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 in support of those programs and services. 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 requests, which are evaluated for priority and funding. The initial proposed CIP is issued in November and forwarded to the City Council and Planning Commission for discussion. The Planning Commission holds a public hearing on the CIP and provides recommendations to the City Council. 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 or May. The City Manager refines the initial proposed CIP based on an evaluation of operating funding requests and available resources.

BUDGETARY ACCOUNTING AND INTERNAL CONTROLS (CONTINUED)

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.

The City Council reviews the proposed budget and holds a series of public hearings, work sessions, and outreach meetings to provide the public with an opportunity to comment, ensuring 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 a management tool, budgetary control is maintained at the department level requiring the encumbrance of funds, which generates vendor purchase orders. In addition, revenues and expenditures are monitored throughout the year, enabling 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 2013 CAFR for the 33rd 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

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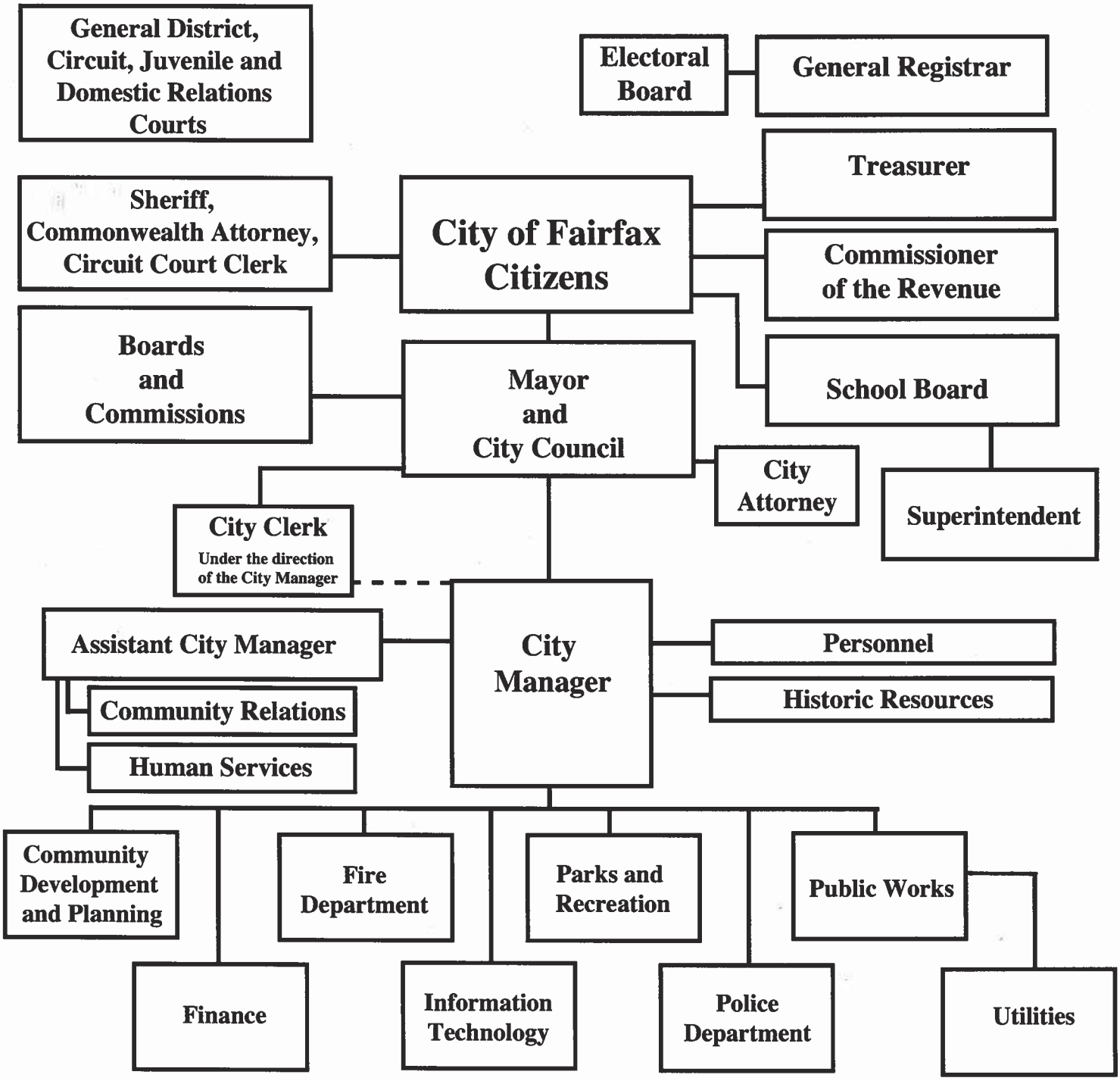
City of Fairfax, Virginia
Organizational Chart



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CITY OF FAIRFAX, VIRGINIA
PRINCIPAL OFFICIALS
June 30, 2014

CITY COUNCIL

R. Scott Silverthorne, Mayor

Michael. J. DeMarco
Daniel F. Drummond[1]
Jeffrey C. Greenfield
David L. Meyer
Eleanor D. Schmidt
Steven C. Stombres[1]

STAFF

Robert L. Sisson..... City Manager
David E. Hodgkins .....Assistant City Manager/Director of Finance
William Page Johnson II ..... Commissioner of Revenue[2]
W. Thomas Scibilia .....Treasurer[2]
David L. Rohr..... Fire Chief
Carl R. Pardiny..... Chief of Police
Brooke Hardin.....Director of Community Development and Planning
Lynn L. Barbour..... Director of Information Technology
David Summers.....Director of Public Works
Richard C. Thoesen .....Director of Utilities[3]
Michael D. McCarty..... Director of Parks and Recreation
Sara Greer .....Personnel Director
Thomas E. Reed..... Real Estate Assessment Director
Melanie Burrell..... City Clerk
Kevin Linehan .....General Registrar
Peter Noonan..... City School Superintendent

ADVISORS

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

[1] Did not seek re-election for term starting July 1, 2014. Newly elected Council members Nancy F. Loftus and Janice B. Miller took office on July 1, 2014
[2] Elected by City voters to 4-year terms. Current terms expire December 31, 2017
[3] The Director of Utilities position ceased to exist on July 1, 2014. Management of the Wastewater Utility transferred to Public Works, effective July 1, 2014

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Government Finance Officers Association

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, 2013

Executive Director/CEO

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Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying 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 City of Fairfax, Virginia, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Fairfax, Virginia, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof and budgetary comparison information for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1, the financial statements in 2014, the City adopted new accounting guidance, GASB No. 67, Financial Reporting for Pension Plans. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of pension and OPEB funding progress, schedule of change in net pension liability and related ratios, schedule of employer contributions, and schedule of investment returns be presented to supplement the basic financial statements on pages 5-17, 97, 98, 99 and 100. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Fairfax, Virginia's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by 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 basic financial statements.

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

Other Information: (Continued)

Other Information: (Continued)

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2014, 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* in considering City of Fairfax, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Fredericksburg, Virginia
December 29, 2014

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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, 2014. 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.

HIGHLIGHTS OF GOVERNMENT-WIDE FINANCIAL STATEMENTS

The primary government assets and deferred outflows of resources of the City of Fairfax exceeded its liabilities and deferred inflows of resources by $92.6 million (*net position)* at the close of the most recent fiscal year (F/Y) on June 30, 2014.

- In late January/early February 2014, the City sold its Goose Creek water treatment plan, reservoirs, and associated assets to Loudoun County Water Authority (LCWA), sold its water distribution infrastructure to Fairfax County Water Authority (FCWA), and simultaneously purchased capacity from FCWA. The gain on sale of $26,544,960 is reported as a special item in the Water Fund (see Note 22).

- The City's total primary government net position decreased by 8.7%, or $8.8 million, driven mainly by the ($12.4) million special items from the disposition of the water utility, offset by the excess of governmental activity revenues over expenses of $7.6 million resulting from solid increases in local sales and use taxes, meals taxes, and real estate taxes.

- A combination of an increase in assessed values on taxable real property of 3.9% offset by a $0.02 decrease in the real estate tax rate to $1.04 per $100 of assessed value, a strong increase of $0.9 million in sales and use taxes (excluding a one-time transfer adjustment of $0.4 million), and a $1.6 million increase in capital grants contributed to the excess of program and general revenues over expenses by $7.6 million.

- The Component Unit School Board decreased its net position by $1.2 million during the year, due to a decrease in overall net capital assets ($7.5 million in F/Y 14 versus $8.8 million in F/Y 13). As in F/Y13, there was a receivable due from Fairfax County Public Schools (FCPS) of $1.1 million for overpayment of contracted school tuition, even though the year-end school tuition reconciliation showed a slight increase from 3,039 to 3,078, in the number of City students attending FCPS schools ("Average Daily Membership" or ADM).

- At the end of June 30, 2014, the City's governmental, business-type, and component unit school board activities had invested $201.6, $17.5, $7.5 million, net of accumulated depreciation, respectively, in a variety of capital assets (please see Table 3). The sale of the water utility is the cause of the $20.6 million decrease in business-type capital assets in F/Y 14.

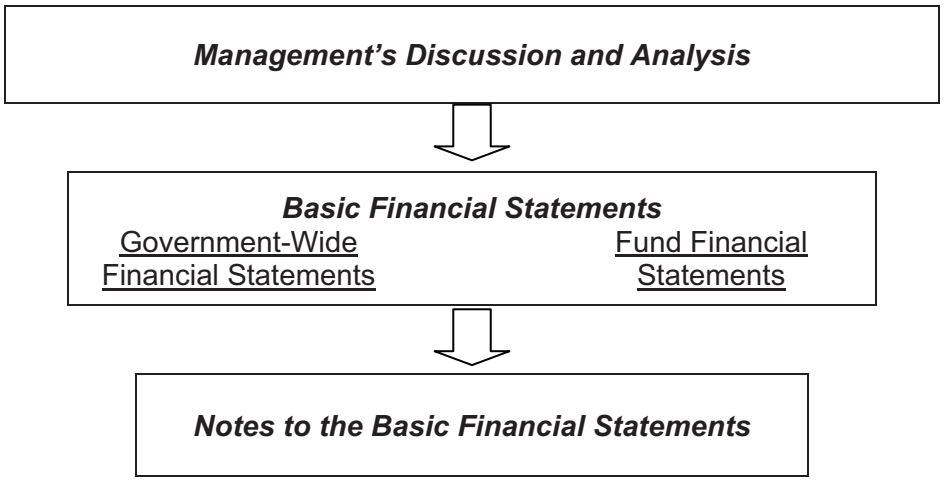
- The City's total governmental outstanding long-term debt is $148.5 million, which is a decrease of $7.3 million, driven mainly by debt retirement during the normal course of business. Total enterprise outstanding long-term debt increased by $15.5 million with the addition of the note payable to FCWA of $19.6 million offset by regular debt service on, and subsequent full repayment of the 2008 water revenue bond ($4.1 million) with proceeds from the sale of the water utility. 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 implemented GASB Statement No. 67 in FY14. See Exhibit 14 and Note 9.

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 Position 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 position and changes in it. One can think of the City's net position – the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources – as one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net position 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 Position 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.

GOVERNMENT-WIDE STATEMENTS (CONTINUED)

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 of the cost of water and waste-water services. Historically, 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 and other information related to its pension plans. 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 Position:

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

Table 1
Summary of Statement of Net Position
June 30, 2014 and 2013
(in millions)*

	Primary Government						Major Component Unit	
	Governmental Activities		Business-type Activities		Totals		School Board	
	2014	2013	2014	2013	2014	2013	2014	2013
Assets:								
Current and other assets	$74.5	$66.6	$40.4	$22.0	$114.9	$88.6	$3.1	$3.1
Capital assets, net	201.6	204.8	17.5	38.1	219.1	242.9	7.5	8.8
Total Assets	276.1	271.4	57.9	60.1	334.0	331.5	10.6	11.9
Deferred outflows of resources	11.5	12.3	-	-	11.5	12.3	-	-
Liabilities:								
Current and other liabilities	19.6	17.0	22.4	3.3	42.0	20.3	1.7	1.7
Long -term liabilities	156.8	162.9	24.7	29.6	181.5	192.5	0.1	0.1
Total Liabilities	176.4	179.9	47.1	32.9	223.5	212.8	1.8	1.8
Deferred inflows of resources	29.4	29.6	-	-	29.4	29.6	-	-
Net Position:								
Net investment in capital assets	63.4	53.9	7.1	25.7	70.5	79.6	7.5	8.8
Unrestricted	18.4	20.3	3.7	1.5	22.1	21.8	1.3	1.3
Total net position	$ 81.8	$ 74.2	$ 10.8	$ 27.2	$ 92.6	$101.4	$ 8.8	$ 10.1

***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 position 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 and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by $92.6 million, which is a decrease of $8.8 million from the net position as of June 30, 2013.

The largest portion of the City's net position 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, 2014, this investment totaled $78.0 million for the entire reporting entity ($70.5 million for the primary government and $7.5 million for the component unit school board). 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.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (CONTINUED)

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 Position
Years Ended June 30, 2014 and 2013
(in millions)*

	Primary Government						School Board Component Unit	
	Governmental Activities		Business-type Activities		Totals		School Board	
	2014	2013	2014	2013	2014	2013	2014	2013
Revenues:								
Program revenues:								
Charges for services	$ 5.3	$ 5.5	$ 11.5	$ 16.4	$ 16.8	$ 21.9	$ 0.5	$ 0.5
Operating grants and contributions	4.1	3.7	0.6	1.5	4.7	5.2	7.1	7.3
Capital grants and contributions	3.2	1.6	-	-	3.2	1.6	-	-
General revenues:								
General property taxes	66.6	65.0	-	-	66.6	65.0	-	-
Other local taxes	32.1	30.8	-	-	32.1	30.8	-	-
Contribution from City	-	-	-	-	-	-	37.8	37.3
Grants and contributions not restricted to specific programs	5.7	5.7	-	-	5.7	5.7	-	-
Use of money and property	0.6	0.6	-	-	0.6	0.6	2.1	1.6
Miscellaneous	7.1	0.5	-	-	7.1	0.5	-	0.1
Gain/(loss) disposable capital assets	-	0.1	-	-	-	0.1	-	-
Total revenues	$124.7	$113.5	$ 12.1	$ 17.9	$136.8	$131.4	$ 47.5	$ 46.8
Expenses:								
General government	$ 7.9	$ 6.8	$ -	$ -	$ 7.9	$ 6.8	$ -	$ -
Judicial administration	2.5	2.1	-	-	2.5	2.1	-	-
Public safety	25.8	24.0	-	-	25.8	24.0	-	-
Public works	18.4	15.4	16.1	16.3	34.5	31.7	-	-
Health & social services	5.3	5.2	-	-	5.3	5.2	-	-
Education	43.0	40.4	-	-	43.0	40.4	48.8	47.9
Parks, recreation and cultural	6.2	5.1	-	-	6.2	5.1	-	-
Planning and community develop	2.1	2.8	-	-	2.1	2.8	-	-
Interest	5.9	6.3	-	-	5.9	6.3	-	-
Total expenses	$117.1	$108.1	$ 16.1	$ 16.3	$133.2	$124.4	$ 48.8	$ 47.9
Change in net position before transfers	$ 7.6	$ 5.4	$ (4.0)	$ 1.6	$ 3.6	$ 7.0	$ (1.3)	$ (1.1)
Transfers	-	(0.1)	-	0.1	-	-	-	-
Special Items	-	-	(12.4)	-	(12.4)	-	-	-
Change in net position	$ 7.6	$ 5.3	$(16.4)	$ 1.7	$ (8.8)	$ 7.0	$ (1.3)	$ (1.1)
Net position, beginning as restated	$ 74.2	$ 68.9	$ 27.2	$ 25.5	$101.4	$ 94.4	$ 10.1	$ 11.2
Net position, ending	$ 81.8	$ 74.2	$ 10.8	$ 27.2	$ 92.6	$101.4	$ 8.8	$ 10.1

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

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (CONTINUED)

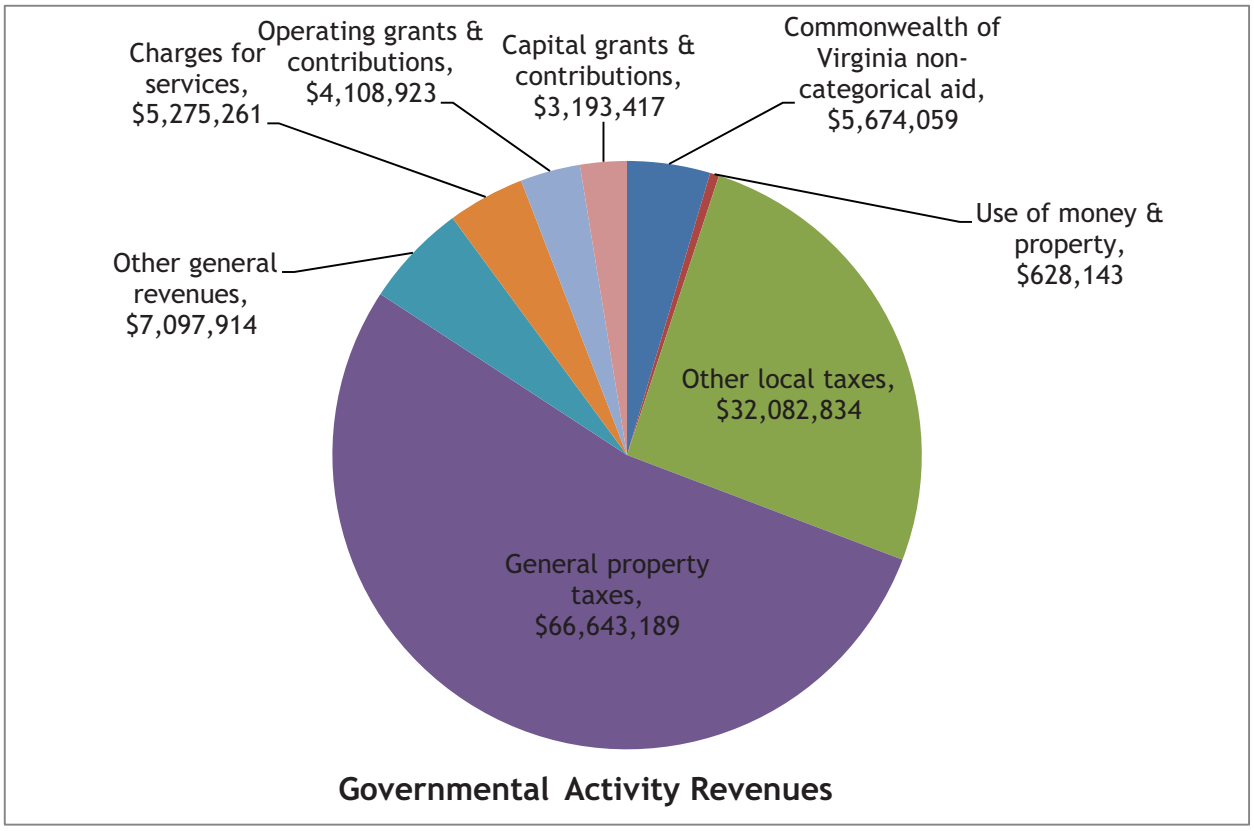
Statement of Activities: (Continued)

Governmental Activities

Revenues for the City's governmental activities were $124.7 million, which is an increase of $11.2 million from the prior year.

- General property taxes are the largest revenue source for the City. A healthy 3.9% Increase in assessments of taxable real property more than offset the $.02 decrease in the RE tax rate from $1.06 to $1.04, effective January 1, 2014.
- Local taxes, specifically sales and use taxes and meals taxes as well as operating grants and capital grants and contributions increased over the prior year. These gains were partially offset by decreases in charges for services business license taxes, and other local taxes.
- Personal property tax revenues were flat; the rate remains $4.13 per $100 of assessed value.
- Federal and state revenue-sharing transportation-related grants were the main factors behind the increase of capital grant revenues by $1.6 million.

The chart below shows F/Y 2014 governmental revenues by program source:



Expenses for the City's governmental activities were $117.1 million in F/Y 2014, which is an increase of $9.0 million from F/Y 2013.

- A 3.5% merit for eligible employees and increases in actuarially determined employer costs for the Virginia Retirement System (VRS) and the City's supplemental retirement plans contributed to an overall increase in personnel costs.

- The harsh 2013/2014 winter caused increases in overtime, chemical, and equipment repair and maintenance expenses.

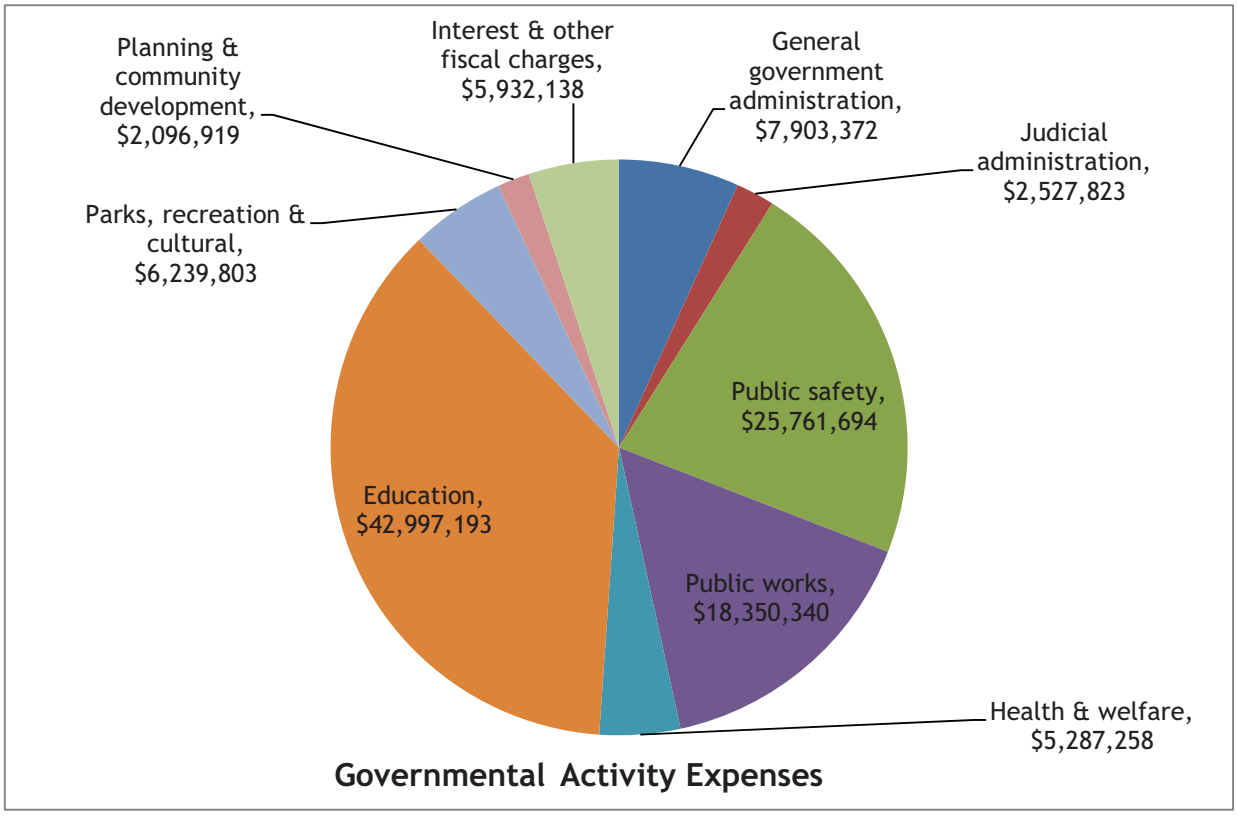
FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (CONTINUED)

Statement of Activities: (Continued)

- School tuition increased by $0.7 million or 1.5%, resulting from a slight increase in the ADM of City students by 39. Tuition came in $1.1 million below budget, however.

As shown in the chart below, education remains the City's largest program, followed by Public Safety and Public Works.

Governmental activity expenses by major category are as follows:



Business-type Activities

Business-type activities decreased the City's net position by $16.4 million, the majority of which ($12.5 million) is attributable to special items recognized on the Statement of Activities in conjunction with the sale of the water utility. A $4.9 million decrease in charges for services was only offset a $0.2 million decrease in expenses.

Component Unit Activities

The School Board's net position decreased by $1.2 million during the year, driven by a $0.9 million increase in personnel, fringe, and other expenses, and a $0.3 million decrease in operating grants and contributions from the Commonwealth of Virginia (State sales tax and basic school aid categories).

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 $35.4 million, an increase of $4.7 million over the prior year. Approximately 42.7% of this total amount ($15.1 million) constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of the fund balance is comprised of non-spendable ($0.8 million), restricted ($0.7 million), committed ($7.5 million), and assigned ($11.2 million) to indicate that it is not available for new spending.

The general fund is the primary operating fund of the City. The total fund balance decreased by $5.0 million (revenues of $115.2 million less expenditures of $108.8 million and other financing uses of $11.4 million). Approximately $3.8 million of the financing uses represents the transfer of assigned fund balance from F/Y 13 to the General Capital Projects fund related to the school bus lot and the Eleven Oaks property sale. Therefore, financing uses that impacted the unassigned fund balance in F/Y 14 totaled $7.6 million, an increase of $2.8 million from F/Y 13. The unassigned fund balance decreased by $1.1 million to $15.1 million.

The City's other governmental funds reflected overall increases of $9.8 million in the total fund balance, consisting of the following: General Capital Projects Fund ($3.8 million), the Old Town Fairfax Fund ($4.2 million), and Other Governmental Funds ($1.8 million). These increases are attributable to proceeds from financing activities and more cash and receivables from Federal and State funding sources. The General Capital Projects, Old Town Fairfax, and Other Governmental fund balances are committed or assigned to capital projects, and unavailable for other spending.

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: Wastewater Fund and Transit Fund. The Water Fund will cease to exist once all transactions related to the sale of the water treatment and distribution assets, and the purchase of capacity from FCWA have been completed.

Unrestricted net position of the Wastewater Utility Fund, Water Utility Fund, and Transportation Fund at June 30, 2014 totaled $1.8, $2.0, and ($0.2) million, respectively. The total proprietary fund unrestricted net position increased by $1.2 million from the prior year.

Major events during the current fiscal year included the following:

- Sale of the water treatment plant, reservoirs, and related assets to LCWA for $30.0 million; sale of the water distribution assets in Fairfax City, Fairfax County, and George Mason University to FCWA for $19.6 million, and purchase of capacity from FCWA for $39.0 million.
- Debt service on and full repayment of the 2008 water revenue bond totaling $4.1 million.
- Transfer of 100% of the 2010 Utilities bond to the Wastewater Fund, supported by Wastewater revenues.
- Increases in Wastewater (10.0%) rates. Water rates remained frozen in anticipation of the sale.
- Cessation of transfers from the General Fund to the Transit Fund, which can now draw upon additional state sales tax and gas tax monies for funding. Allocation of a management fee to the Transit Fund also began in F/Y 14, consistent with the fee charged to the Water and Wastewater Funds for internal services provided by General Fund employees and resources.

General Fund Budgetary Highlights
Fiscal Year 2014
(in millions)*

	Final Budget	Actual	Actual Over/(Under) Final Budget
Revenues:			
Taxes	$ 100.5	$ 98.8	$ (1.7)
Intergovernmental	7.4	10.4	3.0
Other	6.9	6.0	(0.9)
Totals	114.8	115.2	0.4
Expenditures	111.5	108.9	(2.6)
Excess of revenues over expenditures:	3.3	6.3	3.0
Other financing sources and (uses):			
Transfers out	(7.4)	(11.4)	(4.0)
Changes in fund balance	(4.1)	(5.1)	(1.0)
Fund balance, beginning	4.1	21.6	17.5
Fund balance, ending	$ 0.0	$ 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 exceeded final budget amounts by $0.4 million, and actual expenditures beat the final budget amounts by $2.6 million. Highlights of the comparison of final budget to actual figures for the fiscal year ended June 30, 2014, include the following:

- Tax revenues were bolstered by increases in general property taxes, meals taxes and local sales and use taxes. These increases were partially offset by an increase in County jail costs resulting from an updated estimation of prisoner days attributable to the City.

- After reconciliation, contracted school tuition was $1.1 million less than budget, due to a lower than anticipated ADM, and the classroom rental fee was greater than budget by $0.4 million.

- See Exhibit 7 for more detail.

CAPITAL ASSETS

At the end of June 30, 2014, the City's governmental activities, business-type activities, and the activities of the Component Unit School Board had invested $201.6, $17.5, $7.5 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, 2014 and 2013
(in millions)*

	Primary Government						Component Unit	
	Governmental Activities		Business-type Activities		Totals		School Board	
	2014	2013	2014	2013	2014	2013	2014	2013
Land	$ 42.1	$ 40.2	$ 0.0	$ 0.7	$ 42.1	$ 40.9	$ 1.4	$ 1.4
Construction in Progress	10.0	31.5	0.5	5.5	10.5	37.0	-	-
Depreciable Capital Assets:								
Buildings and Improvements	52.7	51.4	1.5	31.0	54.2	82.4	33.2	29.5
Machinery and Equipment	24.3	23.9	4.2	6.2	28.5	30.1	1.4	1.5
Joint Tenancy Assets	83.6	87.0	-	-	83.6	87.0	-	-
Intangible Assets	-	-	15.5	13.3	15.5	13.3	-	-
Infrastructure	48.2	26.1	8.2	28.5	56.4	54.6	-	-
Accumulated Depreciation	(59.3)	(55.3)	(12.4)	(47.1)	(71.7)	(102.4)	(28.5)	(23.6)
Total	$ 201.6	$ 204.8	$ 17.5	$ 38.1	$ 219.1	$ 242.9	$ 7.5	$ 8.8

***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, 2014, amounts to $219.1 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, wastewater lines, sidewalks, curbs, bike paths and traffic lights. The net decrease in the City's investment in capital assets of $21.5 million during the current fiscal year is attributable to the sale of water assets exceeding new investments.

Major capital asset transactions of the City during F/Y 2014 in both the governmental and business-type activities included the following:

- Construction in progress focusing on the roadways and transportation, including replacement of the bridge on Rt. 123 at Rust Curve, Kamp Washington spot improvements, and work on Rt. 29/50 at Northfax, totaling about $10.1 million

- Continued investment in the Noman Cole Sewer Treatment Plant of $2.2 million (construction in progress).

- Capital leases of multiple vehicle and equipment replacements of $1,300,000.

- Additional construction in progress activities include: Old Town Square park construction, storm drainage improvements at Northfax and in various neighborhoods, and a trail around Ashby Pond.

CAPITAL ASSETS (CONTINUED)

The City's investment in capital assets for its School Board Component Unit as of June 30, 2014, was $7.5 million, net of accumulated depreciation, a net decrease of $1.3 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). Field house lights were added at Fairfax High School's athletic field, and expenditures for innovative classrooms at Lanier Middle School were capitalized. New capital investments did not outpace regular depreciation, however.

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	
	2014	2013	2014	2013	2014	2013
General Obligation Bonds						
2010 Refunding Bonds (8)	$ 11.4	$ 11.8	$ -	$ -	$ 11.4	$ 11.8
2010 School Refunding Bonds (3,11)	19.4	20.1	-	-	19.4	20.1
2012 School Refunding Bonds A (3,4)	3.3	3.3	-	-	3.3	3.3
2012 School Refunding Bonds B (3,4)	18.9	19.1	-	-	18.9	19.1
2013 School Refunding Bonds (3)	35.6	35.6	-	-	35.6	35.6
2005 School Bonds (3,12)	1.0	1.9	-	-	1.0	1.9
2005 School Refunding Bonds (3)	5.2	6.5	-	-	5.2	6.5
2004 School Bonds (3,12)	1.0	1.9	-	-	1.0	1.9
Fairfax County Note Payable (2)	-	0.2	-	-	-	0.2
2012 Downtown Redevelopment Note Payable (5)	31.1	32.0	-	-	31.1	32.0
2008 Utility Revenue Bonds (6)	-	-	-	4.1	-	4.1
2011 VRA Revenue Bond (10)	-	-	24.1	24.1	24.1	24.1
2011 Public Improvement COPS (9)	12.6	15.2	-	-	12.6	15.2
2012 Bus Parking Lot Note Payable (11)	-	3.9	-	-	-	3.9
2012 Eleven Oaks Note Payable (7)	-	4.3	-	-	-	4.3
2014 Old Town Square Park Note Payable (13)	4.6	-	-	-	4.6	-
2014 Firing Range Note Payable (14)	2.7	-	-	-	2.7	-
2014 Energy Upgrade Note Payable (15)	1.7	-	-	-	1.7	-
2014 Note Payable to Fairfax County Water Authority (16)	-	-	19.6	-	19.6	-
Gross debt	$ 148.5	$ 155.8	$ 43.7	$ 28.2	$ 192.2	$ 184.0
Less Self-supporting Debt:						
Water System (16)	$ -	$ -	$ 19.6	$ 15.7	$ 19.6	$ 15.7
Wastewater System (10)	-	-	24.1	12.5	24.1	12.5
Total Self-supporting	$ -	$ -	$ 43.7	$ 28.2	$ 43.7	$ 28.2
Net Direct Debt (1)	$ 148.5	$ 155.8	$ -	$ -	$ 148.5	$ 155.8

***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) Net direct debt excludes debt supported by revenues of the water and wastewater systems. Revenues of the water and wastewater system have been sufficient to cover their associated debt service.

(2) Note payable to Fairfax County for receipt of the County's car rental tax; last payment made in F/Y 14.

(3) The financing liability of all School Board capital asset projects has to be reflected in the City's Statement of Net Position; the City is legally obligated for the retirement of the debt.

(4) These bonds were refunded in advance in F/Y 12 in two series for maturities after 2015, resulting in savings of $5.7M (NPV) over the life of the new bonds.

(5) The Downtown Redevelopment Financing was fully refunded (2012 VRA Advance Refunding), resulting in savings of $3.5M (NPV) over the life of the new bond.

(6) Water and wastewater system projects. This bond was paid off using proceeds from the sale of the water utility in F/Y 14.

(7) Enabled City to complete the George Mason Boulevard Road project. This note was fully refunded in F/Y 12 and paid off in F/Y 14 in conjunction with the sale of the Eleven Oaks property.

(8) The advance refunding was undertaken in F/Y 10 to reduce the total interest costs over the subsequent 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, which refunded the open space debt.

(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 are used for the City's investment in capital improvements to the Noman Cole Sewer Treatment Plant and were fully transferred to the Wastewater Fund after the sale of the water utility in F/Y 14.

(11) Taxable lease financing was included in the Eleven Oaks refunding. This lease was paid off during F/Y 14 in conjunction with the sale of the Eleven Oaks property.

(12) The last post-2015 maturities of these bonds were advance refunded in FY2013, resulting in savings of $3.7M (NPV) over the life of the new bond.

(13) Tax exempt, 15 year, 2.4% financing for the construction of a park in Old Town Square.

(14) Tax exempt, 10 year, 2.1% financing for the renovation of the police firearms training center.

(15) Tax exempt, 15 year, 2.4% financing of upgrades to the infrastructure of City buildings to save energy and reduce the cost of utilities. These savings cover the debt service on this note.

(16) Note payable to Fairfax County Water Authority for the excess capacity charge over the credit provided for the water distribution system assets ($39.0 million less $19.4 million). This debt is covered by the remaining proceeds from the sale of the water treatment plant and associated assets to Loudoun County Water Authority.

Capital leases excluding the energy lease have not been included in the table above. The outstanding amount for the capital leases is $2.2 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, such as real property assessments, meals taxes, and local sales and use taxes had solid gains during F/Y 14, business license and other local taxes were lower than the prior year. Business license taxes missed estimate by $0.4 million. In addition, even though real estate assessments increased by 3.9%, that increase was limited to the residential sector. Commercial assessments remained flat. Coupled with the decrease in business license taxes, it is clear that there is still much uncertainty about inhibited business investment.

Despite these challenges, the City's unemployment rate has improved to 4.1% from 5.3% at this time last year. It is lower than both the national (5.8%) and State (5.3%) unemployment rates. The City's bond ratings place the City in the top tier of municipal bond issuers – Aaa (Moody's Investor Services) and AAA (Standard and Poor's). The City continues to maintain a strong economic base. Overall retail vacancy rates of 3.4% in the City are among the lowest in the region, and while office space vacancy climbed to 15.0% from 13.6%, that rate is still comparable to the vacancy rate in surrounding jurisdictions. The City remains supportive of the redevelopment of its Route 50/29 Corridor, and is aggressively pursuing multiple redevelopment opportunities primarily 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.

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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CITY OF FAIRFAX, VIRGINIA **Exhibit 1**

Statement of Net Position
At June 30, 2014

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Totals	School Board	Nonmajor Component Units
ASSETS					
Current Assets:					
Cash and cash equivalents	$ 31,211,621	$ 39,280,584	$ 70,492,205	$ 2,499	$ 775,515
Cash and cash equivalents - in custody of others	2,469,161	-	2,469,161	-	-
Receivables (net of allowance for uncollectibles):					
Property taxes	30,676,768	-	30,676,768	-	-
Accounts receivable	1,453,706	835,322	2,289,028	-	-
Due from other governments	5,328,375	304,171	5,632,546	1,766,521	-
Due from component units	2,569,603	-	2,569,603	-	-
Inventories	760,814	-	760,814	-	862,594
Prepaid items	32,857	-	32,857	-	-
Advance to other governments	-	-	-	1,355,459	-
Total Current Assets	$ 74,502,905	$ 40,420,077	$ 114,922,982	$ 3,124,479	$ 1,638,109
Noncurrent Assets:					
Capital assets (net of accumulated depreciation):					-
Land and improvements	$ 42,083,090	$ 17,583	$ 42,100,673	$ 1,381,115	$ -
Buildings and improvements	52,741,016	1,491,528	54,232,544	33,176,713	-
Machinery and equipment	24,349,015	4,199,510	28,548,525	1,464,562	-
Joint tenancy assets	83,555,750	-	83,555,750	-	-
Infrastructure	48,226,192	8,228,775	56,454,967	-	-
Intangible assets	-	15,484,999	15,484,999	-	-
Construction in progress	10,026,259	483,588	10,509,847	-	-
Accumulated depreciation	(59,363,535)	(12,409,943)	(71,773,478)	(28,455,364)	-
Total capital assets	$ 201,617,787	$ 17,496,040	$ 219,113,827	$ 7,567,026	$ -
Total Noncurrent Assets	$ 201,617,787	$ 17,496,040	$ 219,113,827	$ 7,567,026	$ -
Total Assets	$ 276,120,692	$ 57,916,117	$ 334,036,809	$ 10,691,505	$ 1,638,109
DEFERRED OUTFLOWS OF RESOURCES					
Deferred charge on refunding	$ 11,578,648	$ -	$ 11,578,648	$ -	$ -
LIABILITIES					
Current Liabilities:					
Accounts payable and accrued liabilities	$ 5,753,121	$ 1,460,847	$ 7,213,968	$ 44,775	$ -
Retainage payable	285,502	56,591	342,093	-	-
Accrued interest payable	2,092,079	347,343	2,439,422	-	5,819
Customer deposits and other liabilities	1,667,366	357,805	2,025,171	-	-
Due to primary government	-	-	-	1,721,746	847,857
Unearned revenue	995,063	-	995,063	-	-
Current portion of long-term obligations	8,863,122	20,160,332	29,023,454	3,435	246,447
Total Current Liabilities	$ 19,656,253	$ 22,382,918	$ 42,039,171	$ 1,769,956	$ 1,100,123
Noncurrent Liabilities:					
Noncurrent portion of long-term obligations	156,730,454	24,754,015	181,484,469	30,915	-
Total Liabilities	$ 176,386,707	$ 47,136,933	$ 223,523,640	$ 1,800,871	$ 1,100,123
DEFERRED INFLOWS OF RESOURCES:					
Deferred revenue - property taxes	$ 29,489,204	$ -	$ 29,489,204	$ -	$ -
NET POSITION					
Net investment in capital assets	$ 63,399,428	$ 7,100,899	$ 70,500,327	$ 7,567,026	$ -
Unrestricted	18,424,001	3,678,285	22,102,286	1,323,608	537,986
Total Net Position	$ 81,823,429	$ 10,779,184	$ 92,602,613	$ 8,890,634	$ 537,986

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

CITY OF FAIRFAX, VIRGINIA

Statement of Activities
Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	$ 7,903,372	$ 242,671	$ 276,398	$ -
Judicial administration	2,527,823	1,011,907	-	-
Public safety	25,761,694	2,251,606	1,340,855	-
Public works	18,350,340	436,455	2,459,170	3,193,417
Health and welfare	5,287,258	-	-	-
Education	42,997,193	-	-	-
Parks, recreation, and cultural	6,239,803	996,192	32,500	-
Community development	2,096,919	336,430	-	-
Interest on long-term debt	5,932,138	-	-	-
Total governmental activities	$ 117,096,540	$ 5,275,261	$ 4,108,923	$ 3,193,417
Business-type activities:				
Sewer	$ 5,396,798	$ 4,752,802	$ 284,508	$ -
Water	7,199,246	5,418,292	89,845	-
Transportation	3,472,495	1,298,553	224,602	-
Total business-type activities	$ 16,068,539	$ 11,469,647	$ 598,955	$ -
Total primary government	$ 133,165,079	$ 16,744,908	$ 4,707,878	$ 3,193,417
COMPONENT UNITS:				
School Board	$ 48,786,613	$ 500,072	$ 7,115,499	$ -
Nonmajor component units:				
Industrial Development Authority	$ 866,228	$ 961,636	$ -	$ -
Economic Development Authority	3,487	-	-	-
Total nonmajor component units	$ 869,715	$ 961,636	$ -	$ -
Total component units	$ 49,656,328	$ 1,461,708	$ 7,115,499	$ -

General revenues:
- General property taxes
- Local sales and use taxes
- Business license taxes
- Consumer utility taxes
- Meals tax
- Franchise 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
Special items
Change in net position
Net position - beginning
Net position - ending

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

Net (Expense) Revenue and Changes in Net Position				
Primary Government			Component Units	
Governmental Activities	Business-type Activities	Total	School Board	Nonmajor Component Units
$ (7,384,303)	$ -	$ (7,384,303)	$ -	$ -
(1,515,916)	-	(1,515,916)	-	-
(22,169,233)	-	(22,169,233)	-	-
(12,261,298)	-	(12,261,298)	-	-
(5,287,258)	-	(5,287,258)	-	-
(42,997,193)	-	(42,997,193)	-	-
(5,211,111)	-	(5,211,111)	-	-
(1,760,489)	-	(1,760,489)	-	-
(5,932,138)	-	(5,932,138)	-	-
$ (104,518,939)	$ -	$ (104,518,939)	$ -	$ -
$ -	$ (359,488)	$ (359,488)	$ -	$ -
-	(1,691,109)	(1,691,109)	-	-
-	(1,949,340)	(1,949,340)	-	-
$ -	$ (3,999,937)	$ (3,999,937)	$ -	$ -
$ (104,518,939)	$ (3,999,937)	$ (108,518,876)	$ -	$ -
$ -	$ -	$ -	$ (41,171,042)	$ -
$ -	$ -	$ -	$ -	$ 95,408
-	-	-	-	(3,487)
$ -	$ -	$ -	$ -	$ 91,921
$ -	$ -	$ -	$ (41,171,042)	$ 91,921
$ 66,643,189	$ -	$ 66,643,189	$ -	$ -
11,580,673	-	11,580,673	-	-
8,709,712	-	8,709,712	-	-
1,653,003	-	1,653,003	-	-
5,703,399	-	5,703,399	-	-
1,762,979	-	1,762,979	-	-
2,673,068	-	2,673,068	-	-
628,143	26,106	654,249	2,071,812	18,504
-	-	-	37,852,745	-
5,674,059	-	5,674,059	-	-
7,088,666	-	7,088,666	-	-
9,248	(9,248)	-	-	-
$ 112,126,139	$ 16,858	$ 112,142,997	$ 39,924,557	$ 18,504
$ -	$ (12,455,040)	$ (12,455,040)	$ -	$ -
$ 7,607,200	$ (16,438,119)	$ (8,830,919)	$ (1,246,485)	$ 110,425
74,216,229	27,217,303	101,433,532	10,137,119	427,561
$ 81,823,429	$ 10,779,184	$ 92,602,613	$ 8,890,634	$ 537,986

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Fund Financial Statements

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Balance Sheet - Governmental Funds
At June 30, 2014

	General	General Capital Projects	Old Town Fairfax Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	$ 14,865,286	$ 4,862,062	$ 5,513,688	$ 5,970,585	$ 31,211,621
Cash and cash equivalents - in custody of others	-	2,384,815	84,346	-	2,469,161
Receivables (Net of allowance for uncollectibles):					
Taxes, including penalties	30,676,768	-	-	-	30,676,768
Accounts	1,453,706	-	-	-	1,453,706
Inventories	760,814	-	-	-	760,814
Prepaid items	32,857	-	-	-	32,857
Due from other governments	2,046,273	2,952,059	-	330,043	5,328,375
Due from component units	2,409,603	160,000	-	-	2,569,603
Total assets	$ 52,245,307	$ 10,358,936	$ 5,598,034	$ 6,300,628	$ 74,502,905
LIABILITIES					
Accounts payable and accrued liabilities	$ 3,485,218	$ 1,940,057	$ 179,850	$ 147,996	$ 5,753,121
Retainage payable	-	279,064	2,093	4,345	285,502
Customer deposits and other liabilities	1,487,896	179,470	-	-	1,667,366
Unearned revenue	308,294	686,769	-	-	995,063
Total liabilities	$ 5,281,408	$ 3,085,360	$ 181,943	$ 152,341	$ 8,701,052
DEFERRED INFLOWS OF RESOURCES:					
Unavailable revenue - property taxes	$ 30,427,332	$ -	$ -	$ -	$ 30,427,332
FUND BALANCES					
Nonspendable	$ 793,671	$ -	$ -	$ -	$ 793,671
Restricted	230,671	-	-	514,198	744,869
Committed	-	3,383,448	4,007,787	143,699	7,534,934
Assigned	381,377	3,890,128	1,408,304	5,490,390	11,170,199
Unassigned	15,130,848	-	-	-	15,130,848
Total fund balances	$ 16,536,567	$ 7,273,576	$ 5,416,091	$ 6,148,287	$ 35,374,521
Total liabilities, deferred inflows of resources and fund balances	$ 52,245,307	$ 10,358,936	$ 5,598,034	$ 6,300,628	$ 74,502,905

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 Position
At June 30, 2014

		Primary Government
Total fund balances - governmental funds		$ 35,374,521
Amounts reported for governmental activities in the Statement of Net Position (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	$ 260,981,322	
Less: accumulated depreciation	(59,363,535)	201,617,787
Unavailable revenue represents amounts that were not available to fund current expenditures and therefore is not reported as revenue in the governmental funds.		938,128
Interest on long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due.		
Accrued interest payable		(2,092,079)
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	$ (95,983,000)	
Lease revenue bonds	(31,135,000)	
Notes payable	(7,250,000)	
Public facility certificate of participation	(12,573,100)	
Capital leases	(3,956,280)	
Premiums on bonds payable	(8,329,976)	
Deferred charge on financing	11,578,648	
Net OPEB obligation	(3,967,033)	
Compensated absences	(2,399,187)	
Total long-term liabilities		(154,014,928)
Net position of governmental activities		$ 81,823,429

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, 2014

	Governmental Funds				
	General	General Capital Projects	Old Town Fairfax Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
General property taxes	$ 66,650,305	$ -	$ -	$ -	$ 66,650,305
Other local taxes	32,082,834	-	-	-	32,082,834
Permits, privilege fees and regulatory licenses	1,434,497	177,639	-	-	1,612,136
Fines and forfeitures	1,113,718	-	-	-	1,113,718
Revenue from use of money and property	624,763	3,380	-	-	628,143
Charges for services	2,549,407	-	-	-	2,549,407
Miscellaneous	299,083	4,195,107	4,000	2,590,476	7,088,666
Intergovernmental:					
Fairfax County	744,224	-	-	-	744,224
Commonwealth	9,105,766	82,100	-	32,500	9,220,366
Federal	644,716	3,111,317	-	-	3,756,033
Total revenues	$ 115,249,313	$ 7,569,543	$ 4,000	$ 2,622,976	$ 125,445,832
Expenditures:					
Current:					
General government administration	$ 7,199,038	$ 659,146	$ -	$ -	$ 7,858,184
Judicial administration	2,431,157	-	-	-	2,431,157
Public safety	25,247,080	77,684	-	-	25,324,764
Public works	11,870,109	8,125,426	-	2,960,473	22,956,008
Health and welfare	5,243,811	-	-	-	5,243,811
Education	35,196,573	286,274	-	-	35,482,847
Parks, recreation, and cultural	5,349,149	1,031,409	479,421	6,000	6,865,979
Planning and community development	2,083,795	56,060	-	-	2,139,855
Debt service:					
Principal retirement	8,656,156	8,228,593	-	-	16,884,749
Interest and other fiscal charges	5,586,872	165,620	53,642	-	5,806,134
Total expenditures	$ 108,863,740	$ 18,630,212	$ 533,063	$ 2,966,473	$ 130,993,488
Excess (deficiency) of revenues over (under) expenditures	$ 6,385,573	$ (11,060,669)	$ (529,063)	$ (343,497)	$ (5,547,656)
Other financing sources (uses):					
Issuance of long term debt	$ -	$ 2,680,000	$ 4,570,000	$ -	$ 7,250,000
Capital lease issuance	-	3,008,450	-	-	3,008,450
Transfers in	-	9,158,275	186,970	3,411,409	12,756,654
Transfers (out)	(11,472,406)	-	-	(1,275,000)	(12,747,406)
Total other financing sources (uses)	$ (11,472,406)	$ 14,846,725	$ 4,756,970	$ 2,136,409	$ 10,267,698
Net changes in fund balances	$ (5,086,833)	$ 3,786,056	$ 4,227,907	$ 1,792,912	$ 4,720,042
Fund balances at beginning of year	21,623,400	3,487,520	1,188,184	4,355,375	30,654,479
Fund balances at end of year	$ 16,536,567	$ 7,273,576	$ 5,416,091	$ 6,148,287	$ 35,374,521

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, 2014

		Primary Government Governmental Funds
Amounts reported for governmental activities in the Statement of Activities are different because:		
Net changes in fund balances - total governmental funds		$ 4,720,042
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:		
Capital outlay	$ 7,796,757	
Depreciation expense	(6,008,237)	1,788,520
Transfer of assets from Primary Government to the Component Unit School Board		(2,475,651)
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is to decrease net position.		(2,459,247)
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:		
Unavailable taxes		(7,116)
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 position. Also, governmental funds report the effect of premiums, discounts, and similar items. A summary of items supporting this adjustment is as follows:		
Debt issued or incurred:		
Issuance of refunding debt	$ (7,250,000)	
Issuance of capital leases	(3,008,450)	
Principal repayments on debt:		
Principal retired on general obligation debt	4,399,000	
Principal retired on public improvement bonds	2,522,000	
Principal retired on lease revenue bonds	910,000	
Principal retired on notes payable	8,316,732	
Principal retired on capital lease obligations	660,494	6,549,776
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 accrued interest payable	$ 51,474	
Change in compensated absences	220,224	
Change in net OPEB obligation	(603,344)	
Amortization of premiums on bonds payable	543,798	
Amortization of loss on refunding	(721,276)	(509,124)
Change in net position of governmental activities		$ 7,607,200

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, 2014

Fund, Function, Activity, Element	General Fund			
	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Revenues:				
General property taxes	$ 70,136,424	$ 70,136,424	$ 66,650,305	$ (3,486,119)
Other local taxes	30,360,000	30,360,000	32,082,834	1,722,834
Permits, privilege fees and regulatory licenses	1,415,500	1,415,500	1,434,497	18,997
Fines and forfeitures	1,368,700	1,368,700	1,113,718	(254,982)
Revenue from use of money and property	541,570	541,570	624,763	83,193
Charges for services	2,760,229	2,760,229	2,549,407	(210,822)
Miscellaneous	668,200	843,748	299,083	(544,665)
Intergovernmental:				
Fairfax County	792,033	792,033	744,224	(47,809)
Commonwealth	5,917,002	6,007,174	9,105,766	3,098,592
Federal	213,975	632,365	644,716	12,351
Total revenues	$ 114,173,633	$ 114,857,743	$ 115,249,313	$ 391,570
Expenditures:				
General government administration:				
Legislative:				
City council	$ 71,168	$ 71,168	$ 62,214	$ 8,954
City clerk	157,394	157,394	168,130	(10,736)
Total legislative	$ 228,562	$ 228,562	$ 230,344	$ (1,782)
Board of elections:				
Electoral board	$ 235,322	$ 235,322	$ 223,475	$ 11,847
General and financial administration:				
City manager	$ 438,315	$ 438,315	$ 403,141	$ 35,174
City attorney	671,656	671,656	459,116	212,540
Public audit of accounts	80,093	80,093	71,831	8,262
Treasurer	583,562	584,564	619,191	(34,627)
Commissioner of revenue	996,438	996,438	1,004,439	(8,001)
Personnel	546,150	638,434	549,404	89,030
Community relations	124,144	124,144	128,557	(4,413)
Cable television	194,192	194,192	172,545	21,647
Information technology	1,422,566	1,493,798	1,316,083	177,715
Printing and office supplies	218,113	218,883	205,693	13,190
Motor pool	-	206,764	(27,539)	234,303
Telephone services	121,830	121,830	114,872	6,958
Finance and Accounting	608,432	608,432	621,482	(13,050)
Real estate assessment	516,698	516,698	536,910	(20,212)
Marketing	140,635	145,635	147,196	(1,561)
Retirement	92,000	92,000	104,900	(12,900)
Contingencies	75,000	68,998	-	68,998
Salary vacancy factor	(795,800)	(795,800)	-	(795,800)
Risk management	402,688	397,688	317,398	80,290
Total general and financial administration	$ 6,436,712	$ 6,802,762	$ 6,745,219	$ 57,543
Total general government administration	$ 6,900,596	$ 7,266,646	$ 7,199,038	$ 67,608

Statement of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual - General Fund
Year Ended June 30, 2014

Fund, Function, Activity, Element	General Fund Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Expenditures: (continued)				
Judicial administration:				
General district court	$ 19,450	$ 19,450	$ 16,023	$ 3,427
Commonwealth attorney	78,071	78,071	72,362	5,709
Joint court service	727,025	727,025	754,941	(27,916)
Jail and custody services	1,233,289	1,233,289	1,587,831	(354,542)
Total judicial administration	$ 2,057,835	$ 2,057,835	$ 2,431,157	$ (373,322)
Public safety:				
Police administration	$ 1,116,330	$ 1,115,551	$ 1,074,836	$ 40,715
Police services	3,426,724	3,469,022	3,587,559	(118,537)
Police operations	7,485,073	7,535,611	7,454,212	81,399
Fire and rescue administration	1,418,472	1,588,796	1,432,123	156,673
Fire and rescue suppression	9,625,051	9,799,464	9,845,298	(45,834)
Code enforcement	1,701,968	2,012,968	1,853,052	159,916
Total public safety	$ 24,773,618	$ 25,521,412	$ 25,247,080	$ 274,332
Public works:				
Highways	$ 1,232,689	$ 1,256,689	$ 1,235,687	$ 21,002
Concrete maintenance	819,802	819,802	844,852	(25,050)
Snow and ice removal	257,315	428,990	458,486	(29,496)
Storm drainage	758,054	758,829	880,301	(121,472)
Highways, lighting, and signals	2,045,461	2,113,516	2,144,310	(30,794)
Refuse collection	2,447,471	2,477,670	2,595,182	(117,512)
Building maintenance	1,649,398	1,675,055	1,644,994	30,061
Street right of way and public grounds	1,166,400	1,168,400	1,183,528	(15,128)
Administration	1,022,878	1,099,678	635,195	464,483
County agent	43,700	43,700	40,068	3,632
Regional agencies	165,511	165,511	207,506	(41,995)
Total public works	$ 11,608,679	$ 12,007,840	$ 11,870,109	$ 137,731
Health and welfare:				
Health service department	$ 1,123,984	$ 1,123,984	$ 1,107,494	$ 16,490
Commission for women	1,450	1,450	312	1,138
Community Services Board	1,336,100	1,336,100	1,336,100	-
Senior citizen tax relief	844,929	945,579	939,463	6,116
Social services	1,821,701	1,821,701	1,744,682	77,019
Human services coordinator	108,714	108,714	115,760	(7,046)
Total health and welfare	$ 5,236,878	$ 5,337,528	$ 5,243,811	$ 93,717
Education:				
Contribution to Fairfax City School Board	$ 37,072,495	$ 37,281,156	$ 35,196,573	$ 2,084,583

Statement of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual - General Fund
Year Ended June 30, 2014

	General Fund			
Fund, Function, Activity, Element	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Expenditures: (continued)				
Parks, recreation and cultural:				
Recreation:				
Recreation - administration	$ 2,096,186	$ 2,102,204	$ 2,183,150	$ (80,946)
Special events	341,751	377,799	351,249	26,550
Parks and ball field maintenance	1,108,666	1,108,917	1,201,393	(92,476)
Recreation - historic resources	556,336	590,299	600,106	(9,807)
Recreation - old town hall	325,052	324,568	269,027	55,541
Total recreation	$ 4,427,991	$ 4,503,787	$ 4,604,925	$ (101,138)
Library services	$ 792,033	$ 792,033	$ 744,224	$ 47,809
Total parks, recreation and cultural	$ 5,220,024	$ 5,295,820	$ 5,349,149	$ (53,329)
Planning and community development:				
Planning	$ 1,435,447	$ 1,435,447	$ 1,145,618	$ 289,829
Community development	820,431	917,922	780,442	137,480
Economic development	299,661	299,661	157,735	141,926
Total planning and community development	$ 2,555,539	$ 2,653,030	$ 2,083,795	$ 569,235
Debt service:				
Principal retirement	$ 8,413,681	$ 8,413,681	$ 8,656,156	$ (242,475)
Interest and fiscal charges	5,659,771	5,659,771	5,586,872	72,899
Total debt service	$ 14,073,452	$ 14,073,452	$ 14,243,028	$ (169,576)
Total expenditures	$ 109,499,116	$ 111,494,719	$ 108,863,740	$ 2,630,979
Excess (deficiency) of revenues over expenditures	$ 4,674,517	$ 3,363,024	$ 6,385,573	$ 3,022,549
Other financing sources (uses):				
Transfers (out)	$ (7,241,003)	$ (7,446,903)	$ (11,472,406)	$ (4,025,503)
Total other financing sources (uses)	$ (7,241,003)	$ (7,446,903)	$ (11,472,406)	$ (4,025,503)
Net changes in fund balance	$ (2,566,486)	$ (4,083,879)	$ (5,086,833)	$ (1,002,954)
Fund balance at beginning of year	2,566,486	4,083,879	21,623,400	17,539,521
Fund balance at end of year	$ -	$ -	$ 16,536,567	$ 16,536,567

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

Statement of Net Position - Proprietary Funds
At June 30, 2014

	Business-type Activities - Enterprise Funds			
	Major Funds		Nonmajor Fund	
	Sewer Utility Fund	Water Utility Fund	Transportation Fund	Totals
ASSETS				
Current Assets				
Cash and cash equivalents	$ 17,168,789	$ 22,108,910	$ 2,885	$ 39,280,584
Receivables (net of allowance for uncollectibles):				
Accounts receivable	825,450	9,872	-	835,322
Due from other governments	-	-	304,171	304,171
Total Current Assets	$ 17,994,239	$ 22,118,782	$ 307,056	$ 40,420,077
Noncurrent Assets				
Capital assets:				
Land and improvements	$ 17,583	$ -	$ -	$ 17,583
Buildings and improvements	1,264,570	-	226,958	1,491,528
Machinery and equipment	1,949,971	-	2,249,539	4,199,510
Water and sewer infrastructure	8,228,775	-	-	8,228,775
Intangible assets	15,484,999	-	-	15,484,999
Construction in progress	483,588	-	-	483,588
Accumulated depreciation	(10,256,073)	-	(2,153,870)	(12,409,943)
Total Capital Assets (net)	$ 17,173,413	$ -	$ 322,627	$ 17,496,040
Total Noncurrent Assets	$ 17,173,413	$ -	$ 322,627	$ 17,496,040
Total Assets	$ 35,167,652	$ 22,118,782	$ 629,683	$ 57,916,117
LIABILITIES				
Accounts payable and accrued liabilities	$ 1,316,475	$ 78,152	$ 66,220	$ 1,460,847
Retainage payable	-	56,591	-	56,591
Accrued interest payable	347,343	-	-	347,343
Customer deposits and other liabilities	16,460	326,345	15,000	357,805
Compensated absences - current portion	1,905	-	15,313	17,218
Notes and bonds payable - current portion	508,035	19,635,079	-	20,143,114
Total Current Liabilities	$ 2,190,218	$ 20,096,167	$ 96,533	$ 22,382,918
Noncurrent Liabilities				
Compensated absences - net of current portion	$ 38,106	$ -	$ 116,242	$ 154,348
Net OPEB obligation	105,842	-	299,915	405,757
Notes and bonds payable - net of current portion	24,193,910	-	-	24,193,910
Total Noncurrent Liabilities	$ 24,337,858	$ -	$ 416,157	$ 24,754,015
Total Liabilities	$ 26,528,076	$ 20,096,167	$ 512,690	$ 47,136,933
NET POSITION				
Net investment in capital assets	$ 6,778,272	$ -	$ 322,627	$ 7,100,899
Unrestricted	1,861,304	2,022,615	(205,634)	3,678,285
Total Net Position	$ 8,639,576	$ 2,022,615	$ 116,993	$ 10,779,184
Total Liabilities and Net Position	$ 35,167,652	$ 22,118,782	$ 629,683	$ 57,916,117

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

Statement of Revenues, Expenses and Changes in Net Position -
Proprietary Funds
Year Ended June 30, 2014

	Business-type Activities - Enterprise Funds			
	Major Funds		Nonmajor Fund	
	Sewer Utility Fund	Water Utility Fund	Transportation Fund	Totals
Operating revenues:				
Charges for services	$ 4,729,742	$ 5,230,398	$ 1,298,553	$ 11,258,693
Other operating revenues	23,060	187,894	-	210,954
Total operating revenues	$ 4,752,802	$ 5,418,292	$ 1,298,553	$ 11,469,647
Operating expenses:				
Salaries	$ 432,242	$ 1,681,558	$ 1,498,210	$ 3,612,010
Fringe benefits	167,984	263,913	594,997	1,026,894
Contractual services	2,052,136	739,716	42,759	2,834,611
Internal services	551,986	1,295,033	1,231,771	3,078,790
Other operating expenses	129,705	1,068,430	63,754	1,261,889
Miscellaneous capital outlay	61,759	1,209,060	-	1,270,819
Depreciation and amortization	778,338	432,475	41,004	1,251,817
Total operating expenses	$ 4,174,150	$ 6,690,185	$ 3,472,495	$ 14,336,830
Income (loss) from operations	$ 578,652	$ (1,271,893)	$ (2,173,942)	$ (2,867,183)
Nonoperating revenues (expenses):				
Investment income	$ 14,193	$ 11,913	$ -	$ 26,106
Interest expense	(1,222,648)	(509,061)	-	(1,731,709)
Northern Virginia Transportation Commission	-	-	224,602	224,602
Federal interest subsidy	284,508	89,845	-	374,353
Total nonoperating revenues (expenses)	$ (923,947)	$ (407,303)	$ 224,602	$ (1,106,648)
Net income (loss) before transfers and special items	$ (345,295)	$ (1,679,196)	$ (1,949,340)	$ (3,973,831)
Transfers:				
Transfers in	$ -	$ 29,325	$ 1,275,000	$ 1,304,325
Transfers (out)	(29,325)	(1,284,248)	-	(1,313,573)
Net operating transfers	$ (29,325)	$ (1,254,923)	$ 1,275,000	$ (9,248)
Special items:				
Gain (loss) on disposal of water system assets	$ -	$ 26,544,960	$ -	$ 26,544,960
Capacity charge	-	(39,000,000)	-	(39,000,000)
Net special items	$ -	$ (12,455,040)	$ -	$ (12,455,040)
Change in net position	$ (374,620)	$ (15,389,159)	$ (674,340)	$ (16,438,119)
Net position, beginning of year	9,014,196	17,411,774	791,333	27,217,303
Net position, end of year	$ 8,639,576	$ 2,022,615	$ 116,993	$ 10,779,184

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

Statement of Cash Flows - Proprietary Funds
Year Ended June 30, 2014

	Business-type Activities - Enterprise Funds			
	Major Funds		Nonmajor Fund	
	Sewer Utility Fund	Water Utility Fund	Transportation Fund	Totals
Cash flows from operating activities:				
Receipts from customers and users	$ 4,774,412	$ 7,280,886	$ 1,298,553	$ 13,353,851
Payments to employees (including fringe benefits)	(651,177)	(2,481,730)	(2,049,891)	(5,182,798)
Payments for operating activities	(2,537,735)	(5,179,692)	(1,323,258)	(9,040,685)
Net cash provided by (used for) operating activities	$ 1,585,500	$ (380,536)	$ (2,074,596)	$ (869,632)
Cash flows from non-capital financing activities:				
Transfers in	$ -	$ 29,325	$ 1,275,000	$ 1,304,325
Transfers (out)	(29,325)	(1,284,248)	-	(1,313,573)
Due to and from other funds	(301,690)	301,690	-	-
Intergovernmental grants	284,508	89,845	752,481	1,126,834
Net cash provided by (used for) non-capital financing activities	$ (46,507)	$ (863,388)	$ 2,027,481	$ 1,117,586
Cash flows from capital and related financing activities:				
Purchase and construction of capital assets	$ (3,035,075)	$ (917,679)	$ -	(3,952,754)
Proceeds from disposal of capital assets	-	49,000,000	-	49,000,000
Proceeds from long-term indebtedness issued		19,635,079	-	19,635,079
Transfer of long-term indebtedness	15,755,933	(15,755,933)	-	-
Capacity charge	-	(39,000,000)	-	(39,000,000)
Other items related to disposal of assets	-	873,912	-	873,912
Principal paid on bonds and notes	(3,910,978)	(211,057)	-	(4,122,035)
Interest paid on debt	(1,055,925)	(757,062)	-	(1,812,987)
Net cash provided by (used for) capital and related financing activities	$ 7,753,955	$ 12,867,260	$ -	$ 20,621,215
Cash flows from investing activities:				
Interest income	$ 14,193	$ 11,913	$ -	$ 26,106
Net increase (decrease) in cash and cash equivalents	$ 9,307,141	$ 11,635,249	$ (47,115)	$ 20,895,275
Cash and cash equivalents at beginning of year	7,861,648	10,473,661	50,000	18,385,309
Cash and cash equivalents at end of year	$ 17,168,789	$ 22,108,910	$ 2,885	$ 39,280,584
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Cash flows from operations:				
Income (loss) from operations	$ 578,652	$ (1,271,893)	$ (2,173,942)	$ (2,867,183)
Adjustment to reconcile net income (loss) to net cash provided by (used for) operating activities:				
Depreciation and amortization	778,338	432,475	41,004	1,251,817
Changes in operating accounts:				
(Increase) decrease in:				
Accounts receivable	21,650	1,862,594	-	1,884,244
Inventories	-	56,604	-	56,604
Increase (decrease) in:				
Accounts payable	257,852	(446,115)	15,026	(173,237)
Accrued payroll	(4,026)	(56,830)	2,635	(58,221)
Compensated absences	(46,926)	(167,413)	458	(213,881)
Net OPEB obligation	-	(312,016)	40,223	(271,793)
Customer deposits and other liabilities	(40)	(477,942)	-	(477,982)
Net cash provided by (used for) operating activities	$ 1,585,500	$ (380,536)	$ (2,074,596)	$ (869,632)

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

CITY OF FAIRFAX, VIRGINIA **Exhibit 11**

Statement of Fiduciary Net Position
Fiduciary Funds
At June 30, 2014

Assets		
Cash and cash equivalents	$	1,981,549
Mutual funds		94,974,918
Stocks		27,280,576
Accrued interest		33,365
Total assets	$	124,270,408
Net Position		
Held in trust for pension benefits	$	124,270,408

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

Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended June 30, 2014

Additions		
Plan members and employer contributions	$	4,028,902
Investment income:		
Interest and dividends earned on investments	$	2,297,821
Net appreciation in fair value of investments		13,033,718
Total investment income	$	15,331,539
Less: Investment expenses		778,750
Net investment income	$	14,552,789
Total additions	$	18,581,691
Deductions		
Retirement and disability benefits	$	6,694,751
Refunds to members		101,668
Total deductions	$	6,796,419
Change in net position	$	11,785,272
Net position - beginning, as restated		112,485,136
Net position - ending	$	124,270,408

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

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 (until January 2014), 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.

Other Related Organizations not Included in these Financial Statements

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 will 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 will 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.

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.

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 Position, 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 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'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 2014.

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:

   Proprietary fund 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.

   Sewer Utility Fund:

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

   Water Utility Fund:

   The Water Utility 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

   The Transportation 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 (Trust and Agency 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. Fiduciary 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 Pension Trust Fund:

The City Supplemental Pension Trust Fund accounts for pension funds for the City's full time general employees.

City Firefighters, Policemen and Policewomen Pension Trust Fund:

The City Firefighters, Policemen and Policewomen Pension Trust 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 position.

The government-wide Statement of Net Position 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 Position or on the Statement of Fiduciary Net Position. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net position.

The Statement of Net Position, 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 and represent project-length budgets. 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 $31,913,526 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 commit 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. Encumbrances totaled $381,377 for the General Fund as of June 30, 2014.

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, 2014 as follows:

Fund	Appropriations	Actual	Variance
General Fund			
City clerk	$ 157,394	$ 168,130	$ (10,736)
Treasurer	584,564	619,191	(34,627)
Commisioner of revenue	996,438	1,004,439	(8,001)
Community relations	124,144	128,557	(4,413)
Finance and accounting	608,432	621,482	(13,050)
Real estate assessment	516,698	536,910	(20,212)
Marketing	145,635	147,196	(1,561)
Retirement	92,000	104,900	(12,900)
Joint court service	727,025	754,941	(27,916)
Jail and custody services	1,233,289	1,587,831	(354,542)
Police services	3,469,022	3,587,559	(118,537)
Fire and rescue suppression	9,799,464	9,845,298	(45,834)
Concrete maintenance	819,802	844,852	(25,050)
Snow and ice removal	428,990	458,486	(29,496)
Storm drainage	758,829	880,301	(121,472)
Highways, lighting, and signals	2,113,516	2,144,310	(30,794)
Refuse collection	2,477,670	2,595,182	(117,512)
Building maintenance	1,168,400	1,183,528	(15,128)
Regional agencies	165,511	207,506	(41,995)
Human services coordinator	108,714	115,760	(7,046)
Recreation - administration	2,102,204	2,183,150	(80,946)
Parks and ball field maintenance	1,108,917	1,201,393	(92,476)
Recreation - historic resources	590,299	600,106	(9,807)
Principal retirement	8,413,681	8,656,156	(242,475)

F. Cash and Cash Equivalents

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.

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

F. Cash and Cash Equivalents: (Continued)

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.

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 $576,025 at June 30, 2014 and is comprised of the following:

General Fund-Property taxes	$	385,537
Sewer Utility Fund		16,355
Water Utility Fund		174,133
Total	$	576,025

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

H. Receivables and Payables: (Continued)

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 unavailable 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 are removed from the accounts.

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.

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

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. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has one type of item that qualifies for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30, 2nd half installments levied during the fiscal year but due after June 30th, and amounts prepaid on the 2nd half installments and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, 2nd half installments levied during the fiscal year but due after June 30th and amounts prepaid on the 2nd half installments are reported as deferred inflows of resources.

L. Long-term Obligations

In the government-wide financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. 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, 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.

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

M. 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.

N. Net Position

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

O. Net Position Flow Assumption

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

P. 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 Position, 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 position of the City. The corresponding capital assets are reported as assets of the Component Unit-School Board (title holder), thereby increasing its net position.

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.

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

Q. 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.

R. Fund Equity

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

- Nonspendable fund balance – amounts that are not in spendable form (such as inventory and prepaids) or are required to be maintained intact (corpus of a permanent fund);

- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;

- Committed fund balance – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;

- Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;

- Unassigned fund balance – amounts that are available for any purpose; positive amounts are only reported in the general fund.

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

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

R. Fund Equity: (Continued)

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). In accordance with City policy 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).

	General Fund	General Capital Projects Fund	Old Town Fairfax Fund	Other Governmental Funds	Total
Fund Balances:					
Nonspendable:					
Inventory	$ 760,814	$ -	$ -	$ -	$ 760,814
Prepaids	32,857	-	-	-	32,857
Total Nonspendable Fund Balance	$ 793,671	$ -	$ -	$ -	$ 793,671
Restricted:					
Grants	$ 201,935	$ -	$ -	$ -	$ 201,935
Legacy for fairfax donations	-	-	-	514,198	514,198
Other purposes	28,736	-	-	-	28,736
Total Restricted Fund Balance	$ 230,671	$ -	$ -	$ 514,198	$ 744,869
Committed:					
Storm drainage	$ -	$ -	$ -	$ 143,699	$ 143,699
Streets	-	-	-	-	-
Roads projects	-	2,143,625	-	-	2,143,625
Energy upgrades	-	1,239,823	-	-	1,239,823
Old town square	-	-	4,007,787	-	4,007,787
Total Committed Fund Balance	$ -	$ 3,383,448	$ 4,007,787	$ 143,699	$ 7,534,934
Assigned:					
Equipment replacement/maintenance	$ 66,489	$ -	$ -	$ -	$ 66,489
Contract services	301,111	-	-	-	301,111
Capital projects	-	3,890,128	1,408,304	5,490,390	10,788,822
Other purposes	13,777	-	-	-	13,777
Total Assigned Fund Balance	$ 381,377	$ 3,890,128	$ 1,408,304	$ 5,490,390	$ 11,170,199
Unassigned Fund Balance	$ 15,130,848	$ -	$ -	$ -	$ 15,130,848
Total Fund Balances	$ 16,536,567	$ 7,273,576	$ 5,416,091	$ 6,148,287	$ 35,374,521

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.

Investment Policy

State statutes and the City's investment 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.

NOTE 2—DEPOSITS AND INVESTMENTS: (CONTINUED)

Investment Policy (Continued)

- 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.

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 of Debt Securities

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
Local Government Investment Pool	$ 41,503,285
SNAP	25,150,563
Total	$ 66,653,848

The State Non-arbitrage Pool (SNAP) is an open-end management investment company registered with the Securities and Exchange Commission. The fair value of the positions in the external investment pools (Local Government Investment Pool and State Non-Arbitrage Pool) is the same as the value of the pool shares. As LGIP is not SEC registered regulatory oversight of the pool rests with the Virginia State Treasury. LGIP maintains a policy to operate in a manner consistent with SEC Rule 2a-7.

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, 2014 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.

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

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, 2014 for the government's individual major and nonmajor funds, including the applicable allowances for uncollectible accounts, are as follows:

Primary Government

	General Fund	Sewer Utility Fund	Water Utility Fund	Totals
Property taxes	$ 31,062,305	$ -	$ -	$ 31,062,305
Trade and other accounts	1,453,706	841,805	184,005	2,479,516
Gross receivables	$ 32,516,011	$ 841,805	$ 184,005	$ 33,541,821
Less allowance for uncollectible accounts	385,537	16,355	174,133	576,025
Net receivables	$ 32,130,474	$ 825,450	$ 9,872	$ 32,965,796

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

Governmental funds report deferred/unavailable/unearned 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/unavailable revenue and unearned revenue reported in the primary governmental funds were as follows:

	Unavailable/Unearned	
	Governmental Activities	Governmental Funds
Property taxes receivable	$ 29,223,062	$ 30,161,190
Prepaid property taxes	266,142	266,142
Other	995,063	995,063
Total	$ 30,484,267	$ 31,422,395

Amounts due from other governments include the following:

	Governmental Activities			Business-Type Activities		
	General	General Capital Projects Fund	Commercial Transportation Fund	Transportation Fund	Total Primary Government	Component Unit School Board
Commonwealth of Virginia:						
Local sales tax	$ 1,408,940	$ -	$ -	$ -	$ 1,408,940	$ -
Communication sales tax	385,264	-	-	-	385,264	-
State sales tax	-	-	-	-	-	514,188
Other	128,439	96,662	-	-	225,101	173,821
Federal government	105,914	2,855,397	330,043	-	3,291,354	-
County of Fairfax	-	-	-	-	-	1,078,512
Northern Virginia Transportation Commission	-	-	-	304,171	304,171	-
District Court	17,716	-	-	-	17,716	-
Total	$ 2,046,273	$ 2,952,059	$ 330,043	$ 304,171	$ 5,632,546	$ 1,766,521

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, 2014 are as follows:

Component Unit / Fund	Due From	Due To
Economic Development Authority	$ -	$ 847,857
School Board	-	1,721,746
General Fund	2,409,603	-
General Capital Projects	160,000	-
Total	$ 2,569,603	$ 2,569,603

A summary of interfund transfer activity is presented as follows:

	Transfers In	Transfers Out
General Fund	$ -	$ 11,472,406
Capital Projects Fund	9,158,275	-
Old Town Fairfax Fund	186,970	-
Commercial Transportation Tax Fund	2,336,648	1,275,000
Stormwater Fund	1,074,761	-
Sewer Utility Fund	-	29,325
Water Utility Fund	29,325	1,284,248
Transportation Fund	1,275,000	-
Totals	$ 14,060,979	$ 14,060,979

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, 2014 the City has inventory recorded in the various funds as follows:

	Governmental Funds	Component Unit Economic Development Authority
Expendable supplies / materials	$ 760,814	$ -
Land and building inventory held for resale	-	862,594
Totals	$ 760,814	$ 862,594

NOTE 6—CAPITAL ASSETS:

The following is a summary of capital asset activity for the year ended June 30, 2014:

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
Primary Government:				
Governmental Activities:				
Capital assets, not being depreciated:				
Land	$ 40,168,089	$ 3,170,268	$ 1,255,267	$ 42,083,090
Construction in progress-jointly owned assets	75,000	-	75,000	-
Construction in progress	31,429,010	4,372,622	25,775,373	10,026,259
Total capital assets, not being depreciated	$ 71,672,099	$ 7,542,890	$ 27,105,640	$ 52,109,349
Capital assets being depreciated:				
Buildings and improvements	$ 51,352,875	$ 2,064,206	$ 676,065	$ 52,741,016
Machinery and equipment	23,954,378	931,664	537,027	24,349,015
Jointly owned assets	86,996,960	75,000	3,516,210	83,555,750
Infrastructure	26,140,969	22,085,223	-	48,226,192
Total capital assets being depreciated	$ 188,445,182	$ 25,156,093	$ 4,729,302	$ 208,871,973
Accumulated depreciation:				
Buildings and improvements	$ 11,605,195	$ 1,305,794	$ 459,725	$ 12,451,264
Machinery and equipment	14,448,357	1,538,262	497,534	15,489,085
Jointly owned assets	11,864,276	2,876,204	1,040,559	13,699,921
Infrastructure	17,435,288	287,977	-	17,723,265
Total accumulated depreciation	$ 55,353,116	$ 6,008,237	$ 1,997,818	$ 59,363,535
Total capital assets being depreciated, net	$ 133,092,066	$ 19,147,856	$ 2,731,484	$ 149,508,438
Governmental activities capital assets, net	$ 204,764,165	$ 26,690,746	$ 29,837,124	$ 201,617,787
Business-type Activities:				
Sewer Utility Fund:				
Capital assets, not being depreciated:				
Land and land improvements	$ 17,583	$ -	$ -	$ 17,583
Construction in Progress	264,521	240,656	21,589	483,588
Total capital assets, not being depreciated	$ 282,104	$ 240,656	$ 21,589	$ 501,171
Capital assets being depreciated:				
Buildings and improvements	$ 1,264,570	$ -	$ -	$ 1,264,570
Machinery and equipment	1,343,981	605,990	-	1,949,971
Intangibles	13,274,981	2,210,018	-	15,484,999
Infrastructure	8,228,775	-	-	8,228,775
Total capital assets being depreciated, net	$ 24,112,307	$ 2,816,008	$ -	$ 26,928,315
Accumulated depreciation:				
Buildings and improvements	$ 153,539	$ 25,291	$ -	$ 178,830
Machinery and equipment	880,612	436,492	-	1,317,104
Intangibles	3,399,386	179,600	-	3,578,986
Infrastructure	5,044,198	136,955	-	5,181,153
Total accumulated depreciation	$ 9,477,735	$ 778,338	$ -	$ 10,256,073
Total capital assets being depreciated, net	$ 14,634,572	$ 2,037,670	$ -	$ 16,672,242
Net capital assets	$ 14,916,676	$ 2,278,326	$ 21,589	$ 17,173,413

NOTE 6—CAPITAL ASSETS: (CONTINUED)

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
Water Utility Fund:				
Capital assets, not being depreciated:				
Land and improvements	$ 645,615	$ -	$ 645,615	$ -
Construction in Progress	5,294,727	917,679	6,212,406	-
Total capital assets not being depreciated	$ 5,940,342	$ 917,679	$ 6,858,021	$ -
Capital assets being depreciated:				
Buildings and improvements	$ 29,541,627	$ -	$ 29,541,627	$ -
Machinery and equipment	2,567,310	-	2,567,310	-
Infrastructure	20,266,165	-	20,266,165	-
Total capital assets being depreciated	$ 52,375,102	$ -	$ 52,375,102	$ -
Accumulated depreciation:				
Buildings and improvements	$ 22,112,623	$ 275,366	$ 22,387,989	$ -
Machinery and equipment	2,089,899	20,802	2,110,701	-
Infrastructure	11,269,176	136,307	11,405,483	-
Total accumulated depreciation	$ 35,471,698	$ 432,475	$ 35,904,173	$ -
Total capital assets being depreciated, net	$ 16,903,404	$ (432,475)	$ 16,470,929	$ -
Net capital assets	$ 22,843,746	$ 485,204	$ 23,328,950	$ -
Transportation Fund:				
Capital assets being depreciated:				
Buildings and improvements	$ 226,958	$ -	$ -	$ 226,958
Machinery and equipment	2,249,539	-	-	2,249,539
Total capital assets being depreciated	$ 2,476,497	$ -	$ -	$ 2,476,497
Accumulated depreciation:				
Buildings and improvements	$ 40,852	$ 4,539	$ -	$ 45,391
Machinery and equipment	2,072,014	36,465	-	2,108,479
Total accumulated depreciation	$ 2,112,866	$ 41,004	$ -	$ 2,153,870
Total capital assets being depreciated, net	$ 363,631	$ (41,004)	$ -	$ 322,627
Net capital assets	$ 363,631	$ (41,004)	$ -	$ 322,627

NOTE 6—CAPITAL ASSETS: (CONTINUED)

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
Discretely Presented Component Unit-School Board:				
Capital assets, not being depreciated:				
Land	$ 1,381,115	$ -	$ -	$ 1,381,115
Construction in progress	24,644	-	24,644	-
Total capital assets, not being depreciated	$ 1,405,759	$ -	$ 24,644	$ 1,381,115
Capital assets being depreciated:				
Buildings and improvements	$ 29,455,338	$ 3,721,375	$ -	$ 33,176,713
Machinery and equipment	1,481,736	-	17,174	1,464,562
Total capital assets being depreciated	$ 30,937,074	$ 3,721,375	$ 17,174	$ 34,641,275
Accumulated depreciation:				
Buildings and improvements	$ 22,855,450	$ 4,814,778	$ -	$ 27,670,228
Machinery and equipment	701,168	101,142	17,174	785,136
Total accumulated depreciation	$ 23,556,618	$ 4,915,920	$ 17,174	$ 28,455,364
Total capital assets being depreciated, net	$ 7,380,456	$ (1,194,545)	$ -	$ 6,185,911
School Board capital assets, net	$ 8,786,215	$ (1,194,545)	$ 24,644	$ 7,567,026

NOTE 6—CAPITAL ASSETS: (CONTINUED)

Depreciation expense was charged to functions / programs as follows:

Primary government:		
Governmental activities:		
General government administration	$ 571,761	
Public safety	615,801	
Public works	1,291,648	
Education	2,876,204	
Parks, recreation and cultural	652,823	
Total governmental activities	$ 6,008,237	
Business-type activities:		
Water utility	$ 432,475	
Sewer utility	778,338	
Transportation	41,004	
Total business-type activities	$ 1,251,817	
Component Unit-School Board:	$ 3,875,361	(1)
Education		
(1) Depreciation expense	$ 3,875,361	
Accumulated depreciation on Joint tenancy transfer	1,040,559	
Total increase in accumulated depreciation, page 62	$ 4,915,920	

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, 2014:

	Balance at June 30, 2013	Issuances/ Increases	Retirements/ Decreases	Balance at June 30, 2014	Amounts Due Within One Year
Governmental Activities:					
General obligation bonds	$ 100,382,000	$ -	$ 4,399,000	$ 95,983,000	$ 4,528,000
Lease revenue bonds	32,045,000	-	910,000	31,135,000	940,000
Public Improvement COPS	15,095,100	-	2,522,000	12,573,100	1,647,300
Notes payable	8,316,732	7,250,000	8,316,732	7,250,000	-
Capital leases	1,608,324	3,008,450	660,494	3,956,280	724,187
Compensated absences	2,619,411	303,658	523,882	2,399,187	479,837
Net OPEB obligation	3,363,689	1,011,856	408,512	3,967,033	-
Premiums on bonds payable	8,873,774	-	543,798	8,329,976	543,798
Total	$ 172,304,030	$ 11,573,964	$ 18,284,418	$ 165,593,576	$ 8,863,122
Enterprise Funds:					
Sewer Utility Fund:					
Lease revenue bonds	$ 12,521,600	$ 15,457,400	$ 3,899,000	$ 24,080,000	$ 485,000
Premium on bonds payable	335,390	298,533	11,978	621,945	23,035
Net OPEB obligation	105,842	-	-	105,842	-
Compensated absences	86,937	6,002	52,928	40,011	1,905
Total	$ 13,049,769	$ 15,761,935	$ 3,963,906	$ 24,847,798	$ 509,940
Water Utility Fund:					
Lease revenue bonds	$ 15,657,400	$ 19,635,079	$ 15,657,400	$ 19,635,079	$ 19,635,079
Premium on bonds payable	309,590	-	309,590	-	-
Net OPEB obligation	312,016	-	312,016	-	-
Compensated absences	167,413	15,006	182,419	-	-
Total	$ 16,446,419	$ 19,650,085	$ 16,461,425	$ 19,635,079	$ 19,635,079
Transportation Fund:					
Net OPEB obligation	$ 259,692	$ 67,457	$ 27,234	$ 299,915	$ -
Compensated absences	131,097	14,504	14,046	131,555	15,313
Total	$ 390,789	$ 81,961	$ 41,280	$ 431,470	$ 15,313
Total Enterprise Funds	$ 29,886,977	$ 35,493,981	$ 20,466,611	$ 44,914,347	$ 20,160,332
Discretely Presented Component Units:					
School Board:					
Compensated absences	$ 23,289	$ 13,390	$ 2,329	$ 34,350	$ 3,435
Economic Development Authority:					
Notes Payable	$ 884,614	$ -	$ 638,167	$ 246,447	$ 246,447

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

NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)

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

	Governmental Activities Obligations									
Year Ending	General Obligation Bonds		Public Facility Lease Revenue Bonds		COPS		Notes Payable		Capital Leases	
June 30,	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2015	$ 4,528,000	$ 3,296,901	$ 940,000	$ 1,500,881	$ 1,647,300	$ 362,128	$ -	$ 126,400	$ 724,187	$ 75,349
2016	4,691,000	3,053,376	990,000	1,454,225	791,000	332,577	500,000	163,438	722,567	61,194
2017	4,826,000	2,874,066	1,040,000	1,406,856	816,100	307,847	510,000	151,879	442,990	48,504
2018	4,920,000	2,714,680	1,090,000	1,356,925	841,400	282,367	520,000	140,093	452,673	42,177
2019	3,714,000	2,549,199	1,145,000	1,301,378	3,772,300	295,790	535,000	128,017	313,363	35,670
2020	4,293,000	2,430,850	1,200,000	1,243,012	4,705,000	72,928	545,000	115,650	99,310	30,620
2021	4,492,000	2,234,511	1,265,000	1,179,847	-	-	560,000	102,993	105,400	28,200
2022	4,172,000	2,056,089	1,325,000	1,119,403	-	-	570,000	90,046	111,750	25,632
2023	4,322,000	1,906,115	1,390,000	1,057,856	-	-	585,000	76,809	118,380	22,911
2024	2,999,000	1,752,322	1,455,000	987,053	-	-	595,000	63,280	125,280	20,029
2025	3,123,000	1,636,831	1,535,000	910,434	-	-	615,000	49,410	132,470	16,979
2026	3,242,000	1,542,930	1,615,000	829,716	-	-	325,000	38,347	139,960	13,755
2027	3,357,000	1,419,078	1,695,000	749,947	-	-	335,000	30,196	147,760	10,350
2028	3,584,000	1,330,996	1,775,000	671,428	-	-	345,000	21,798	155,870	6,755
2029	3,676,000	1,233,153	1,855,000	589,309	-	-	350,000	13,215	164,320	2,964
2030	3,779,000	1,132,798	1,945,000	497,484	-	-	360,000	4,444	-	-
2031	4,515,000	1,029,631	2,050,000	395,113	-	-	-	-	-	-
2032	4,700,000	849,031	2,160,000	287,231	-	-	-	-	-	-
2033	4,845,000	708,031	2,275,000	173,585	-	-	-	-	-	-
2034	4,980,000	562,681	2,390,000	57,645	-	-	-	-	-	-
2035	5,140,000	413,281	-	-	-	-	-	-	-	-
2036	5,295,000	252,656	-	-	-	-	-	-	-	-
2037	2,790,000	87,188	-	-	-	-	-	-	-	-
Total	$ 95,983,000	$ 37,066,394	$ 31,135,000	$ 17,769,328	$ 12,573,100	$ 1,653,637	$ 7,250,000	$ 1,316,015	$ 3,956,280	$ 441,089

NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)

Details of Long-Term Obligations:

Primary Government: (Continued)

Governmental Activities:

General Obligation Bonds:	
$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%	$ 970,000
$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%	5,180,000
$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%	990,000
$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%	30,840,000
$3,415,000 refunding bonds issued November 10, 2011 due in semi-annual maturities of $15,000 to $1,525,000 beginning January 15, 2012 through July 15, 2024, plus interest at 2.18%	3,320,000
$19,346,000 refunding bonds issued March 7, 2012 due in annual maturities of $139,000 to $3,779,000 through January 15, 2037, plus interest at 2.73%	18,998,000
$35,685,000 refunding bonds issued September 26, 2012 due in periodic maturities of $1,675,000 to $5,295,000 beginning January 15, 2013 through January 15, 2030, interest due semiannually ranging from 3.00% to 4.00%	35,685,000
Total General Obligation Bonds	$ 95,983,000
Lease Revenue Bonds:	
$33,105,000 lease revenue bonds dated June 2012, due in annual maturities of $910,000 to $2,390,000 beginning October 1, 2012 through October 1, 2033, interest at 2.125% to 5.125%	$ 31,135,000
Notes Payable:	
$7,250,000 financing lease agreement dated April 2014, due in annual maturities of $325,000 to $615,000 through August 1, 2029, interest payable semi-annually at 2.10% to 2.47%	$ 7,250,000

NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)

Details of Long-Term Obligations: (Continued)

Primary Government: (Continued)

Governmental Activities: (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%	$	880,000
$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%		4,391,100
$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%		7,302,000
Total Public Improvement Certificates of Participation	$	12,573,100
Capital Leases:		
$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%	$	246,660
$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%		17,816
$875,000 capital lease for financing the acquisition of equipment, due in annual maturities of $149,300 through January 2017, including interest at 1.07%		581,065
$146,395 capital lease for financing the acquisition of a dump truck, due in annual maturities of $30,032 through July 2015, including interest at 1.65%		58,609
$666,463 capital lease for financing the acquisition of equipment, due in annual maturities of $135,649 through July 2015, including interest at 1.235%		266,353
$1,300,000 capital lease for financing the acquisition of equipment, due in annual maturities of $222,673 through July 2018, including interest at 1.26%		1,077,327
$1,708,450 capital lease for financing energy efficient improvements, due in various semi-annual maturities through January 2029, including interest at 2.40%		1,708,450
Total Capital Leases	$	3,956,280
Compensated absences	$	2,399,187
Net OPEB obligation	$	3,967,033
Premium on bonds payable	$	8,329,976
Total governmental activities	$	165,593,576

NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)

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

Year Ending June 30,	Enterprise Funds			
	Lease Revenue Bonds		Note Payable	
	Principal	Interest	Principal	Interest
2015	$ 485,000	$ 1,379,189	$ 19,635,079	$ -
2016	510,000	1,356,494	-	-
2017	535,000	1,331,949	-	-
2018	565,000	1,305,224	-	-
2019	595,000	1,275,064	-	-
2020	625,000	1,243,344	-	-
2021	660,000	1,209,934	-	-
2022	685,000	1,176,552	-	-
2023	705,000	1,142,904	-	-
2024	730,000	1,106,770	-	-
2025	755,000	1,068,073	-	-
2026	785,000	1,026,710	-	-
2027	815,000	980,721	-	-
2028	850,000	930,437	-	-
2029	880,000	878,189	-	-
2030	920,000	823,829	-	-
2031	955,000	767,197	-	-
2032	995,000	707,797	-	-
2033	1,035,000	645,474	-	-
2034	1,080,000	580,542	-	-
2035	1,125,000	512,852	-	-
2036	1,170,000	442,392	-	-
2037	1,220,000	369,012	-	-
2038	1,270,000	292,574	-	-
2039	1,320,000	213,066	-	-
2040	1,375,000	130,325	-	-
2041	1,435,000	44,053	-	-
Total	$ 24,080,000	$ 22,940,667	$ 19,635,079	$ -

Details of Long-Term Obligations:

Water Utility Fund:
Note Payable:

$19,635,079 note payable issued January 2014, interest payable at 3.00% starting five years after the commencement date, paid off early subsequent to June 30, 2014	$ 19,635,079

Sewer Utility Fund:
Lease Revenue Bonds:

$24,080,000 lease revenue bonds issued November 2010, due in annual maturities ranging from $485,000 to $1,435,000 through October 2040, plus interest ranging from 1.245% to 6.142%	$ 24,080,000

NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)

Component Unit—Economic Development Authority

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

Year Ending June 30,	Notes Payable Principal	Notes Payable Interest
2015	$ 246,447	$ 6,311
Total	$ 246,447	$ 6,311

Details of Long-Term Debt Obligations

$2,000,000 note payable issued October 2004, due in various installments through July 15, 2014, with semi-annual interest payments at 5.04%	$ 246,447
	$ 246,447

NOTE 8—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 and Cost-Sharing Multiple-Employer Pension Plan
Administering Entity: Virginia Retirement System (System)

All full-time, salaried permanent (professional) employees of public school divisions and employees of participating employers are automatically covered by VRS upon employment. Members earn one month of service credit for each month they are employed and they and their employer are paying contributions to VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as service credit in their plan.

NOTE 8—PENSION PLANS: (CONTINUED)

A. Plan Description (Continued)

Within the VRS Plan, the System administers three different benefit plans for local government employees – Plan 1, Plan 2, and, Hybrid. Each plan has different eligibility and benefit structures as set out below:

VRS – PLAN 1

1. **Plan Overview** - VRS Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.

2. **Eligible Members** - Employees are in VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.

3. **Hybrid Opt-In Election** - VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

   The Hybrid Retirement Plan's effective date for eligible VRS Plan 1 members who opted in was July 1, 2014.

   If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

   Members who were eligible for an optional retirement plan (ORP) and had prior service under VRS Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 1 or ORP.

4. **Retirement Contributions** - Members contribute up to 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some school divisions and political subdivisions elected to phase in the required 5% member contribution; all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.

5. **Creditable Service** - Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

NOTE 8—PENSION PLANS: (CONTINUED)

A. Plan Description (Continued)

VRS – PLAN 1 (CONTINUED)

6. **Vesting** - Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.

   Members are always 100% vested in the contributions that they make.

7. **Calculating the Benefit** - The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.

   An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.

8. **Average Final Compensation** - A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.

9. **Service Retirement Multiplier** - The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.7%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.7% or 1.85% as elected by the employer.

10. **Normal Retirement Age -** Age 65.

11. **Earliest Unreduced Retirement Eligibility** - Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit at age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.

    Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.

12. **Earliest Reduced Retirement Eligibility** - Members may retire with a reduced benefit as early as age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.

13. **Cost-of-Living Adjustment (COLA) in Retirement** - The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.

NOTE 8—PENSION PLANS: (CONTINUED)

A. Plan Description (Continued)

VRS – PLAN 1 (CONTINUED)

14. **Eligibility -** For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.

    For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.

15. **Exceptions to COLA Effective Dates** - The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:

    - The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.
    - The member retires on disability.
    - The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).
    - The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.
    - The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.

16. **Disability Coverage** - Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.

    Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

    VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

17. **Purchase of Prior Service** - Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.

NOTE 8—PENSION PLANS: (CONTINUED)

A. Plan Description (Continued)

VRS – PLAN 2

1. **Plan Overview** - VRS Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.

2. **Eligible Members** - Employees are in VRS Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.

3. **Hybrid Opt-In Election** - VRS Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

   The Hybrid Retirement Plan's effective date for eligible VRS Plan 2 members who opted in was July 1, 2014.

   If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

   Members who were eligible for an optional retirement plan (ORP) and have prior service under VRS Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 2 or ORP.

4. **Retirement Contributions** – Same as VRS Plan 1–Refer to Section 4.

5. **Creditable Service** – Same as VRS Plan 1– Refer to Section 5.

6. **Vesting** – Same as VRS Plan 1–Refer to Section 6.

7. **Calculating the Benefit** – Same as VRS Plan 1–Refer to Section 7.

8. **Average Final Compensation -** A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.

9. **Service Retirement Multiplier -** Same as Plan1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.

10. **Normal Retirement Age -** Normal Social Security retirement age.

11. **Earliest Unreduced Retirement Eligibility -** Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.

    Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.

NOTE 8—PENSION PLANS: (CONTINUED)

A. Plan Description (Continued)

VRS – PLAN 2 (CONTINUED)

12. **Earliest Reduced Retirement Eligibility -** Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.

13. **Cost-of-Living Adjustment (COLA) in Retirement -** The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.

14. **Eligibility** – Same as VRS Plan 1–Refer to Section 14.

15. **Exceptions to COLA Effective Dates** – Same as VRS Plan 1–Refer to Section 15.

16. **Disability Coverage** - Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.

    Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

    VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

17. **Purchase of Prior Service** – Same as VRS Plan 1–Refer to Section 17.

HYBRID RETIREMENT PLAN

1. **Plan Overview** - The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as VRS Plan 1 and VRS Plan 2 members who were eligible and opted into the plan during a special election window. (See “Eligible Members”)

    - The defined benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula.

    - The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.

    - In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

NOTE 8—PENSION PLANS: (CONTINUED)

A. Plan Description (Continued)

HYBRID RETIREMENT PLAN (CONTINUED)

2. **Eligible Members** - Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:

   - State employees*
   - School division employees
   - Political subdivision employees*
   - Judges appointed or elected to an original term on or after January 1, 2014
   - Members in VRS Plan 1 or VRS Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014

3. ***Non-Eligible Members** - Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:

   - Members of the State Police Officers' Retirement System (SPORS)
   - Members of the Virginia Law Officers' Retirement System (VaLORS)
   - Political subdivision employees who are covered by enhanced benefits for hazardous duty employees

   Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under VRS Plan 1 or VRS Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select VRS Plan 1 or VRS Plan 2 (as applicable) or ORP.

4. **Retirement Contributions** - A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.

NOTE 8—PENSION PLANS: (CONTINUED)

A. Plan Description (Continued)

HYBRID RETIREMENT PLAN (CONTINUED)

5. Creditable Service

Defined Benefit Component - Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

Defined Contribution Component - Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.

6. Vesting

Defined Benefit Component - Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. VRS Plan 1 or VRS Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.

Defined Contribution Component - Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.

Members are always 100% vested in the contributions that they make.

Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.

- After two years, a member is 50% vested and may withdraw 50% of employer contributions.
- After three years, a member is 75% vested and may withdraw 75% of employer contributions.
- After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.

Distribution is not required by law until age 70½.

NOTE 8—PENSION PLANS: (CONTINUED)

A. Plan Description (Continued)

HYBRID RETIREMENT PLAN (CONTINUED)

7. Calculating the Benefit

Defined Benefit Component – Same as VRS Plan 1–Refer to Section 7.

Defined Contribution Component - The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.

8. Average Final Compensation – Same as VRS Plan 2–Refer to Section 8. It is used in the retirement formula for the defined benefit component of the plan.

9. Service Retirement Multiplier - The retirement multiplier is 1.0%.

For members that opted into the Hybrid Retirement Plan from VRS Plan 1 or VRS Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

10. Normal Retirement Age

Defined Benefit Component – Same as VRS Plan 2–Refer to Section 10.

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

11. Earliest Unreduced Retirement Eligibility

Defined Benefit Component - Members are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

12. Earliest Reduced Retirement Eligibility

Defined Benefit Component - Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

NOTE 8—PENSION PLANS: (CONTINUED)

A. Plan Description (Continued)

HYBRID RETIREMENT PLAN (CONTINUED)

13. Cost-of-Living Adjustment (COLA) in Retirement

Defined Benefit Component – Same as VRS Plan 2–Refer to Section 13.

Defined Contribution Component – Not Applicable.

14. Eligibility – Same as VRS Plan 1 and VRS Plan 2–Refer to Section 14.

15. Exceptions to COLA Effective Dates – Same as VRS Plan 1 and VRS Plan 2–Refer to Section 15.

16. Disability Coverage - Eligible political subdivision and school division members (including VRS Plan 1 and VRS Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.

State employees (including VRS Plan 1 and VRS Plan 2 opt-ins) participating in the Hybrid Retirement Plan are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

Hybrid members (including VRS Plan 1 and VRS Plan 2 opt-ins) covered under VSDP or VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

17. Purchase of Prior Service

Defined Benefit Component - Same as VRS Plan 1 and VRS Plan 2–Refer to Section 17.

Defined Contribution Component – Not Applicable.

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS website at http://www.varetire.org/Pdf/Publications/2013-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. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee paid member contribution. 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 Board's professional employee contribution rates for the fiscal year ended 2014 were 12.54% and 11.66% of annual covered payroll, respectively.

NOTE 8—PENSION PLANS: (CONTINUED)

C. Annual Pension Cost

For fiscal year 2014, the City's annual pension cost of $3,425,447 was equal to the City's required and actual contributions.

Three-year Trend information for the City

Fiscal Year Ending	Annual Pension Cost (APC) (1)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2014	$ 3,425,447	100%	$ -
June 30, 2013	3,506,890	100%	-
June 30, 2012	2,594,574	100%	-

(1) Employer portion only

For fiscal year 2014, the School Board's annual pension cost for the Board's professional employees was $10,923 which was equal to the School Board's required and actual contributions.

Three-year Trend information for the School Board:

Fiscal Year Ending	Annual Pension Cost (APC) (1)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2014	$ 10,923	100%	$ -
June 30, 2013	12,673	100%	-
June 30, 2012	4,867	100%	-

(1) Employer portion only

The FY2014 required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) an investment rate of return (net of administrative expenses) of 7.00%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees 3.75% to 6.20% for teachers 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 for Plan 1 employees and 2.25% for Plan 2 employees. 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 payrolls on an open basis. The remaining amortization period at June 30, 2011 was 30 years.

NOTE 8—PENSION PLANS: (CONTINUED)

D. Funded Status and Funding Progress

As of June 30, 2013, the most recent actuarial valuation date, the City's plan was 64.68% funded. The actuarial accrued liability for benefits was $137,855,267, and the actuarial value of assets was $89,171,504, resulting in an unfunded actuarial accrued liability (UAAL) of $48,683,763. The covered payroll (annual payroll of active employees covered by the plan) was $28,064,587, and ratio of the UAAL to the covered payroll was 173.47%.

The schedule of funding progress, presented as Required Supplementary Information (RSI) 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. There were no separate financial statements for the plans.

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.

NOTE 8—PENSION PLANS: (CONTINUED)

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

Significant Accounting Policies: (Continued)

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, 2014, plan assets were comprised of cash and cash equivalents, 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 position as of June 30, 2014 are separately identified.

Investments at Fair Value as Determined by Quoted Market Prices	
Mutual Funds:	
GMO Foreign Fund	$ 16,114,260
Wellington	27,739,838
GMO Strategic Opportunities	15,029,816
Putnam Total Return	18,986,805
Other Investments Individually Less than 5% of Plan Assets	44,384,775
Total	$ 122,255,494

NOTE 8—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:

	City Supplemental Retirement Plan	City Firefighters, Policemen and Policewomen
Contribution rate: (2013)		
City	3.52%	7.85%
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 (2013) (1)	$578,147	$818,112
Contributions made (2013) (1)	$578,147	$818,112
Actuarial valuation date	June 30, 2013	June 30, 2013
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 **	6.75%	6.75%
Projected salary increases **	4.0% - 8.5%	4.0% - 8.5%
** Includes wage inflation of cost of living adjustments	3.5% 2.8% compound	3.5% 2.8% compound

(1) Employer portion only

NOTE 8—PENSION PLANS: (CONTINUED)

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

Trend Information

	Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
City Supplemental Retirement Plan	2008	$ -	100%	$ -
	2009	-	100%	-
	2010	-	100%	-
	2011	276,502	100%	-
	2012	298,073	100%	-
	2013	578,147	100%	-
City Firefighters, Policemen and Policewomen	2008	$ 471,789	100%	$ -
	2009	356,692	100%	-
	2010	365,744	100%	-
	2011	421,734	100%	-
	2012	722,639	100%	-
	2013	818,112	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, 2014 is as follows:

	City Supplemental Retirement Plan	City Firefighters, Policemen and Policewomen Plan
Retirees and beneficiaries	$ 181	$ 95
Terminated vested members	27	7
Active members	279	137
Total	$ 487	$ 239

NOTE 8—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			
Cash and cash equivalents	$ 935,767	$ 1,045,782	$ 1,981,549
Mutual funds	44,850,914	50,124,004	94,974,918
Stocks	12,882,967	14,397,609	27,280,576
Accrued interest	15,756	17,609	33,365
Total assets	$ 58,685,404	$ 65,585,004	$ 124,270,408
Net Position			
Held in trust for pension benefits	$ 58,685,404	$ 65,585,004	$ 124,270,408
Additions			
Plan members contributions	$ 1,412,995	$ 2,615,907	$ 4,028,902
Investment income:			
Interest and dividends earned on investments	$ 1,102,954	$ 1,194,867	$ 2,297,821
Net appreciation in fair value of investments	6,256,185	6,777,533	13,033,718
Total investment income	$ 7,359,139	$ 7,972,400	$ 15,331,539
Less: Investment expenses	373,800	404,950	778,750
Net investment income	$ 6,985,339	$ 7,567,450	$ 14,552,789
Total additions	$ 8,398,334	$ 10,183,357	$ 18,581,691
Deductions			
Retirement and disability benefits	$ 3,452,441	$ 3,242,310	$ 6,694,751
Refunds to members	65,471	36,197	101,668
Total deductions	$ 3,517,912	$ 3,278,507	$ 6,796,419
Change in net position	$ 4,880,422	$ 6,904,850	$ 11,785,272
Net position - beginning, as restated	53,804,982	58,680,154	112,485,136
Net position - ending	$ 58,685,404	$ 65,585,004	$ 124,270,408

Funded Status and Funding Progress

As of June 30, 2013, the most recent actuarial valuation date, the City Supplemental plan was 95.97% funded. The actuarial accrued liability for benefits was $55,860,000, and the actuarial value of assets was $53,610,000, resulting in an unfunded actuarial accrued liability (UAAL) of $2,250,000. The covered payroll (annual payroll of active employees covered by the plan) was $17,770,000, and ratio of the UAAL to the covered payroll was 12.66%.

NOTE 8—PENSION PLANS: (CONTINUED)

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

Funded Status and Funding Progress

As of June 30, 2013, the most recent actuarial valuation date, the City Firefighters, Policemen, and Policewomen Plan was 86.61% funded. The actuarial accrued liability for benefits was $67,190,000, and the actuarial value of assets was $58,190,000, resulting in an unfunded actuarial accrued liability (UAAL) of $9,000,000. The covered payroll (annual payroll of active employees covered by the plan) was $11,200,000, and ratio of the UAAL to the covered payroll was 80.36%.

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—PENSION REPORTING – GASB 67:

This disclosure applies to the Pension Plan itself and includes specific additional pension disclosures required by GASB 67 *Financial Reporting for Pension Plans* not already included in Note 8.

Plan Description

Plan administration. The City administers the City's Supplemental Retirement Plans - single-employer defined benefit pension plans that provide pensions for all full-time and permanent part-time employees of the City.

Investments

Investment policy. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the Plan Board by a majority vote of its members. It is the policy of the Plan Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The pension plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. As of June 30, 2014, the asset allocation policy was as follows:

Asset Class	Target Allocation
Large Cap Equities	20%
Small/Mid Cap Equities	5%
International Equities	12%
Emerging International Equities	8%
Core Bonds	10%
Unconstrained Bonds	10.0%
Global Asset Allocation	15.0%
Risk Parity	15.0%
Real Assets	5%
Total	100%

NOTE 9—PENSION REPORTING – GASB 67: (CONTINUED)

Investments: (Continued)

Rate of return. For the year ended June 30, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 14.5%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability of the City Plans

The components of the net pension liability of the City at June 30, 2014, were as follows:

	General	Public Safety	Total	
Total pension liability	$ 56,041,501	$ 68,329,508	$ 124,371,009	
Plan fiduciary net position	(58,685,404)	(65,585,004)	(124,270,408)	
Net pension liability	$ (2,643,903)	$ 2,744,504	$ 100,601	(1)
Plan fiduciary net position as a percentage of the total pension liability	104.72%	95.98%	99.92%	

(1) Note - Net Pension Liability is calculated for the Plan at June 30, 2014 as required by GASB 67; however, it will not be included as a liability of the City until the fiscal year ending June 30, 2015 when the City implements GASB 68.

Actuarial assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2013, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.50%
Salary increases	4.0% to 8.5% including inflation
Investment rate of return	6.75%

Mortality rates were based on the RP-2000 Healthy Annuitant Mortality Table for Non-disabled Males or Females, as appropriate.

NOTE 9—PENSION REPORTING – GASB 67: (CONTINUED)

Net Pension Liability of the City Plans: (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2014 (see the discussion of the pension plan's investment policy) are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return (1)
Large Cap Equities	7.75%
Small/Mid Cap Equities	8.00%
International Equities	8.25%
Emerging International Equities	9.50%
Core Bonds	4.46%
Unconstrained Bonds	5.84%
Global Asset Allocation (2)	7.66%
Risk Parity (2)	6.60%
Real Assets (2)	6.93%

(1) 30-year Geometric returns

(2) Manager specific assumptions using NEPC's 2014 capital market assumptions.

Discount rate. The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates at lesser equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the City Plans, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (5.75%) or 1 percentage-point higher (7.75%) than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
General Plan			
Net pension liability	$ 5,844,436	$ (2,643,903)	$ (7,351,839)
Public Safety Plan			
Net pension liability	$ 13,549,948	$ 2,744,504	$ (3,177,958)

NOTE 10—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.

Description		
Joint court service	$	683,622
Jail and custody services		1,498,706
Fire suppression		240,040
Health		1,107,494
Social services		994,789
Library services		744,224
Education		44,029,716
Refuse collection		413,553
County agent		40,068
Debt service judicial center		76,523
Sewage treatment		2,026,367
Total	$	51,855,102

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, 2014 will be decreased by $1,078,512. This amount has been recorded as a receivable and represents the final adjustment to fiscal year 2014 tuition cost.

NOTE 11—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 $720,000 for the fiscal year ended 2014.

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, 2014 was $2,084,307. These amounts were paid from the City's account at the Northern Virginia Transportation Commission ("NVTC").

NOTE 11—TRANSPORTATION CONTRACTS: (CONTINUED)

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, 2014, the balance designated for the City is $2,910,495. The NVTC received $3,648,520 and disbursed $2,878,754 on behalf of the City for the fiscal year ended June 30, 2014.

NOTE 12—MAJOR CUSTOMER:

The City of Fairfax has one major water customer and for the year ended June 30, 2014, water revenue from this customer was approximately $1,856,663.

NOTE 13—SURETY BONDS:

	Coverage
City Funds:	
VML Insurance Programs:	
Tom Scibilia, City Treasurer	$ 250,000
City Council and all employees	250,000
City of Fairfax School Board	250,000
State Funds:	
Tom Scibilia, 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.

NOTE 14—OTHER POSTEMPLOYMENT BENEFITS–HEALTH INSURANCE:

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.

NOTE 14—OTHER POSTEMPLOYMENT BENEFITS–HEALTH INSURANCE: (CONTINUED)

City: (Continued)

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	$ 1,053,523
Interest on net OPEB obligation	154,741
Adjustment to annual required contribution	(128,951)
Annual OPEB cost (expense)	$ 1,079,313
Write-off of Water OPEB	(312,016)
Contributions made	(435,746)
Increase in net OPEB obligation	$ 331,551
Net OPEB obligation-beginning of year	4,041,239
Net OPEB obligation-end of year	$ 4,372,790

D. 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 current and two preceding years are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2012	$ 1,281,360	37%	$ 3,344,543
June 30, 2013	1,101,098	37%	4,041,239
June 30, 2014	1,079,313	40%	4,372,790

NOTE 14—OTHER POSTEMPLOYMENT BENEFITS–HEALTH INSURANCE: (CONTINUED)

City: (Continued)

D. Funded Status and Funding Progress: (Continued)

The funded status of the plan as of June 30, 2012 is as follows:

Actuarial accrued liability (AAL)	$ 13,668,557
Actuarial value of plan assets	-
Unfunded actuarial accrued liability	13,668,557
Funded ratio (actuarial value of plan assets / AAL)	-
Covered payroll (active plan members)	25,901,110
UAAL as a percentage of covered payroll	52.77%

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.

E. Actuarial Methods and Assumptions

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

Cost Method

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.

NOTE 14—OTHER POSTEMPLOYMENT BENEFITS–HEALTH INSURANCE: (CONTINUED)

City: (Continued)

E. Actuarial Methods and Assumptions: (Continued)

Interest Assumptions

In the June 30, 2012 the most recent 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 3.5% after ten years. Both rates included a 3.5% 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, 2012, was thirty years.

	Unfunded
Discount rate	4.00%
Payroll growth	3.50%

NOTE 15—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.

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 16—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.

In fiscal year 2014 the City entered into an agreement to sell certain water assets to Fairfax County Water Authority. The City has potential liability related to any material adverse effects of the Sale on the Authority. As of June 30, 2014 management is unaware of any liabilities related to this part of the sale agreement.

NOTE 17—LITIGATION:

At June 30, 2014, the City has been named as defendant in various matters. It is not known what liability if any, the City faces.

NOTE 18—CONSTRUCTION COMMITMENTS:

At June 30, 2014, the City has several major projects under construction which are summarized below:

Project	Contract Amount	Expenditures as of June 30, 2014	Contract Balance
Primary Government:			
Energy Efficiency Project	$ 1,613,014	$ 373,191	$ 1,239,823
Old Town Square Park	4,051,695	43,908	4,007,787
University Drive Sidewalk Improvement	4,018,311	1,874,686	2,143,625
Total	$ 9,683,020	$ 2,291,785	$ 7,391,235

NOTE 19—DEBT REFUNDING:

In prior years, the City defeased certain general obligations and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. At June 30, 2014, $32,295,000 of bonds outstanding are considered defeased from refunding transactions in prior years.

NOTE 20—UPCOMING GASB PRONOUNCEMENTS:

At June 30, 2014, the Governmental Accounting Standards Board (GASB) had issued statements not yet implemented by the City. The statements which might impact the City are as follows:

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions,* will improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. Statement No. 68 will be effective for fiscal years beginning after June 15, 2014.

The City has not yet determined the effect these GASB Statements will have on its financial statements.

NOTE 21—RESTATEMENT OF FIDUCIARY NET POSITION:

Certain amounts in the beginning fiduciary net position have been restated in fiscal year 2014 as follows:

		Fiduciary Funds
Beginning net position, as previously reported	$	112,596,888
Restatement related to a failed securities trade		(111,752)
Beginning net position, as restated	$	112,485,136

NOTE 22—SPECIAL ITEMS:

On January 3, 2014 the City entered into an agreement to sell certain water assets to Fairfax County Water Authority and simultaneously agreed to a capacity charge for the Authority to provide access to and use of the Authority's utility system to the customers of the system. The capacity charge totaled $39,000,000 and is reported as a special item in the Water Fund. On January 1, 2014 the City sold certain water assets to Loudoun County Sanitation Authority. The total gain on the sale of water assets to the two authorities was $26,544,960 and is reported as a special item in the Water Fund.

NOTE 23—SUBSEQUENT EVENTS:

On September 1, 2014 the City entered into a capital lease agreement to finance equipment acquisitions. The principal amount on the lease is $1,586,000 repaid in annual installments of $329,992 through July 1, 2019, interest at 1.411%.

On October 1, 2014 the City paid off the Note Payable to Fairfax Water Authority by paying the Authority $16,962,634 which was a mutually agreed upon amount reflecting an early repayment discount.

REQUIRED SUPPLEMENTARY INFORMATION

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Schedule of Pension and OPEB Funding Progress
For the Year Ended June 30, 2014

A. Virginia Retirement System:

Actuarial 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)
6/30/2013	$ 89,171,504	$ 137,855,267	$ 48,683,763	64.68%	$ 28,064,587	173.47%
6/30/2012	85,805,987	135,032,405	49,226,418	63.54%	25,901,110	190.06%
6/30/2011	86,097,808	126,796,829	40,699,021	67.90%	26,384,757	154.25%

B. City Supplemental Retirement Plan:

6/30/2013	$ 53,610,000	$ 55,860,000	$ 2,250,000	95.97%	$ 17,770,000	12.66%
6/30/2012	53,590,000	53,420,000	(170,000)	100.32%	16,590,000	(1.02%)
6/30/2011	55,230,000	51,630,000	(3,600,000)	106.97%	16,790,000	(21.44%)
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%)

C. City Firefighters, Policemen and Policewomen Plan:

6/30/2013	$ 58,190,000	$ 67,190,000	$ 9,000,000	86.61%	$ 11,200,000	80.36%
6/30/2012	58,540,000	62,760,000	4,220,000	93.28%	10,170,000	41.49%
6/30/2011	60,420,000	60,090,000	(330,000)	100.55%	10,320,000	(3.20%)
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%)

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 Postemployment Benefits

6/30/2012	$ -	$ 13,668,557	$ 13,668,557	0.00%	$ 25,901,110	52.77%
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%

Schedule of Changes in the Net Pension Liability and Related Ratios

	General	Public Safety	Total 2014
Total pension liability			
Service cost	$ 1,238,483	$ 1,721,480	$ 2,959,963
Interest	3,693,905	4,482,529	8,176,434
Benefit changes	40,012	143,528	183,540
Differences between expected and actual experience	(1,277,224)	(1,925,872)	(3,203,096)
Benefit payments, including refunds of member contributions	(3,517,912)	(3,278,507)	(6,796,419)
Net change in total pension liability	177,264	1,143,158	1,320,422
Total pension liability - beginning	55,864,237	67,186,350	123,050,587
Total pension liability - ending (a)	$ 56,041,501	$ 68,329,508	$ 124,371,009
Plan fiduciary net position			
Contributions - employer	$ 876,511	$ 1,772,644	$ 2,649,155
Contributions - member	512,116	816,864	1,328,980
Net investment income	6,985,339	7,567,450	14,552,789
Benefit payments, including refunds of member contributions	(3,517,912)	(3,278,507)	(6,796,419)
Other	24,368	26,399	50,767
Administrative expense	-	-	-
Net change in plan fiduciary net position	4,880,422	6,904,850	11,785,272
Plan fiduciary net position - beginning	53,804,982	58,680,154	112,485,136
Plan fiduciary net position - ending (b)	$ 58,685,404	$ 65,585,004	$ 124,270,408
Net pension liability (a) - (b)	$ (2,643,903)	$ 2,744,504	$ 100,601
Plan fiduciary net position as a percentage of the total pension liability	104.72%	95.98%	99.92%
Covered - employee payroll	$ 15,346,754	$ 11,561,315	26,908,069
Net Pension Liability as a percentage of covered - employee payroll	-17.23%	23.74%	0.37%

Note: The City implemented GASB 67 in fiscal year 2014. Information for the previous 9 years is unavailable.

Schedule of Employer Contributions

General Plan:		2014
Actuarially determined contribution	$	876,511
Contributions in relation to the actuarially determined contribution		876,511
Contribution deficiency (excess)	$	-
Covered - employee payroll	$	15,346,754
Contributions as a percentage of covered - employee payroll		5.71%

Public Safety Plan:		2014
Actuarially determined contribution	$	1,772,644
Contributions in relation to the actuarially determined contribution		1,772,644
Contribution deficiency (excess)	$	-
Covered - employee payroll	$	11,561,315
Contributions as a percentage of covered - employee payroll		15.33%

Notes to Schedule

Valuation date:

Actuarially determined contribution rates are calculated as of June 30, 12 months prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

	General Plan	Public Safety Plan
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	10 years
Asset valuation method	5-year smoothed market value for funding purposes	5-year smoothed market value for funding purposes
Inflation	3.50%	3.50%
Salary increases	4.0% to 8.5% including inflation	4.0% to 8.5% including inflation
Investment rate of return	6.75%	6.75%
Retirement age	Experience-based table of rates specific to type of eligibility	Experience-based table of rates specific to type of eligibility
Mortality	RP-2000 mortality tables	RP-2000 mortality tables

Note: The City implemented GASB 67 in fiscal year 2014. Information for the previous 9 years is unavailable.

Schedule of Investment Returns

	2014
Annual money-weighted rate of return, net of investment expense	14.50%

Note: The City implemented GASB 67 in fiscal year 2014.
Information for the previous 9 years is unavailable.

OTHER SUPPLEMENTARY INFORMATION

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Combining and Individual Fund Financial Statements and Schedules

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Combining Balance Sheet
Nonmajor Governmental Funds
At June 30, 2014

	Special Revenue Fund	Capital Projects Funds		
	Legacy for Fairfax Fund	Stormwater Fund	Commercial Transportation Tax Fund	Total Nonmajor Governmental Funds
Assets				
Cash and cash equivalents	$ 514,198	$ 1,037,993	$ 4,418,394	$ 5,970,585
Due from other governmental units	-	-	330,043	330,043
Total assets	$ 514,198	$ 1,037,993	$ 4,748,437	$ 6,300,628
Liabilities				
Accounts payable	$ -	$ 133,482	$ 14,514	$ 147,996
Retainage payable	-	4,345	-	4,345
Total liabilities	$ -	$ 137,827	$ 14,514	$ 152,341
Fund Balances				
Fund balances:				
Restricted	$ 514,198	$ -	$ -	$ 514,198
Committed	-	143,699	-	143,699
Assigned	-	756,467	4,733,923	5,490,390
Total fund balances	$ 514,198	$ 900,166	$ 4,733,923	$ 6,148,287
Total liabilities and fund balances	$ 514,198	$ 1,037,993	$ 4,748,437	$ 6,300,628

Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances – Nonmajor Governmental Funds
Year Ended June 30, 2014

	Special Revenue Fund	Capital Projects Funds		
	Legacy for Fairfax Fund	Stormwater Fund	Commercial Transportation Tax Fund	Total Nonmajor Governmental Funds
Revenues				
Miscellaneous	$ 327,271	$ -	$ 2,263,205	$ 2,590,476
Intergovernmental:				
Commonwealth	-	32,500	-	32,500
Total revenues	$ 327,271	$ 32,500	$ 2,263,205	$ 2,622,976
Expenditures				
Current:				
Public works	$ -	$ 661,879	$ 2,298,594	$ 2,960,473
Parks, recreation and cultural	6,000	-	-	6,000
Total expenditures	$ 6,000	$ 661,879	$ 2,298,594	$ 2,966,473
Excess (deficiency) of revenue over (under) expenditures	$ 321,271	$ (629,379)	$ (35,389)	$ (343,497)
Other financing sources (uses)				
Transfers in	$ -	$ 1,074,761	$ 2,336,648	$ 3,411,409
Transfers (out)	-	-	(1,275,000)	(1,275,000)
Total other financing sources (uses)	$ -	$ 1,074,761	$ 1,061,648	$ 2,136,409
Net changes in fund balances	$ 321,271	$ 445,382	$ 1,026,259	$ 1,792,912
Fund balances, beginning	192,927	454,784	3,707,664	4,355,375
Fund balances, ending	$ 514,198	$ 900,166	$ 4,733,923	$ 6,148,287

Combining Statement of Fiduciary Net Position
Fiduciary Funds
At June 30, 2014

	City Supplemental Pension Trust Fund	Firefighters, Policemen and Policewomen Pension Trust Fund	Totals
Assets			
Cash and cash equivalents	$ 935,767	$ 1,045,782	$ 1,981,549
Mutual funds	44,850,914	50,124,004	94,974,918
Stocks	12,882,967	14,397,609	27,280,576
Accrued interest	15,756	17,609	33,365
Total assets	$ 58,685,404	$ 65,585,004	$ 124,270,408
Net Position			
Held in trust for pension benefits	$ 58,685,404	$ 65,585,004	$ 124,270,408

Combining Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended June 30, 2014

	City Supplemental Pension Trust Fund	Firefighters, Policemen and Policewomen Pension Trust Fund	Totals
Additions			
Plan member and employer contributions	$ 1,412,995	$ 2,615,907	$ 4,028,902
Investment income:			
Interest and dividends earned on investments	$ 1,102,954	1,194,867	$ 2,297,821
Net appreciation in fair value of investments	6,256,185	6,777,533	13,033,718
Total investment income	$ 7,359,139	$ 7,972,400	$ 15,331,539
Less: Investment expenses	373,800	404,950	778,750
Net investment income	$ 6,985,339	$ 7,567,450	$ 14,552,789
Total additions	$ 8,398,334	$ 10,183,357	$ 18,581,691
Deductions			
Retirement and disability benefits	$ 3,452,441	$ 3,242,310	$ 6,694,751
Refunds to members	65,471	36,197	101,668
Total deductions	$ 3,517,912	$ 3,278,507	$ 6,796,419
Change in net position	$ 4,880,422	$ 6,904,850	$ 11,785,272
Net position - beginning, as restated	53,804,982	58,680,154	112,485,136
Net position - ending	$ 58,685,404	$ 65,585,004	$ 124,270,408

Balance Sheet -
Discretely Presented Component Unit - School Board
At June 30, 2014

	School Operating Fund	School Bond Renovation Fund	Total
ASSETS			
Cash and cash equivalents	$ -	$ 2,499	$ 2,499
Advance to Fairfax County Public Schools	-	1,355,459	1,355,459
Due from other governments	1,766,521	-	1,766,521
Total assets	$ 1,766,521	$ 1,357,958	$ 3,124,479
LIABILITIES			
Accounts payable	$ 44,775	$ -	$ 44,775
Due to primary government	1,721,746	-	1,721,746
Total liabilities	$ 1,766,521	$ -	$ 1,766,521
FUND BALANCES			
Nonspendable - advance	$ -	$ 1,355,459	$ 1,355,459
Assigned - capital projects	-	2,499	2,499
Total fund balances	$ -	$ 1,357,958	$ 1,357,958
Total liabilities and fund balances	$ 1,766,521	$ 1,357,958	$ 3,124,479

Reconciliation of the Balance Sheet of the Governmental Funds
to the Statement of Net Position -
Discretely Presented Component Unit - School Board
At June 30, 2014

		Governmental Funds
Total fund balances - governmental funds		$ 1,357,958
Amounts reported for governmental activities in the Statement of Net Position 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	33,176,713	
Machinery and equipment	1,464,562	
Less: accumulated depreciation	(28,455,364)	7,567,026
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		(34,350)
Net position of governmental activities		$ 8,890,634

Statement of Revenues, Expenditures and Changes in Fund Balances -
Discretely Presented Component Unit - School Board
Year Ended June 30, 2014

	School Operating Fund	School Bond Renovation Fund	Total
Revenues:			
Revenue from use of money and property	$ 2,071,812	$ -	$ 2,071,812
Charges for services	500,072	-	500,072
Miscellaneous	-	-	-
Intergovernmental:			
City contribution to School Board	35,196,573	-	35,196,573
Commonwealth	7,115,499	-	7,115,499
Total revenues	$ 44,883,956	$ -	$ 44,883,956
Expenditures:			
Current:			
Education	$ 44,883,956	$ 16,235	$ 44,900,191
Total expenditures	$ 44,883,956	$ 16,235	$ 44,900,191
Net changes in fund balances	$ -	$ (16,235)	$ (16,235)
Fund balances at beginning of year	-	1,374,193	1,374,193
Fund balances at end of year	$ -	$ 1,357,958	$ 1,357,958

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, 2014

		Governmental Funds
Amounts reported for governmental activities in the Statement of Activities are different because:		
Net changes in fund balances - total governmental funds		$ (16,235)
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.		
Depreciation expense	$ (3,875,361)	(3,875,361)
Transfer of joint tenancy assets from Primary Government to Component Unit School Board, net		2,656,172
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		(11,061)
Change in net position of governmental activities		$ (1,246,485)

Combining Statement of Net Position -
Discretely Presented Nonmajor Component Units
At June 30, 2014

	Industrial Development Authority	Economic Development Authority	Total
ASSETS			
Cash and cash equivalents	$ 678,585	$ 96,930	$ 775,515
Inventory - property held for resale	-	862,594	862,594
Total assets	$ 678,585	$ 959,524	$ 1,638,109
LIABILITIES			
Current liabilities:			
Accrued interest payable	$ -	$ 5,819	$ 5,819
Due to primary government	-	847,857	847,857
Current portion of long-term obligations	-	246,447	246,447
Total current liabilities	$ -	$ 1,100,123	$ 1,100,123
NET POSITION			
Unrestricted	$ 678,585	$ (140,599)	$ 537,986
Total net position	$ 678,585	$ (140,599)	$ 537,986
Total liabilities and net position	$ 678,585	$ 959,524	$ 1,638,109

CITY OF FAIRFAX, VIRGINIA

Combining Statement of Activities -
Discretely Presented Nonmajor Component Units
Year Ended June 30, 2014

		Program Revenues		
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**
Nonmajor component units:				
Industrial Development Authority	$ 866,228	$ 961,636	$ -	$ -
Economic Development Authority	3,487	-	-	-
Total nonmajor component units	$ 869,715	$ 961,636	$ -	$ -

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

Industrial Development Authority	Economic Development Authority	Total
$ 95,408	$ -	$ 95,408
-	(3,487)	(3,487)
$ 95,408	$ (3,487)	$ 91,921
$ 1	$ 18,503	$ 18,504
$ 1	$ 18,503	$ 18,504
$ 95,409	$ 15,016	$ 110,425
583,176	(155,615)	427,561
$ 678,585	$ (140,599)	$ 537,986

Combining Balance Sheet -
Discretely Presented Nonmajor Component Units
At June 30, 2014

	Industrial Development Authority	Economic Development Authority	Total
ASSETS			
Cash and cash equivalents	$ 678,585	$ 96,930	$ 775,515
Total assets	$ 678,585	$ 96,930	$ 775,515
LIABILITIES			
Due to primary government	$ -	$ 847,857	$ 847,857
Total liabilities	$ -	$ 847,857	$ 847,857
FUND BALANCES			
Unassigned	$ 678,585	$ (750,927)	$ (72,342)
Total fund balances	$ 678,585	$ (750,927)	$ (72,342)
Total liabilities and fund balances	$ 678,585	$ 96,930	$ 775,515

Combining Reconciliation of the Balance Sheet of the Governmental Funds to the Statement of Net Position - Discretely Presented Nonmajor Component Units
At June 30, 2014

	Industrial Development Authority	Economic Development Authority	Totals
Total fund balances - governmental funds	$ 678,585	$ (750,927)	$ (72,342)
Amounts reported for governmental activities in the statement of net position (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	-	862,594	862,594
Interest on long-term obligations is not accrued in the governmental funds, but rather is recognized as an expenditure when due.	-	(5,819)	(5,819)
Long-term liabilities, including notes payable, are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds.			
Notes payable	-	(246,447)	(246,447)
Net position of governmental activities	$ 678,585	$ (140,599)	$ 537,986

Combining Statement of Revenues, Expenditures and Changes in Fund Balances -
Discretely Presented Nonmajor Component Units
Year Ended June 30, 2014

	Industrial Development Authority	Economic Development Authority	Totals
Revenues:			
Revenue from use of money and property	$ 961,637	$ 18,503	$ 980,140
Total revenues	$ 961,637	$ 18,503	$ 980,140
Expenditures:			
Current:			
Planning and community development	$ 866,228	$ 1,754	$ 867,982
Debt service:			
Principal retirement	$ -	$ 638,167	$ 638,167
Interest and fiscal charges	-	22,292	22,292
Total expenditures	$ 866,228	$ 662,213	$ 1,528,441
Excess (deficiency) of revenues over (under) expenditures	$ 95,409	$ (643,710)	$ (548,301)
Net changes in fund balances	$ 95,409	$ (643,710)	$ (548,301)
Fund balances at beginning of year	583,176	(107,217)	475,959
Fund balances at end of year	$ 678,585	$ (750,927)	$ (72,342)

Combining 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, 2014

	Industrial Development Authority	Economic Development Authority	Totals
Net changes in fund balances-discretely presented nonmajor component units	$ 95,409	$ (643,710)	$ (548,301)
Amounts reported for governmental activities in the statement of activities are different because:			
The net effect of principal retirement of long-term obligations		638,167	638,167
Change in accrued interest payable	-	20,559	20,559
Change in net position of governmental activities	$ 95,409	$ 15,016	$ 110,425

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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.

Contents	Table Number
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.

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 Position By Component
Last Ten Fiscal Years
(accrual basis of accounting)
(Unaudited)

	2005	2006	2007	2008
Governmental activities:				
Invested in capital assets, net of related debt	$ 46,953,895	$ (11,812,521)	$ (48,500,591)	$ 38,986,748
Restricted	43,764	-	-	-
Unrestricted	(40,550,651)	(16,939,669)	(1,066,325)	12,750,610
Total governmental activities net position	$ 6,447,008	$ (28,752,190)	$ (49,566,916)	$ 51,737,358
Business-type activities:				
Invested in capital assets, net of related debt	$ 25,198,355	$ 25,002,792	$ 24,895,262	$ 20,264,835
Unrestricted	8,002,028	5,850,290	5,369,440	7,224,926
Total business-type activities net position	$ 33,200,383	$ 30,853,082	$ 30,264,702	$ 27,489,761
Primary government:				
Invested in capital assets, net of related debt	$ 72,152,250	$ 13,190,271	$ (23,605,329)	$ 59,251,583
Restricted	43,764	-	-	-
Unrestricted (deficit)	(32,548,623)	(11,089,379)	4,303,115	19,975,536
Total primary government net position	$ 39,647,391	$ 2,100,892	$ (19,302,214)	$ 79,227,119
Component units: (1)				
Component unit - school board:				
Invested in capital assets, net of related debt	$ 35,369,476	$ 66,251,923	$ 103,979,947	$ 13,005,785
Unrestricted	38,556,759	50,485,036	19,401,869	6,517,420
Total component unit - school board net position	$ 73,926,235	$ 116,736,959	$ 123,381,816	$ 19,523,205
Component unit - all others aggregate				
Invested in capital assets, net of related debt	$ 1,258,300	$ -	$ -	$ -
Restricted	299,529	307,920	273,943	-
Unrestricted (deficit)	437,389	456,061	466,884	(27,149)
Total component unit - all others aggregate net position	$ 1,995,218	$ 763,981	$ 740,827	$ (27,149)
Component units:				
Invested in capital assets, net of related debt	$ 36,627,776	$ 66,251,923	$ 103,979,947	$ 13,005,785
Restricted	299,529	307,920	273,943	-
Unrestricted (deficit)	38,994,148	50,941,097	19,868,753	6,490,271
Total component units net position	$ 75,921,453	$ 117,500,940	$ 124,122,643	$ 19,496,056
Total reporting entity:				
Invested in capital assets, net of related debt	$ 49,605,026	$ (23,202,806)	$ (28,390,382)	$ 72,257,368
Restricted	343,293	307,920	273,943	-
Unrestricted (deficit)	65,620,525	142,496,718	132,936,868	26,465,807
Total reporting entity net position	$ 115,568,844	$ 119,601,832	$ 104,820,429	$ 98,723,175

Notes:

(1) Component Unit net assets are included in this table due to public schools and the others aggregated being sign portions of the City operations. In Virginia, the City issues debt to finance the construction of facilities for the: component units because they do not have borrowing or taxing authority.

Table 1

2009	2010	2011	2012	2013	2014
$ 34,396,876	$ 39,308,283	$ 39,486,639	$ 50,255,490	$ 53,890,492	$ 63,399,428
-	-	-	-	-	-
23,158,474	25,359,148	24,969,176	20,076,021	20,325,737	18,424,001
$ 57,555,350	$ 64,667,431	$ 64,455,815	$ 70,331,511	$ 74,216,229	$ 81,823,429
$ 24,450,435	$ 24,498,812	$ 22,938,374	$ 23,422,114	$ 25,745,684	$ 7,100,899
2,854,098	3,697,754	4,709,709	2,536,617	1,471,619	3,678,285
$ 27,304,533	$ 28,196,566	$ 27,648,083	$ 25,958,731	$ 27,217,303	$ 10,779,184
$ 58,847,311	$ 63,807,095	$ 62,425,013	$ 73,677,604	$ 79,636,176	$ 70,500,327
-	-	-	-	-	-
26,012,572	29,056,902	29,678,885	22,612,638	21,797,356	22,102,286
$ 84,859,883	$ 92,863,997	$ 92,103,898	$ 96,290,242	$ 101,433,532	$ 92,602,613
$ 13,508,352	$ 14,268,025	$ 13,162,745	$ 9,923,786	$ 8,786,215	$ 7,567,026
2,947,883	2,401,691	1,664,486	1,345,893	1,350,904	1,323,608
$ 16,456,235	$ 16,669,716	$ 14,827,231	$ 11,269,679	$ 10,137,119	$ 8,890,634
$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-
(106,376)	(170,104)	(10,165)	(16,352)	427,561	537,986
$ (106,376)	$ (170,104)	$ (10,165)	$ (16,352)	$ 427,561	$ 537,986
$ 13,508,352	$ 14,268,025	$ 13,162,745	$ 9,923,786	$ 8,786,215	$ 7,567,026
-	-	-	-	-	-
2,841,507	2,231,587	1,654,321	1,329,541	1,778,465	1,861,594
$ 16,349,859	$ 16,499,612	$ 14,817,066	$ 11,253,327	$ 10,564,680	$ 9,428,620
$ 72,355,663	$ 78,075,120	$ 75,587,758	$ 83,601,390	$ 88,422,391	$ 78,067,353
-	-	-	-	-	-
28,854,079	31,288,489	31,333,206	23,942,179	23,575,821	23,963,880
$ 101,209,742	$ 109,363,609	$ 106,920,964	$ 107,543,569	$ 111,998,212	$ 102,031,233

Changes In Net Position
Last Ten Fiscal Years
(accrual basis of accounting)
(Unaudited)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Expenses:										
Governmental activities:										
General government administration	$ 7,944,888	$ 6,588,630	$ 4,501,657	$ 5,790,057	$ 7,477,262	$ 7,163,564	$ 7,909,199	$ 7,724,635	$ 6,866,783	$ 7,903,372
Judicial administration	1,105,303	1,098,304	1,588,440	1,672,007	1,739,567	2,032,559	1,810,335	2,005,982	2,066,544	2,527,823
Public safety	17,097,263	18,918,613	18,375,185	22,370,185	22,617,672	22,569,030	23,001,352	23,066,551	24,072,403	25,761,694
Public works	12,035,896	12,993,041	15,645,734	15,056,333	12,547,792	10,373,323	14,190,482	15,213,056	15,425,436	18,350,340
Health and social services	3,874,857	4,303,021	4,623,541	4,874,994	4,790,384	4,839,913	4,715,869	4,811,623	5,168,971	5,287,258
Parks, recreation and cultural	4,155,577	5,506,525	18,451,806	9,104,464	5,012,481	4,735,093	7,490,623	4,832,756	5,067,701	6,239,803
Planning and community development	1,564,705	1,928,300	8,433,836	3,435,986	2,101,996	2,108,858	2,072,584	2,414,662	2,761,343	2,096,919
Education	65,673,214	69,700,277	34,051,143	19,030,288	30,778,612	35,884,552	35,635,880	35,682,802	40,413,546	42,997,193
Interest	2,744,269	6,479,175	7,392,158	7,950,084	7,299,070	6,863,092	7,580,448	5,802,938	6,311,082	5,932,138
Total governmental activities expenses	$ 116,195,972	$ 127,515,886	$ 113,063,500	$ 89,284,398	$ 94,364,836	$ 96,569,984	$ 104,406,772	$ 101,555,005	$ 108,153,809	$ 117,096,540
Business-type activities:										
Sewer	$ 3,647,372	$ 3,766,595	$ 3,967,948	$ 3,876,585	$ 3,960,547	$ 3,770,579	$ 4,417,029	$ 4,768,856	$ 4,145,887	$ 5,396,798
Water	7,431,685	7,735,802	8,007,885	7,859,380	8,420,622	8,503,675	9,706,260	9,286,729	9,116,938	7,199,246
Transportation	2,947,051	2,981,937	3,085,684	3,137,971	3,048,667	2,981,900	2,977,867	2,977,927	3,126,339	3,472,495
Total business-type activities expenses	$ 14,026,108	$ 14,484,334	$ 15,061,517	$ 14,873,936	$ 15,429,836	$ 15,256,154	$ 17,101,156	$ 17,033,512	$ 16,389,164	$ 16,068,539
Total primary government expenses	$ 130,222,080	$ 142,000,220	$ 128,125,017	$ 104,158,334	$ 109,794,672	$ 111,826,138	$ 121,507,928	$ 118,588,517	$ 124,542,973	$ 133,165,079
Program revenue:										
Governmental activities:										
Charges for services:										
General government administration	$ 354,887	$ 465,151	$ 358,362	$ 221,030	$ 239,652	$ 263,865	$ 291,048	$ 386,170	$ 323,121	$ 242,671
Judicial administration	922,229	978,733	848,240	771,992	768,841	855,289	1,005,567	1,026,807	944,447	1,011,907
Public safety	1,349,949	744,380	634,789	735,565	1,571,900	1,675,070	1,700,143	2,633,859	2,628,651	2,251,606
Public works	349,295	292,250	342,136	343,431	345,774	378,634	624,368	382,035	369,964	436,455
Parks, recreation and cultural	452,081	434,290	557,264	780,237	918,688	946,381	1,027,621	1,075,741	991,345	996,192
Planning and community development	144,488	184,211	242,676	261,461	284,462	386,282	282,954	358,896	288,651	336,430
Operating grants and contributions:										
General government administration	284,555	298,925	319,875	347,860	335,316	301,953	262,777	271,658	260,485	276,398
Public safety	1,359,793	1,679,357	1,201,134	1,312,710	1,361,192	1,480,939	1,278,573	969,851	912,478	1,340,855
Public works	1,792,120	1,889,760	1,962,308	2,026,573	2,092,878	2,120,166	2,193,594	2,277,255	2,557,748	2,459,170
Parks, recreation and cultural	5,000	-	-	5,000	5,000	30,499	23,084	19,245	-	32,500
Planning and community development	-	7,182	5,000	32,052	79,307	-	-	-	3,527	-
Capital grants and contributions:										
General government administration	107,398	-	-	-	-	-	-	-	-	-
Public safety	-	-	898	-	-	-	-	-	-	-
Public works	298,914	373,386	241,350	467,991	2,437,582	595,393	1,662,535	2,138,099	1,576,275	3,193,417
Parks, recreation and cultural	-	-	74,457	-	-	-	-	-	-	-
Total governmental activities program revenue	$ 7,420,709	$ 7,347,625	$ 6,788,489	$ 7,305,902	$ 10,440,592	$ 9,034,471	$ 10,352,264	$ 11,539,616	$ 10,856,692	$ 12,577,601
Business-type activities:										
Charges for services:										
Sewer	$ 3,078,461	$ 3,067,876	$ 3,127,259	$ 2,989,180	$ 3,323,391	$ 3,532,646	$ 4,178,752	$ 4,499,929	$ 5,221,887	$ 4,752,802
Water	6,540,968	6,408,222	7,744,604	7,468,413	8,893,201	9,319,840	9,141,327	7,765,200	9,835,466	5,418,292
Transportation	634,659	558,927	596,367	705,693	846,825	811,570	1,195,092	1,153,240	1,332,652	1,298,553
Operating grants and contributions:										
Sewer	-	-	-	-	-	-	-	-	209,767	284,508
Water	3,757	-	-	-	-	-	-	-	193,631	89,845
Transportation	-	1,245,472	1,206,004	1,094,448	1,103,651	1,707,647	1,814,754	1,039,435	1,122,784	224,602
Capital grants and contributions:										
Sewer	$ -	$ -	$ -	$ -	$ -	$ -	$ 92,064	$ 209,767	$ -	$ -
Water	-	-	-	-	-	-	84,982	193,631	-	-
Transportation	1,109,375	53,172	-	-	-	-	-	-	-	-
Total business-type activities program revenues	$ 11,367,220	$ 11,333,669	$ 12,674,234	$ 12,257,734	$ 14,167,068	$ 15,371,703	$ 16,506,971	$ 14,861,202	$ 17,916,187	$ 12,068,602
Total primary government program revenues	$ 18,787,929	$ 18,681,294	$ 19,462,723	$ 19,563,636	$ 24,607,660	$ 24,406,174	$ 26,859,235	$ 26,400,818	$ 28,772,879	$ 24,646,203
Net (expense) revenue:										
Governmental activities	$ (108,775,263)	$ (120,168,261)	$ (106,275,011)	$ (81,978,496)	$ (83,924,244)	$ (87,535,513)	$ (94,054,508)	$ (90,015,389)	$ (97,297,117)	$ (104,518,939)
Business-type activities	(2,658,888)	(3,150,665)	(2,387,283)	(2,616,202)	(1,262,768)	115,549	(594,185)	(2,172,310)	1,527,023	(3,999,937)
Total primary government net expense	$ (111,434,151)	$ (123,318,926)	$ (108,662,294)	$ (84,594,698)	$ (85,187,012)	$ (87,419,964)	$ (94,648,693)	$ (92,187,699)	$ (95,770,094)	$ (108,518,876)
General revenues and other changes in net position:										
Governmental activities:										
Taxes:										
General property	$ 41,913,827	$ 44,736,332	$ 47,189,602	$ 50,795,457	$ 56,197,375	$ 56,195,202	$ 56,379,581	$ 57,215,662	$ 65,024,377	$ 66,643,189
Local sales	11,604,756	13,721,180	13,587,593	13,433,256	8,831,495	10,644,038	9,907,063	10,200,696	10,263,955	11,580,673
Business license	8,370,119	8,444,976	8,662,866	8,599,019	8,375,552	7,485,809	8,151,072	8,554,669	8,932,634	8,709,712
Consumer utility	2,774,256	3,063,302	2,132,805	1,459,146	1,512,860	1,547,114	1,551,010	1,727,091	1,704,649	1,653,003
Meals	2,176,558	2,235,496	2,301,359	4,628,046	4,646,735	4,654,171	4,938,869	5,252,922	5,553,975	5,703,399
Other local taxes	4,278,371	4,601,572	4,521,076	6,203,308	5,713,597	3,760,252	4,117,253	4,513,531	4,353,693	4,436,047
Intergovernmental, other than grants	3,178,470	3,283,706	3,367,088	3,307,841	3,288,406	5,673,620	5,691,383	5,656,930	5,679,569	5,674,059
Gain/(loss) on disposal of capital assets	-	-	-	-	-	2,915,936	-	-	582,790	-
Use of money and property	1,493,699	5,106,837	5,246,271	2,595,320	946,400	350,867	282,100	161,424	130,632	628,143
Miscellaneous	260,376	475,662	220,325	298,029	1,244,816	2,200,585	2,845,072	372,970	491,046	7,088,666
Transfers	(1,287,073)	(700,000)	(1,768,700)	218,686	(1,015,000)	(780,000)	(20,511)	(428,000)	(115,181)	9,248
Total governmental activities	$ 74,763,359	$ 84,969,063	$ 85,460,285	$ 91,538,108	$ 89,742,236	$ 94,647,594	$ 93,842,892	$ 93,227,895	$ 102,602,139	$ 112,126,139

Changes In Net Position
Last Ten Fiscal Years
(accrual basis of accounting)
(Unaudited)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Program revenue: (Continued)										
Business-type activities:										
Use of money and property	$ 100,139	$ 103,364	$ 30,203	$ 59,947	$ 62,540	$ (3,516)	$ 25,191	$ 54,958	$ 48,589	$ 26,106
Special items	-	-	-	-	-	-	-	-	-	(12,455,040)
Transfers	1,287,073	700,000	1,768,700	(218,686)	1,015,000	780,000	20,511	428,000	115,181	(9,248)
Total business-type activities	$ 1,387,212	$ 803,364	$ 1,798,903	$ (158,739)	$ 1,077,540	$ 776,484	$ 45,702	$ 482,958	$ 163,770	$ (12,438,182)
Total primary government	$ 76,150,571	$ 85,772,427	$ 87,259,188	$ 91,379,369	$ 90,819,776	$ 95,424,078	$ 93,888,594	$ 93,710,853	$ 102,765,909	$ 99,687,957
Changes in net position:										
Governmental activities	$ (34,011,904)	$ (35,199,198)	$ (20,814,726)	$ 9,559,612	$ 5,817,992	$ 7,112,081	$ (211,616)	$ 3,212,506	$ 5,305,022	$ 7,607,200
Business-type activities	(1,271,676)	(2,347,301)	(588,380)	(2,774,941)	(185,228)	892,033	(548,483)	(1,689,352)	1,690,793	(16,438,119)
Total primary government	$ (35,283,580)	$ (37,546,499)	$ (21,403,106)	$ 6,784,671	$ 5,632,764	$ 8,004,114	$ (760,099)	$ 1,523,154	$ 6,995,815	$ (8,830,919)
Component units: (2)										
Component unit - school board:										
Expenses:										
Instruction	$ 32,482,318	$ 34,905,380	$ 36,420,856	$ 39,724,887	$ 39,197,375	$ 37,627,755	$ 39,703,706	$ 44,884,486	$ 47,853,635	$ 48,786,613
Total expenses	$ 32,482,318	$ 34,905,380	$ 36,420,856	$ 39,724,887	$ 39,197,375	$ 37,627,755	$ 39,703,706	$ 44,884,486	$ 47,853,635	$ 48,786,613
Program revenues:										
Charges for services	$ 313,991	$ 338,006	$ 354,796	$ 377,503	$ 396,955	$ 406,213	$ 421,973	$ 445,037	$ 490,199	$ 500,072
Operating grants and contributions	5,683,282	5,911,101	6,870,293	7,023,599	6,970,754	6,156,427	6,309,784	6,795,139	7,329,947	7,115,499
Total program revenues	$ 5,997,273	$ 6,249,107	$ 7,225,089	$ 7,401,102	$ 7,367,709	$ 6,562,640	$ 6,731,757	$ 7,240,176	$ 7,820,146	$ 7,615,571
Net expense	$ (26,485,045)	$ (28,656,273)	$ (29,195,767)	$ (32,323,785)	$ (31,829,666)	$ (31,065,115)	$ (32,971,949)	$ (37,644,310)	$ (40,033,489)	$ (41,171,042)
General revenues and other changes in net position:										
Component Unit-School Board:										
Grants and contributions not restricted to specific programs	$ 65,673,214	$ 69,697,297	$ 34,051,143	$ 18,632,758	$ 30,408,392	$ 29,634,913	$ 29,514,032	$ 32,493,659	$ 37,291,280	$ 37,852,745
Use of money and property	1,763,879	1,749,700	1,769,481	1,557,078	1,480,065	1,623,683	1,595,432	1,573,099	1,589,649	2,071,812
Gain/(loss) on disposal of capital assets	-	-	-	-	(3,145,761)	-	-	-	-	-
Miscellaneous	-	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	-
Total general revenues and other changes in net position	$ 67,437,093	$ 71,466,997	$ 35,840,624	$ 20,209,836	$ 28,762,696	$ 31,278,596	$ 31,129,464	$ 34,086,758	$ 38,900,929	$ 39,924,557
Total component unit - school board change in net position	$ 40,952,048	$ 42,810,724	$ 6,644,857	$ (12,113,949)	$ (3,066,970)	$ 213,481	$ (1,842,485)	$ (3,557,552)	$ (1,132,560)	$ (1,246,485)
Component unit - all others aggregate										
Expenses:										
Renaissance Housing Corporation	$ 189,556	$ 97,041	$ 194,873	$ -	$ -	$ -	$ -	$ -	$ -	-
Industrial Development Authority	1,530,901	2,166,704	781,294	784,763	783,726	821,075	834,312	760,708	474,560	866,228
Economic Development Authority	331,777	264,379	136,953	182,692	203,086	195,187	85,840	170,861	59,406	3,487
Total expenses	$ 2,052,234	$ 2,528,124	$ 1,113,120	$ 967,455	$ 986,812	$ 1,016,262	$ 920,152	$ 931,569	$ 533,966	$ 869,715
General revenues and other changes in net position										
Grants and contributions not restricted to specific programs	$ 242,133	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	-
Use of money and property	801,051	21,878	37,506	10,418	4,711	1,012	332	388	174	18,504
Miscellaneous	6,206	150,000	200,000	40,000	27,000	25,617	50,100	85,986	-	-
Charges for services	-	1,092,573	852,460	865,148	875,874	925,905	1,029,659	789,008	795,560	961,636
Total general revenues and other changes in net position	$ 1,049,390	$ 1,264,451	$ 1,089,966	$ 915,566	$ 907,585	$ 952,534	$ 1,080,091	$ 875,382	$ 795,734	$ 980,140
Total component unit - all others aggregate change in net position	$ (1,002,844)	$ (1,263,673)	$ (23,154)	$ (51,889)	$ (79,227)	$ (63,728)	$ 159,939	$ (56,187)	$ 261,768	$ 110,425
Total component units change in net position	$ 39,949,204	$ 41,547,051	$ 6,621,703	$ (12,165,838)	$ (3,146,197)	$ 149,753	$ (1,682,546)	$ (3,613,739)	$ (870,792)	$ (1,136,060)
Total reporting entity change in net position	$ 4,665,624	$ 4,000,552	$ (14,781,403)	$ (5,381,167)	$ 2,486,567	$ 8,153,867	$ (2,442,645)	$ (2,090,585)	$ 6,125,023	$ (9,966,979)

Notes:

(1) 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.

(2) Component units were included in this table due to their significance to the City.

CITY OF FAIRFAX, VIRGINIA

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

Function / Program	2005	2006	2007	2008	2009	2010
Primary government:						
Governmental activities:						
General government administration	$ 746,840	$ 764,076	$ 678,237	$ 568,890	$ 574,968	$ 565,818
Judicial administration	922,229	978,733	848,240	771,992	768,841	855,289
Public safety	2,709,742	2,423,737	1,836,821	2,048,275	2,933,092	3,156,009
Public works	2,440,329	2,555,396	2,545,794	2,837,995	4,876,234	3,094,193
Parks, recreation and cultural	457,081	434,290	631,721	785,237	923,688	976,880
Planning and community development	144,488	191,393	247,676	293,513	363,769	386,282
Total governmental activities	$ 7,420,709	$ 7,347,625	$ 6,788,489	$ 7,305,902	$ 10,440,592	$ 9,034,471
Business-type activities:						
Sewer	$ 3,078,461	$ 3,067,876	$ 3,127,259	$ 2,989,180	$ 3,323,391	$ 3,532,646
Water	6,544,725	6,408,222	7,744,604	7,468,413	8,893,201	9,319,840
Transportation	1,744,034	1,857,571	1,802,371	1,800,141	1,950,476	2,519,217
Total business-type activities	$ 11,367,220	$ 11,333,669	$ 12,674,234	$ 12,257,734	$ 14,167,068	$ 15,371,703
Total government	$ 18,787,929	$ 18,681,294	$ 19,462,723	$ 19,563,636	$ 24,607,660	$ 24,406,174
Component units:						
Component unit - school board:						
Instruction	$ 5,997,273	$ 6,249,107	$ 7,225,089	$ 7,401,102	$ 7,367,709	$ 7,186,929
Component unit - all others aggregate						
Renaissance Housing Corporation	$ 211,232	$ 168,922	$ 174,325	$ -	$ -	$ -
Industrial Development Authority	626,457	937,870	808,699	815,602	819,095	866,044
Economic Development Authority	211,701	3,266,871	106,943	49,546	56,779	59,861
Total non major component unit	1,049,390	4,373,663	1,089,967	865,148	875,874	925,905
Total reporting entity	$ 25,834,592	$ 29,304,064	$ 27,777,779	$ 27,829,886	$ 32,851,243	$ 32,519,008

Table 3

2011	2012	2013	2014
$ 553,825	$ 657,828	$ 583,606	$ 519,069
1,005,567	1,026,807	944,447	1,011,907
2,978,716	3,603,710	3,610,023	3,592,461
4,480,497	4,797,389	4,435,093	6,089,042
1,050,705	1,094,986	991,345	1,028,692
282,954	358,896	292,178	336,430
$ 10,352,264	$ 11,539,616	$ 10,856,692	$ 12,577,601
$ 4,270,816	$ 4,709,696	$ 5,431,654	$ 5,037,310
9,226,309	7,958,831	10,029,097	5,508,137
3,009,846	2,192,675	2,455,436	1,523,155
$ 16,506,971	$ 14,861,202	$ 17,916,187	$ 12,068,602
$ 26,859,235	$ 26,400,818	$ 28,772,879	$ 24,646,203
$ 6,731,757	$ 7,240,176	$ 7,820,146	$ 7,615,571
$ -	$ -	$ -	$ -
963,797	747,255	782,732	961,636
65,862	66,753	12,828	-
1,029,659	814,008	795,560	961,636
$ 34,620,651	$ 34,455,002	$ 37,388,585	$ 33,223,410

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

	Fiscal Year Ended June 30,				
	2005	2006	2007	2008	2009
General Fund:					
Reserved	$ 576,450	$ 1,102,170	$ 694,142	$ 811,052	$ 1,278,465
Unreserved	11,957,796	13,176,313	14,612,947	16,312,240	14,420,568
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	-
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total General Fund	$ 12,534,246	$ 14,278,483	$ 15,307,089	$ 17,123,292	$ 15,699,033
All Other Governmental Funds:					
Reserved	$ 20,327,193	$ 24,235,778	$ 6,522,884	$ 4,505,089	$ 8,581,428
Unreserved, reported in:					
Capital projects funds	6,644,780	30,878,626	24,899,521	17,927,671	10,360,928
Nonspendable, reported in:					
Capital projects funds	-	-	-	-	-
Restricted, reported in:					
Special revenue funds	-	-	-	-	-
Committed, reported in:					
Capital projects funds	-	-	-	-	-
Assigned, reported in:					
Capital projects funds	-	-	-	-	-
Unassigned, reported in:					
Capital projects funds*	-	-	-	-	-
Total all other government funds	$ 26,971,973	$ 55,114,404	$ 31,422,405	$ 22,432,760	$ 18,942,356

	Fiscal Year Ended June 30,				
	2010	2011	2012	2013	2014
General Fund:					
Reserved	$ 1,254,535	$ -	$ -	$ -	$ -
Unreserved	15,569,904	-	-	-	-
Nonspendable	-	810,071	705,866	724,455	793,671
Restricted	-	66,439	4,598,270	188,048	230,671
Committed	-	-	-	-	-
Assigned	-	470,845	597,541	4,422,688	381,377
Unassigned	-	15,171,679	13,205,665	16,288,209	15,130,848
Total General Fund	$ 16,824,439	$ 16,519,034	$ 19,107,342	$ 21,623,400	$ 16,536,567
All Other Governmental Funds:					
Reserved	$ 6,682,971	$ -	$ -	$ -	$ -
Unreserved, reported in:					
Capital projects funds	10,959,407	-	-	-	-
Nonspendable, reported in:					
Capital projects funds	-	4,056,171	4,075,739	4,061,007	-
Restricted, reported in:					
Special revenue funds	-	135,766	169,362	192,927	514,198
Committed, reported in:					
Capital projects funds	-	590,673	2,454,002	579,763	7,534,934
Assigned, reported in:					
Capital projects funds	-	10,662,464	6,202,671	4,766,255	10,788,822
Unassigned, reported in:					
Capital projects funds*	-	-	-	(568,873)	-
Total all other government funds	$ 17,642,378	$ 15,445,074	$ 12,901,774	$ 9,031,079	$ 18,837,954

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.
* This negative unassigned fund balance is a temporary timing difference. Funds assigned to pay off debt associated with the sale of the inventory in this fund, which will close in early 2014, have been assigned in the General Fund.

CITY OF FAIRFAX, VIRGINIA

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

	2005	2006	2007
Revenues:			
General property taxes	$ 41,962,115	$ 44,808,950	$ 47,059,528
Other local taxes	29,204,060	32,066,526	31,205,699
Permits, privilege fees and licenses	1,472,063	1,509,454	1,397,467
Fines and forfeitures	1,567,914	954,306	879,235
Use of money and property	1,493,699	5,106,837	5,246,271
Charges for services	640,350	635,255	706,765
Miscellaneous	260,376	331,140	220,325
Recovered costs	-	-	-
Intergovernmental	6,918,852	8,197,105	8,024,260
Total revenues	$ 83,519,429	$ 93,609,573	$ 94,739,550
Expenditures:			
General government administration	$ 6,994,940	$ 6,824,416	$ 8,089,989
Judicial administration	1,062,608	1,090,776	1,588,440
Public safety	16,956,386	19,586,179	21,185,213
Public works	9,647,984	24,608,412	21,262,349
Health and social services	3,873,923	4,302,640	4,612,319
Parks, recreation and cultural	4,024,734	9,098,348	18,889,445
Planning and community development	1,581,489	9,992,176	8,376,952
Education	65,608,917	70,224,788	34,051,143
Non-departmental	-	-	-
Capital outlay	14,973,743	-	-
Debt service:			
Principal	4,366,347	4,192,126	5,123,537
Interest and fiscal charges	2,240,243	5,304,550	8,254,858
Total expenditures	$ 131,331,314	$ 155,224,411	$ 131,434,245
Excess of revenues (under) expenditures	$ (47,811,885)	$ (61,614,838)	$ (36,694,695)
Other financing sources (uses):			
Transfers in	$ 7,519,836	$ 9,692,142	$ 14,139,244
Transfers out	(8,806,909)	(10,392,142)	(15,907,944)
Issuance of debt	63,036,430	90,480,000	15,800,000
Proceeds from the sale of capital assets	-	-	-
Issuance of refunding bonds	-	-	-
Payment to refunded bond escrow agent	(12,638,993)	-	-
Premium on issuance debt	1,152,033	1,721,506	-
Total other financing sources (uses)	$ 50,262,397	$ 91,501,506	$ 14,031,300
Net changes in fund balance	$ 2,450,512	$ 29,886,668	$ (22,663,395)
Debt Service as a percentage of noncapital expenditures:			
Primary government:			
Total debt service	$ 6,606,590	$ 9,496,676	$ 13,378,395
Total expenditures	$ 131,331,314	$ 155,224,411	$ 131,434,245
Less: Capital outlay - primary government	13,159,210	26,577,656	14,778,965
Noncapital expenditures	$ 118,172,104	$ 128,646,755	$ 116,655,280
Debt service as a percentage of Noncapital expenditures	5.59%	7.38%	11.47%
Component units: (2)			
Expenditures:			
School board	$ 36,167,553	$ 33,500,788	$ 34,917,722
All others aggregate	6,329,984	4,356,865	1,113,120
Less: Capital outlay - school board	4,844,913	32,489,768	38,796,585
Less: Capital outlay - others aggregate	5,245,736	-	-
Noncapital expenditures	$ 32,406,888	$ 5,367,885	$ (2,765,743)
Total reporting entity:			
Total noncapital expenditures (3)	$ 84,727,942	$ 134,014,640	$ 113,889,537
Debt service as a percentage of noncapital expenditures	5.59%	7.38%	11.47%

Notes:

(1) For fiscal years 2005 through 2014, 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.

2008	2009	2010	2011	2012	2013	2014
$ 50,687,883	$ 55,639,263	$ 56,070,278	$ 56,771,987	$ 57,920,903	$ 64,350,723	$ 66,650,305
34,322,775	29,080,239	28,091,384	28,665,267	30,248,908	30,808,906	32,082,834
1,206,160	1,228,451	1,484,843	1,434,252	1,843,288	1,638,948	1,612,136
893,190	873,601	919,492	1,041,171	1,288,332	1,148,262	1,113,718
2,595,320	946,400	350,867	282,100	379,849	582,790	628,143
1,014,366	2,027,265	2,101,186	2,456,278	2,731,888	2,758,969	2,549,407
298,029	1,244,816	2,200,585	2,845,072	372,970	491,046	7,088,666
-	420,009	3,244,991	-	-	-	-
8,487,759	10,552,826	11,024,414	11,806,319	12,023,789	11,727,058	13,720,623
$ 99,505,482	$ 102,012,870	$ 105,488,040	$ 105,302,446	$ 106,809,927	$ 113,506,702	$ 125,445,832
$ 7,369,660	$ 6,954,234	$ 7,123,209	$ 7,120,746	$ 7,342,947	$ 7,479,585	$ 7,858,184
1,672,007	1,720,033	1,950,422	1,728,595	1,920,697	1,990,262	2,431,157
22,375,860	21,745,756	21,821,855	22,457,743	22,542,972	23,422,922	25,324,764
16,274,979	15,269,159	17,229,424	15,846,187	16,711,634	19,022,312	22,956,008
4,874,283	4,746,065	4,787,163	4,666,290	4,757,819	5,139,751	5,243,811
12,319,692	8,977,780	7,401,377	7,938,260	5,556,258	5,372,128	6,865,979
3,452,197	3,505,001	3,988,566	3,322,835	2,777,070	2,702,948	2,139,855
27,571,892	27,724,105	28,571,397	30,181,608	32,168,415	34,822,695	35,482,847
-	-	-	-	-	-	-
-	-	-	-	-	-	-
6,515,101	6,951,253	7,003,215	7,549,852	12,125,002	8,627,619	16,884,749
8,661,866	8,319,147	8,482,176	7,890,102	7,645,385	6,007,069	5,806,134
$ 111,087,537	$ 105,912,533	$ 108,358,804	$ 108,702,218	$ 113,548,199	$ 114,587,291	$ 130,993,488
$ (11,582,055)	$ (3,899,663)	$ (2,870,764)	$ (3,399,772)	$ (6,738,272)	$ (1,080,589)	$ (5,547,656)
$ 2,554,297	$ 3,383,729	$ 5,441,825	$ 3,570,275	$ 4,802,436	$ 4,834,425	$ 12,756,654
(2,335,611)	(4,398,729)	(6,221,825)	(3,590,786)	(5,230,436)	(4,949,606)	(12,747,406)
4,189,927	-	-	690,807	6,819,091	875,000	10,258,450
-	-	3,129,357	-	-	150,000	-
-	-	32,480,000	19,905,800	64,066,000	35,685,000	-
-	-	(35,442,932)	(19,679,033)	(63,673,811)	(35,826,362)	-
-	-	3,309,767	-	-	619,778	-
$ 4,408,613	$ (1,015,000)	$ 2,696,192	$ 897,063	$ 6,783,280	$ 1,388,235	$ 10,267,698
$ (7,173,442)	$ (4,914,663)	$ (174,572)	$ (2,502,709)	$ 45,008	$ 307,646	$ 4,720,042
$ 15,176,967	$ 15,270,400	$ 15,485,391	$ 15,439,954	$ 19,770,387	$ 14,634,688	$ 22,690,883
$ 111,087,537	$ 105,912,533	$ 108,358,804	$ 108,702,218	$ 113,548,199	$ 114,587,291	$ 130,993,488
18,442,278	9,842,310	11,609,406	5,712,018	4,991,167	7,549,604	7,796,757
$ 92,645,259	$ 96,070,223	$ 96,749,398	$ 102,990,200	$ 108,557,032	$ 107,037,687	$ 123,196,731
16.38%	15.90%	16.01%	14.99%	18.21%	13.67%	18.42%
$ 51,631,725	$ 41,994,373	$ 37,941,520	$ 39,434,345	$ 41,509,575	$ 44,122,119	$ 44,900,191
942,378	986,812	1,018,335	935,843	935,843	528,269	1,528,441
300,793	1,532,448	227,897	-	2,473,840	-	-
-	-	-	-	-	-	-
$ 52,273,310	$ 41,448,737	$ 38,731,958	$ 40,370,188	$ 39,971,578	$ 44,650,388	$ 46,428,632
$ 144,918,569	$ 107,789,125	$ 106,925,459	$ 113,118,045	$ 116,444,823	$ 116,995,751	$ 134,428,790
16.38%	15.90%	16.01%	14.99%	18.21%	13.67%	18.42%

(3) 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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Table 6

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
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
2012	57,920,903	10,200,696	8,554,669	1,727,091	5,252,922	918,341	3,595,190	88,169,812
2013	64,350,723	10,263,955	8,932,634	1,704,649	5,553,975	975,457	3,378,236	95,159,629
2014	66,650,305	11,580,673	8,709,712	1,653,003	5,703,399	924,350	3,511,697	98,733,139
Change 2005-2014	58.83%	-0.21%	4.06%	-40.42%	162.04%	-1.65%	5.19%	38.74%

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
2005	$ 3,063,115,200	0.84	$ 1,382,126,100	0.84	$ 96,641,780	$ 296,497,400
2006	3,817,504,900	0.71	1,626,385,700	0.71	90,098,852	333,581,700
2007	3,723,667,700	0.72	1,884,634,000	0.72	93,444,978	353,598,900
2008	3,475,794,600	0.79	2,161,997,400	0.79	87,580,035	372,660,900
2009	3,182,468,200	0.88	2,177,141,900	0.88	94,044,526	388,478,700
2010	3,013,912,200	0.955	1,968,035,100	0.955	93,846,777	389,153,800
2011	3,123,099,700	0.942	1,954,294,800	0.942	97,144,428	394,555,500
2012	3,195,889,977	1.010	2,025,966,286	1.010	92,221,418	488,638,000
2013	3,266,638,900	1.060	2,073,994,400	1.060	90,856,256	494,790,700
2014	3,463,135,200	1.040	2,085,815,600	1.040	88,183,403	499,269,600

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) Nontaxable assessed values increased in 2012 after a complete review and revaluation.

Table 7

Total Assessed Value	Total Taxable Assessed Value	Percent Growth	Total Direct Tax Rate	Actual Taxable Value	Value as a Percentage of Actual Value
$ 4,838,380,480	$ 4,541,883,080	17.9%	$ 0.84	$ 4,541,883,080	100%
5,867,571,152	5,533,989,452	21.8%	0.71	5,533,989,452	100%
6,055,345,578	5,701,746,678	3.0%	0.72	5,701,746,678	100%
6,098,032,935	5,725,372,035	0.4%	0.79	5,725,372,035	100%
5,842,133,326	5,453,654,626	-4.8%	0.88	5,453,654,626	100%
5,464,947,879	5,075,794,077	-6.9%	0.955	5,075,794,077	100%
5,569,094,430	5,174,538,928	1.9%	0.942	5,174,538,928	100%
5,802,715,683	5,314,077,681	2.7%	1.010	5,314,077,681	100%
5,926,280,258	5,431,489,556	2.2%	1.060	5,431,489,556	100%
6,136,403,805	5,637,134,203	3.8%	1.040	5,637,134,203	100%

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

Fiscal Year June 30,	Real Estate	Personal Property
2005	$ 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	0.942	4.13
2012	1.010	4.13
2013	1.060	4.13
2014	1.040	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)

	2014			2005		
Taxpayer	Taxable Assessed Value	Rank	Percentage (%) of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage (%) of Total City Taxable Assessed Value
RKB & RPB Willowwood LLC (I, II)	$ 98,439,500	1	1.77%	$ 50,130,100	4	1.13%
Fairfax Square	94,012,600	2	1.69%	52,232,500	2	1.18%
Fair City HHH, LLC	81,262,600	3	1.46%	58,852,800	1	1.33%
Combined Properties	55,360,300	4	1.00%	24,100,800	9	0.54%
Army Navy Country Club	53,815,700	5	0.97%	51,699,700	3	1.16%
Saul Holdings, LP	34,012,800	6	0.61%	21,627,500	10	0.49%
CH Realty III/Old Town	33,117,800	7	0.60%	--	--	--
CH Realty VI/R Fairfax	32,432,600	8	0.58%	--	--	--
Avalon at Providence Park, LLC	31,617,400	9	0.57%	--	--	--
USRP I, LLC	29,326,300	10	0.53%	--	--	--
SMII Fairfax LLC	--	--		45,727,000	5	1.03%
Mosby, LLC	--	--		41,950,000	6	0.94%
Pickett's Reserve Dev., LLC	--	--		30,724,800	7	0.69%
John F. Swart, ETAL	--	--		24,487,300	8	0.55%
Total	$ 543,397,600		9.79%	$ 401,532,500		9.04%

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
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%	609,348	43,780,452	100.00%
2009	47,682,500	46,678,811	97.90%	1,003,060	47,681,871	100.00%
2010	49,560,633	48,593,292	98.05%	964,436	49,557,728	99.99%
2011	49,769,304	48,879,797	98.21%	881,939	49,761,736	99.98%
2012	52,346,460	51,474,451	98.33%	844,264	52,318,715	99.95%
2013	56,984,359	56,079,986	98.41%	781,632	56,861,618	99.78%
2014	59,363,005	58,015,432	97.73%	641,696	58,657,128	98.81%

Source:
City of Fairfax Treasurer's Office.

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

	Governmental Activities					Business-Type Activities				
Fiscal Year June 30,	General Obligation Bonds	Lease Revenue Bonds	Notes Payable	Public Improvement COPS	Capital Leases	Revenue Bonds	Notes Payable	Total Primary Government	Percentage of Personal Income	Debt Per Capita
2005	$ 80,665,418	$ -	$ 9,040,404	$ -	$ 711,430	$ 2,246,942	$ 179,210	$ 92,843,404	8.24%	4,451
2006	122,682,596	39,630,000	13,975,798	-	634,394	1,183,034	136,990	178,242,812	14.57%	8,326
2007	119,124,230	39,630,000	28,355,767	-	556,505	387,882	93,093	188,147,477	14.34%	8,678
2008	114,767,655	39,330,000	30,768,959	-	474,713	5,016,885	47,452	190,405,664	14.22%	8,611
2009	110,300,000	39,030,000	28,671,254	-	388,821	4,821,000	-	183,211,075	14.04%	8,172
2010	106,825,000	38,170,000	26,489,109	-	298,625	4,652,000	-	176,434,734	13.22%	7,819
2011	102,605,000	37,285,000	4,540,125	19,905,800	877,905	28,555,000	-	193,768,830	13.70%	8,447
2012	101,361,000	33,105,000	8,433,465	17,572,800	1,279,103	28,371,000	-	190,122,368	12.82%	8,104
2013	100,382,000	32,045,000	8,316,733	15,095,100	1,608,324	28,179,000	-	185,626,157	12.08%	7,743
2014	95,983,000	31,135,000	7,250,000	12,573,100	3,956,280	24,080,000	19,635,079	194,612,459	12.06%	7,976

General bonded debt outstanding:

Fiscal Year June 30,	General Obligation Bonds	Percentage of Actual Taxable Value of Property	Debt Per Capita
2004	$ 40,755,000	1.06%	$ 1,862
2005	80,665,418	1.78%	3,667
2006	122,682,596	2.22%	7,118
2007	119,124,230	2.09%	6,809
2008	114,767,655	2.00%	6,403
2009	110,300,000	2.74%	6,054
2010	106,825,000	2.86%	5,727
2011	102,605,000	1.98%	4,473
2012	101,361,000	1.91%	4,320
2013	100,382,000	1.85%	4,187
2014	95,983,000	1.70%	3,934

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)

	2005	2006	2007	2008
Debt limit	$ 454,188,308	$ 553,398,945	$ 570,174,668	$ 572,537,204
Total net debt applicable to limit	90,417,252	176,922,788	187,666,502	185,341,327
Legal debt margin	$ 363,771,056	$ 376,476,157	$ 382,508,166	$ 387,195,877
Total net debt applicable to the limit as a percentage of debt limit	19.91%	31.97%	32.91%	32.37%

Legal debt margin calculation for fiscal year 2013	
Assessed value of real estate	$ 5,637,134,203
Debt limit (10% of assessed value)	$ 563,713,420
Debt applicable to limit:	
Net direct debt outstanding	150,897,380
Legal debt margin	$ 412,816,040

Summary of outstanding debt:

Public Improvement COPS
General Obligation Bonds
Lease Revenue Bonds
Notes payable
Capital leases

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

2009	2010	2011	2012	2013	2014
$ 545,365,463	$ 507,579,408	$ 517,453,893	$ 531,407,768	$ 563,713,420	$ 563,713,420
178,390,075	171,782,734	165,213,830	161,751,368	157,447,157	150,897,380
$ 366,975,388	$ 335,796,674	$ 352,240,063	$ 369,656,400	$ 406,266,263	$ 412,816,040
32.71%	33.84%	31.93%	30.44%	27.93%	26.77%

2009	2010	2011	2012	2013	2014
$ -	$ -	$ 19,905,800	$ 17,572,800	$ 15,095,100	$ 12,573,100
110,300,000	106,825,000	102,605,000	101,361,000	100,382,000	95,983,000
39,030,000	38,170,000	37,285,000	33,105,000	32,045,000	31,135,000
28,671,255	26,489,109	4,540,125	8,433,465	8,316,733	7,250,000
388,821	298,625	877,905	1,279,103	1,608,324	3,956,280
$ 178,390,076	$ 171,782,734	$ 165,213,830	$ 161,751,368	$ 157,447,157	$ 150,897,380

CITY OF FAIRFAX, VIRGINIA

Pledged-Revenue Coverage
Last Ten Fiscal Years
(Unaudited)

	Water Revenue Bonds					
				Debt Service		
Fiscal Year June 30,	Utility Service Charges	Operating Expenses	Net Available Revenue	Principal	Interest	Coverage
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
2012	7,740,780	7,365,331	375,449	184,000	525,875	0.53
2013	9,845,211	7,305,156	2,540,055	192,000	657,782	2.99
2014	N/A	N/A	N/A	N/A	N/A	N/A

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 2008 Water revenue bond was paid off in F/Y 14 after the sale of the water utility, and the 2010 VRA bond was transferred to the Wastewater Fund (approved by VRA). Prior to the sale, some of the debt service for these two bonds was paid from the water fund, but 100% of the VRA bond debt service is presented in the Wastewater Fund here.

Table 13

Wastewater Revenue Bonds					
Utility Service Charges	Operating Expenses	Net Available Revenue	Debt Service		Coverage
			Principal	Interest	
$ 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
4,637,225	3,547,837	1,089,388	-	512,708	2.12
5,351,015	2,982,422	2,368,593	-	512,708	4.62
5,028,442	3,394,380	1,634,062	-	1,389,374	1.18

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Demographic and Economic Statistics
Last Ten Fiscal Years
(Unaudited)

Fiscal Year June 30,	Population (1)	Personal Income (2)	Per Capita Personal Income (2)	School Enrollment (3)	Unemployment Rate (4)
2005	20,860	$ 1,126,124,000	$ 54,000	2,784	2.60%
2006	21,407	1,223,197,000	57,100	2,582	2.40%
2007	21,682	1,311,826,000	60,500	2,766	2.60%
2008	22,112	1,339,333,000	60,600	2,771	3.20%
2009	22,418	1,305,142,000	58,200	2,764	5.70%
2010	22,565	1,334,796,000 *	59,200 *	2,905	5.00%
2011	22,940	1,413,943,000 *	61,600 *	2,976	4.80%
2012	23,461	1,483,368,000 *	63,200 *	3,081	4.10%
2013	23,973	1,536,636,621	64,100	3,107	3.90%
2014	24,400	1,613,916,074	66,100	3,080	4.10%

Notes:
*Estimated by City of Fairfax
(1) Population updated from 2010 US Census Bureau results and annual population estimates. 2014 population estimated by City staff.
(2) Personal income is published annually (with a 2-year delay) by the BEA. The most recent available figures are for 2013 (released in November 2014).
(2) To estimate personal income for 2014, an estimated annual change in personal income was projected. based on the average of the previous two years' increases.
(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) Average Daily Membership "ADM" as reported in City of Fairfax annual budget.
(4) US Bureau of Labor Statistics, Local Area Unemployment Statistics.
(4) 2014 unemployment rate estimated by averaging all available months (Jan-Oct) of 2014 data.

Principal Employers
Current Year and Ten Years Ago
(Unaudited)

	2014			2005		
Employer (1)	(1) Employees	Rank	Percentage (2) of Total City Employment	Employees	Rank	Percentage of Total City Employment
The Wackenhut Corporation	410	1	2.13%			
Fairfax Nursing Center	400	2	2.07%	250	4	1.00%
City of Fairfax	397	3	2.06%	340	2	1.36%
Inova Health System	390	4	2.02%	-	-	-
Tedd Britt Ford Sales	300	5	1.56%	-	-	-
Zeta Associates	275	6	1.43%	-	-	-
Multivision, Inc.	150	7	0.78%	-	-	-
Fairfax Volkswagen, Honda	150	7	0.78%	200	6	0.80%
Dominion Virginia Power	150	7	0.78%	170	10	0.68%
Crestar Bank	-	-	-	450	1	1.79%
Bell Atlantic Cellular	-	-	-	262	3	1.05%
Mid-Atlantic Cars	-	-	-	200	6	0.80%
Commonwealth Nursing	-	-	-	192	8	0.77%
DA Foster Industries	-	-	-	190	9	0.76%
Total	2,622		13.59%	2,254		8.99%

Sources:
(1) City of Fairfax Economic Development Office, Fall 2013
(2) US Census Bureau State & County QuickFacts

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

Function/program	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
City Clerk	2.00	2.00	2.00	2.00	2.00	2.00	2.00	1.50	1.50	1.50
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	2.50	2.50	2.50	2.50	2.13	2.63	2.63	3.00
Personnel	5.00	5.00	5.00	5.00	5.00	4.00	4.00	4.00	4.00	4.00
Community Relations	2.00	2.50	2.50	2.50	2.00	1.00	1.00	1.00	1.00	1.00
Marketing	0.00	0.00	0.00	0.00	0.88	0.00	0.50	0.50	0.50	0.50
Cable TV	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.75
Information Technology	10.00	11.00	11.00	11.00	11.00	9.00	9.00	9.00	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	13.00	13.00	13.00	13.00	13.00	13.00	13.00	13.00	13.00	12.00
Finance & Accounting	7.00	7.00	7.50	7.50	7.50	7.50	7.50	7.50	7.50	7.50
Real Estate Assessment	5.00	5.00	5.00	5.00	5.00	4.00	4.00	4.00	4.00	5.00
Treasurer	7.50	7.50	7.75	7.75	7.75	7.75	7.75	7.75	7.75	7.75
Commissioner of Revenue	8.50	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00
Police Department	85.75	85.50	85.75	88.00	88.00	90.00	91.13	90.00	90.00	90.25
Fire Department	69.00	70.00	80.00	80.00	80.00	79.00	80.00	79.00	79.00	80.00
Public Works	70.70	69.20	74.70	77.00	77.00	76.10	77.50	75.50	75.50	77.20
Social Services	0.62	0.62	0.62	0.62	0.62	0.62	0.62	0.62	0.62	0.62
Parks & Recreation	17.00	17.63	17.63	18.63	18.25	17.13	19.88	19.13	19.13	19.88
Historic Resources	3.95	3.95	3.95	3.95	3.95	3.95	3.95	3.95	3.95	3.95
Planning & Design	12.63	14.50	15.00	15.70	15.70	15.70	15.70	15.70	15.70	16.50
Economic Development	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Education	2.26	3.13	2.63	1.90	1.90	1.90	2.85	1.90	1.90	1.90
Wastewater	8.00	8.00	8.00	8.00	8.00	8.00	6.00	8.60	8.60	9.10
Water	29.00	31.00	31.00	31.00	32.00	32.00	32.00	34.40	34.40	0.00
Stormwater	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.70
Transit	30.00	30.00	30.50	30.50	30.50	30.38	31.50	30.50	30.50	30.50
Total	397.91	404.53	421.03	426.55	427.55	420.53	427.01	425.18	425.18	397.10

Source:

City Budget Office.

CITY OF FAIRFAX, VIRGINIA

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

	Actual 2005	Actual 2006	Actual 2007	Actual 2008
GENERAL GOVERNMENT:				
Public Works				
Homes Served - Refuse Collection	6,032	6,168	6,226	6,245
Elections				
Registered Voters	14,478	14,101	14,307	14,266
# of Votes cast last General Election	10,651	6,804	8,177	5,557
% of Registered Voters last General Election	73.57%	48.25%	57.15%	38.95%
Parks and Recreation				
Old Town Hall Occupancy Rate	92%	90%	90%	*
Old Town Hall Rentals	*	*	74	75
Total Unique Recreation Programs	*	49	50	51
Total Recreation Programs	*	117	135	386
Day Camp program participants	534	507	563	574
Community Development and Planning				
Planning Studies/Reports prepared	275	225	220	*
Residential/Non-residential Use Permits	1,250	1,400	1,400	*
Administrative Permit-Review/Approve	2,500	2,500	2,500	*
Neighborhood Renaissance Conferences	*	*	450	600
Board of Architectural Review (BAR) Applications	*	*	48	51
Enforcement Citations	*	*	450	540
Land Use Applications	*	*	38	42
Development Plans & Subdivisions	*	*	37	59
Economic Development				
Vacancy Rate - Office Space	6.25%	6.75%	6.90%	7.25%
Vacancy Rate - Retail Space	0.90%	1.10%	1.10%	1.50%
SCHOOLS:				
Education				
Average Daily Membership	2,784	2,745	2,766	2,771
Elementary - Kindergarten	204	205	189	229
Elementary - (1-6)	1,266	1,290	1,324	1,294
Secondary - (7-12)	1,314	1,250	1,253	1,248
Tuition Cost Per Student	$ 10,812	$ 11,915	$ 12,030	$ 13,548
PUBLIC SAFETY:				
Police Department				
Cases Assigned	346	332	245	255
Cases Closed	221	207	173	172
Calls for Service	16,042	17,414	14,970	14,589
Criminal Arrests	1,894	1,756	1,756	1,388
Fire Department				
Staff Training Hours	9,056	9,725	14,399	14,420
Responses to Fire Incidents	3,325	3,390	3,169	3,367
Responses to EMS Incidents	7,400	7,435	7,395	7,458
Plans reviewed	1,028	932	1,088	1,290
Building Permits Issued	2,604	653	629	531
Cost Associated with Building Permits	$ 34,834,731	$ 47,430,498	$ 37,402,772	$ 33,968,649
UTILITIES:				
Wastewater				
Number of New Service Connections	57	43	53	47
$ Amount of New Service Connections	$ 372,106	$ 331,611	$ 341,075	377,208
Average Daily Flow (MGD)	4	4	4	4
Feet of Pipeline Rehabilitated	2,346	3,881	3,881	4,288
Site Plans Reviewed	25	22	22	22
Water				
$ Amount of New Customer Connections	$ 50,440	$ 54,218	$ 49,542	$ 46,130
Number New Service Connections	11	52	105	111
$ Amount of New Service Connections	$ 406,235	$ 301,773	$ 826,596 (2)	1,243,299
Gallons of Water Produced (millions)	4,426	4,351	4,351	4,380
Feet of Pipeline replaced	4,707	600 (1)	600 (1)	0
Number of Site Plans Reviewed	26	22	25	22
TRANSIT:				
Total Ridership	1,000,000	1,093,926	1,126,966	1,055,664

Notes:

Source: City Annual Operating Budget & Comprehensive Annual Financial Report

* - information not available (not tracked)

Notes:

The City outsourced Wastewater billing to Fairfax County Water Authority in conjunction with the sale of the water utility in F/Y 14. Operating indicators were not readily available from Fairfax Water for June 30, 2014.

	Actual 2009	Actual 2010	Actual 2011	Actual/Estimate 2012	Actual/Estimate 2013	Actual/Estimate 2014
	6,249	6,249	6,249	6,338	6,498	6,498
	15,525	14,937	15,027	14,835	15,794	15,372
	11,478	6,197	7,112	4,638	11,706	7,120
	73.93%	41.49%	47.33%	31.26%	74.12%	46.32%
	*	*	*	*	*	*
	85	153	231	164	165	165
	50	98	71	80	223	252
	306	512	513	686	422	428
	759	819	927	801	707	727
	*	*	*	*	*	*
	*	*	*	*	*	*
	*	*	*	*	*	*
	600	600	600	600	600	*
	51	48	86	80	80	62
	550	450	550	550	550	458
	45	38	31	44	33	30
	60	37	47	49	49	59
	9.50%	12.00%	13.00%	12.40%	13.60%	15.00%
	6.00%	4.50%	5.50%	4.70%	3.15%	3.40%
	2,764	2,905	2,976	3,081	3,039	3,078
	198	221	239	210	216	240
	1,307	1,319	1,259	1,386	1,346	1,351
	1,260	1,398	1,478	1,485	1,477	1,487
$	13,078	$ 12,027	$ 12,745	$ 13,110	$ 14,268	$ 14,088
	250	240	169	198	204	225
	168	171	130	172	178	168
	13,958	13,764	13,896	13,947	14,000	14,176
	1,340	1,243	1,272	1,373	1,359	1,323
	15,090	16,568	16,879	15,536	13,790	9,900
	3,327	2,585	2,846	4,015	2,899	4,135
	5,907	6,409	6,569	5,766	7,709	5,595
	894	972	1,333	1,401	1,353	1,003
	530	494	605	647	621	578
$	21,654,448	$ 38,388,562	$ 27,634,266	$ 39,254,118	$ 34,633,451	$ 30,308,610
	31	20	20	54	30	*
	347,858	223,358	223,358	558,027	335,025	*
	3.9	3.9	2.95	2.95	3.2	*
	4,500	3,906	7,840	7,840	7,000	*
	21	23	40	40	33	*
$	61,213	$ 64,450	$ 64,450	$ 62,954	$ 62,882	$ N/A
	200	40	40	59	55	N/A
(2)	1,621,803	(2) 1,294,495	$ 1,294,495	$ 426,329	$ 144,208	$ N/A
	3,400	3,167	2,900	2,620	600	N/A
(1)	3,000	1,100	447	(4 100	(4 100	(4 N/A
	22	49	40	40	30	N/A
	952,072	941,694	910,549	908,367	850,809	826,747

Table 18

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

	2005	2006	2007	2008	2009	2010	2011	2012	Actual/ Estimate 2013	Actual/ Estimate 2014
GENERAL GOVERNMENT										
Parks and Recreation										
Acres of Parks	279	279	279	279	279	279	279	279	279	283.47
Number of Major Parks	9	9	9	9	9	9	9	9	9	9
Number of Neighborhood Parks	13	13	13	13	14	14	14	15	15	15
Public Works										
Vehicle Availability (%)	97%	97%	97%	97%	97%	97%	97%	98%	98%	90%
Vehicle Repair Orders	2,823	2,455	2,672	3,800	3,600	3,600	3,600	3,766	3,766	2,872
Total Fleet	522	548	560	563	590	590	590	664	664	653
Miles of Streets - Primary	15.58	15.58	15.58	15.58	15.58	15.58	15.58	16.5	15.5	15.5
Miles of Streets - Secondary	54.38	54.76	54.76	54.76	55.33	55.33	55.33	54	56.5	56.5
Number of Street Lights	2,950	2,950	2,950	2,950	2,967	2,967	2,967	2,967	2,967	2,967
PUBLIC SAFETY										
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	870	870	870	870	870	870	870	870	870	870
UTILITIES:										
Water										
Gallons produced (millions)	4,426	4,351	4,351	4,380	3,431	3,500	2,900	2,620	2,620	N/A
Water Mains (miles)	182.68	182.68	182.68	182.68	183.77	184.01	184.01	184.01	184.01	N/A
Sewer										
Sanitary Sewers (miles)	97.03	97.03	97.03	97.03	97.07	97.14	97.14	100.00	100.00	100.00
TRANSIT:										
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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns,* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of City of Fairfax, Virginia, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Fairfax, Virginia's basic financial statements, and have issued our report thereon dated December 29, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Robinson, Farmer, Cox Associates

Fredericksburg, Virginia
December 29, 2014

Independent Auditors' Report on Compliance For Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133

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

Report on Compliance for Each Major Federal Program

We have audited 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 City of Fairfax, Virginia's major federal programs for the year ended June 30, 2014. City of Fairfax, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of City of Fairfax, Virginia's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and 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 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 on compliance for each major federal program. However, our audit does not provide a legal determination of City of Fairfax, Virginia's compliance.

Opinion on Each Major Federal Program

In our opinion, City of Fairfax, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of City of Fairfax, Virginia is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Fairfax, Virginia's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 City of Fairfax, Virginia's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Robinson, Farmer, Cox Associates

Fredericksburg, Virginia
December 29, 2014

CITY OF FAIRFAX, VIRGINIA

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

Federal Grantor/State Pass - Through Grantor/ Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
DEPARTMENT OF JUSTICE:			
Direct payments:			
Bulletproof Vest Partnership Program	16.607	N/A	$ 4,894
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580	N/A	17,564
Pass through payments:			
Department of Criminal Justice Services:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	39001-51100	2,087
Total Department of Justice			$ 24,545
DEPARTMENT OF TRANSPORTATION:			
Direct payments:			
Federal Highway Administration:			
Highway Planning and Construction	20.205	N/A	$ 3,111,317
Pass through payments:			
Virginia Department of Motor Vehicles:			
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	60507-53302/54020	19,391
Total Department of Transportation			$ 3,130,708
DEPARTMENT OF HOMELAND SECURITY:			
Direct payments:			
Homeland Security Grant Program	97.067	N/A	$ 194,063
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	N/A	102,666
Pass through payments:			
Department of Emergency Services:			
Homeland Security Grant Program	97.067	77501-52702	16,946
Non-profit Security Program	97.008	77501-52231/52232	220,655
Emergency Management Performance Grants	97.042	77501-52743	7,500
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	77602-00160	58,950
Total Department of Homeland Security			$ 600,780
Total expenditures of federal awards			$ 3,756,033

See accompanying notes to schedule of expenditures of federal awards.

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, 2014. 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 position, 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	$ 3,756,033
Enterprise Funds	374,353
Total primary government	$ 4,130,386
Less:	
Interest subsidy	$ (374,353)
Total federal expenditures per the Schedule of Expenditures of Federal Awards	$ 3,756,033

CITY OF FAIRFAX, VIRGINIA

Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
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 auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510 (a)?	No

Identification of major programs:

CFDA #	Name of Federal Program or Cluster
20.205	Highway Planning and Construction

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.

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2014

There were no prior year audit findings.