



Civil War 150th Anniversary Event



Mosby's
Fairfax Raid
Reenactment and
Commemoration



City of Fairfax
Comprehensive Annual
Financial Report
For the Fiscal Year
Ended June 30, 2013

THE CITY OF FAIRFAX - PROUD PARTNER IN VIRGINIA'S SESQUICENTENNIAL
COMMEMORATION OF THE AMERICAN CIVIL WAR

CITY OF FAIRFAX, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2013

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, 2013

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City of Fairfax

10455 Armstrong Street • Fairfax, VA 22030-3630

December 27, 2013

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, 2013. The Code of the Commonwealth of Virginia requires that all local governments shall be audited annually with a report to the governing body by December 31. This report is published to fulfill that requirement.

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

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

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

The City's financial statements have been audited by Robinson, Farmer, Cox Associates, a certified public accounting firm. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2013, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by City management; and evaluating the overall financial statement presentation. The independent auditors' report is located at the front of the Financial Section of the CAFR.

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

FINANCIAL REPORTING ENTITY

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

The City of Fairfax provides a full range of governmental services including law enforcement, emergency medical response, fire protection and fire code safety; judicial services; health and social services; refuse; waste-water; planning and zoning services; parks, recreation and cultural activities; and general government administration services. These services are either provided by the City or through contracts with Fairfax County. In addition, the City provides inter-County and intra-City bus service. As of June 30, 2013, the City also operated its own water treatment and distribution system; however, the City will be closing deals with Fairfax County Water Authority and Loudoun County Water Authority early in 2014 after the decision was made in April 2013 to divest from the water treatment and distribution business. Residential and commercial water customers located in the City will become 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 Fairfax 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, Daniel's Run, and Providence Elementary. The Industrial Development Authority and Economic Development Authority are combined in one column as non-major component units.

ORGANIZATION OF GOVERNMENT

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, the mayor and six council members are elected by the citizens every two years to provide direction to the locality. The City Council employs a City Manager who is the executive officer of the City and is responsible to the Council for the proper administration of the City government.

ECONOMIC CONDITION AND OUTLOOK

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

The City provides the high-level services that Northern Virginians expect. With a population of approximately 23,000, the City offers a good government, low taxes and a strong feeling of community pride. Residential tax burdens are among the lowest in Northern Virginia with a real property tax rate of \$1.06 per \$100 of assessed value, and a personal property tax rate of \$4.13 per \$100 of assessed value (rates effective 1/1/2013).

ECONOMIC CONDITION AND OUTLOOK (CONTINUED)

On residential real property, Council dedicated \$0.02 of the \$1.06 to the Stormwater Fund to meet Federally-required improvements to the aging Stormwater infrastructure. Businesses also enjoy the City's low business license rates that compare favorably with those of other Northern Virginia jurisdictions. 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 addition to the City's \$1.06 real property tax rate, the City Council again approved the commercial real estate tax rate at \$0.055, dedicated for transportation improvements. This additional commercial property tax levy is charged on all non-residential commercial and industrial properties. The General Assembly authorized the City of Fairfax, as a Northern Virginia Transportation Authority member, to raise revenue by enacting a local ordinance imposing this additional commercial tax. The revenue collected from this tax is to be used solely for new transportation improvements in the City. The adopted rate of \$0.055 generates about \$1.0 million in recurring revenues annually. As a result of the additional commercial tax, the effective property tax rate for commercial and industrial properties is \$1.115. Additionally, the Commonwealth of Virginia passed a new bill, HB-2313, to direct more funding to transportation initiatives. Under this bill, at the current \$0.055 rate, the City will receive an additional \$1.1 million in revenues for transportation projects and support of the City's transit system.

The City is one of the few places in Northern Virginia where a small-town sensibility still exists. In an effort to nurture this environment, plans are underway to make the pedestrian environment even more hospitable with wider sidewalks, landscaping, boulevard-style developments, bike trails and other improvements. Add the proximity of George Mason University, many historical buildings and an active arts community, and the sum is a locale with a unique sense of community. 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.

Additionally, the City still has a strong commercial base, as highlighted below:

- Office Space of 4.78 million square feet with a vacancy rate of 13.6%
- Retail Space of 3.21 million square feet with a vacancy rate of 3.7%
- Industrial Space of 0.4 million square feet with a vacancy rate of 6.7%
- Nearly 20,000 jobs in the City; daily residential workforce estimated at 14,000
- 5,171 licensed businesses

The City has lower commercial vacancy rates than the surrounding County and Greater Washington, DC region.

The threat of Federal sequestration has likely had a negative impact on local sales tax revenues. With nearly 80% of residents working outside the City, diminished consumer confidence, and uncertainty in the Federal contractor and employee workforce provides downward pressure on local sales tax. Reductions in federal procurement will likely have direct and indirect impacts locally. The unemployment rate in the City, while lower than the national rate of 7.2%, at 6.3%, is higher than the State rate of 5.4%.

ECONOMIC CONDITION AND OUTLOOK (CONTINUED)

In contrast, historically low interest rates have bolstered the Washington region's resale housing values. Additionally, over 230,000 square feet in existing retail centers are currently undergoing renovations or have planned for future improvements or redevelopment. An additional 133,000 square feet of office space is undergoing significant exterior and interior improvements. Multiple high-end residential projects are under construction or already on the market. For example, the recently upgraded Turnpike Shopping Center at the intersection of Main Street and Pickett Road is fully leased and robust.

The City remains dedicated to the redevelopment of the Route 50/29 Corridor. The Route 50/29 Corridor is the City's economic engine, providing nearly 40% of all tax revenues generated from the community. Known as Fairfax Boulevard, the City, in partnership with the Economic Development Authority and the Planning Commission, is aggressively pursuing multiple redevelopment opportunities. The City also remains committed to the Fairfax Boulevard Master Plan, which identifies three main commercial centers prime for redevelopment. These locations are Fairfax Circle, Kamp Washington and Lee Highway (Route 29) to include Jermantown Road, at the western end of the corridor. The potential impact of multifamily and mixed-use developments is currently being considered at multiple locations.

With the Old Town Village redevelopment project in downtown Fairfax, utility undergrounding, and the construction of a high-end townhome community complete, the City is now focused on redesigning nearby "Old Town Square" into a robust downtown park.

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

FINANCIAL CONDITION

The total taxable assessed value of residential and commercial real property increased by 2.26% over the prior year. Along with the \$.05 increase in the real estate tax rate, the result was a 9.10% increase in revenues, or \$4.5 million. While school tuition costs increased by \$3.0 million or 7.42%, it was \$1.36 million lower than projected. Current estimates indicate the population of City students in the school will remain flat in F/Y 14.

In light of increasing tuition costs, keeping existing programs funded, salaries of public employees competitive, and addressing the budget and expanded program needs of the community's growing economy, careful budgeting is required. In addition to aggressive cost reductions in discretionary spending, the City added only one full-time position during the F/Y14 budget process. The City strives to keep operating costs flat; however, in F/Y 13 the City provided a merit increase of 3.5% for eligible general employees and a merit increase of 5.0% for eligible public safety employees to maintain competitiveness with surrounding jurisdictions. The City took advantage of historically low interest rates to refinance the last of post-2015 maturities on its 2004 and 2005 School bonds, resulting in \$3.7 million in savings over the remaining life of the bonds. Any new revenues anticipated with the fully operational Old Town Village and the increase in the CUE contribution from George Mason University are much needed in today's climate. Wastewater rates increased 12.5% 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 increased 7.5% to cover ever-increasing costs.

FINANCIAL CONDITION (CONTINUED)

It is worth noting that water rates remained unchanged during the F/Y 14 budget process in anticipation of the sale of the City's water distribution system to Fairfax County Water Authority, which will close in early calendar 2014.

The City's financial policies encourage the use of surplus General Fund revenue and resources derived from under-expenditures to fund capital projects rather than to fund ongoing operating programs. Even though the City has begun to use more debt financing rather than a purely "pay-as-you-go" approach to funding some capital projects, the City's net direct debt to tax base ratio decreased modestly to 1.94% at June 30, 2013 compared to 2.01% at June 30, 2012.

GENERAL GOVERNMENT FUNCTIONS

The following table shows the overall real property assessed value has increased over \$2.8 billion since 2001 including a 2.26% increase from 2012 to 2013. 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	3.02
2008	3,475,794,600	(6.7)	2,161,997,400	14.7	5,637,792,000	0.52
2009	3,182,468,200	(8.4)	2,177,141,800	0.7	5,359,610,100	(4.93)
2010	3,013,912,200	(5.2)	1,968,035,100	(9.6)	4,981,947,300	(7.0)
2011	3,123,099,700	3.6	1,954,294,800	(.70)	5,077,394,500	1.92
2012	3,182,314,200	2.3	2,040,212,000	3.6	5,222,526,800	2.85
2013	3,266,638,900	2.6	2,058,705,302	1.7	5,340,633,300	2.26

(1) 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 2013, the City's bond ratings were as follows:

	<u>Moody's Investors Service</u>	<u>Standard & Poors</u>
General Obligation Bonds	Aaa	AAA

In July 2013, Moody's Investors Service revised the City of Fairfax's outlook from negative to stable, as it had for all jurisdictions in the Washington, DC region, and reaffirmed the City's Aaa rating.

BUDGETARY ACCOUNTING AND INTERNAL CONTROLS

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

The Capital Improvement Program (CIP) follows a similar process whereby departments submit 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 and suggestions 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. 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 2012 CAFR for the 32nd 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.

CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING (CONTINUED)

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".

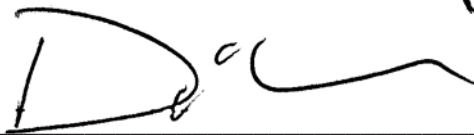
A Certificate is valid for a period of only one-year. The City believes its current report continues to conform to the Certificate of Achievement Program requirements and standards. The City is submitting it to GFOA to determine its eligibility for another certificate for this current fiscal year.

ACKNOWLEDGMENTS

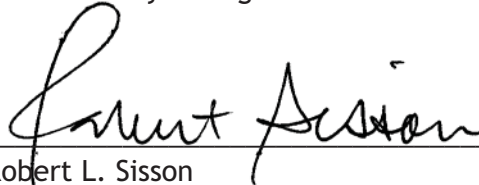
We wish to express our appreciation to the staff of the Department of Finance. Their efficient and dedicated service assisted in the preparation of this Report.

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

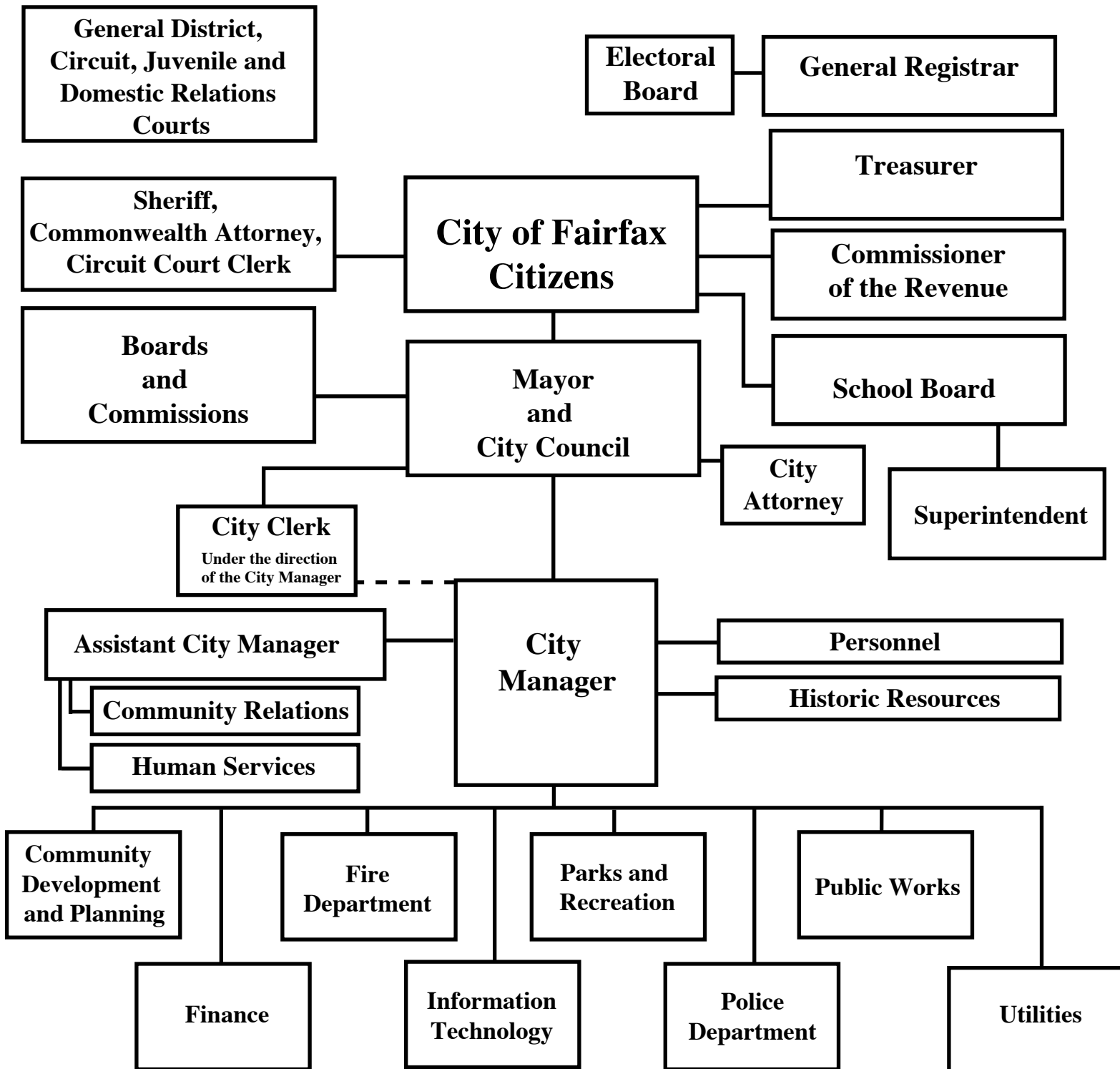


Robert L. Sisson
City Manager

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City of Fairfax, Virginia

Organizational Chart



revised 12/2004

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CITY OF FAIRFAX, VIRGINIA
PRINCIPAL OFFICIALS
June 30, 2013

CITY COUNCIL

R. Scott Silverthorne, Mayor

Michael J. DeMarco
Daniel F. Drummond
Jeffrey C. Greenfield

David L. Meyer
Eleanor D. Schmidt
Steven C. Stombres

STAFF

Robert L. Sisson..... City Manager
David E. Hodgkins Assistant City Manager/Director of Finance
William Page Johnson II Commissioner of Revenue¹
Stephen L. Moloney Treasurer¹
David L. Rohr Fire Chief
Richard J. Rappoport Chief of Police
David B. Hudson Director of Community Development and Planning
Gail A. Bohan..... Director of Information Technology
David Summers..... Director of Public Works
Richard C. Thoesen Director of Utilities
Michael D. McCarty..... Director of Parks and Recreation
Sara Sharp 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 Elected by City voters to 4-year terms. Current terms expire December 31, 2013.

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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, 2012



Executive Director/CEO

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ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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, 2013, 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, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1 to the financial statements, in 2013, the City adopted new accounting guidance, GASB Statement Nos. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and 65, *Items Previously Reported as Assets and Liabilities*. 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 on pages 5-17, budgetary comparison information, and schedule of pension and OPEB funding progress be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the 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.

Other Information (continued)

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.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2013, 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 20, 2013

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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, 2013. 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

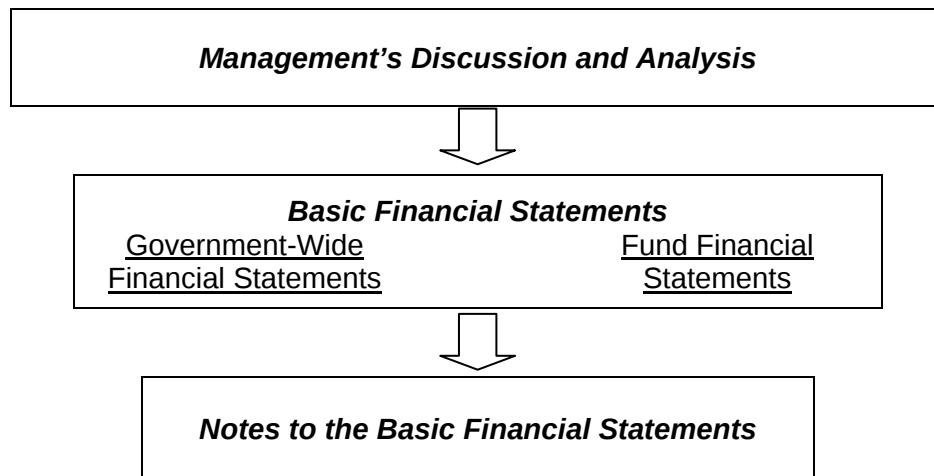
The primary government assets and deferred outflows of resources of the City of Fairfax exceeded its liabilities and deferred inflows of resources by \$101.4 million (*net position*) at the close of the most recent fiscal year (F/Y) on June 30, 2013.

- The City's total primary government net position increased by 7.4%, or \$7.0 million, driven by revenues exceeding expenditures as well as an increase in the deferred charge on refunding due to a refunding undertaken during the fiscal year.
- Continued investments in the Noman Cole Sewer Treatment Plant were paid out of proceeds from the 2010 VRA bond. While the impact on total assets is near zero, these large investments will continue, and will require future debt financing. In April 2013, the City agreed to terms mediated by a Federal judge to exit the water treatment and distribution business and contract with the Fairfax County Water Authority to provide water services to the City's retail customers. In November 2013, the City agreed to enter into a transaction to sell the Goose Creek water treatment plant, reservoirs, and associated assets located in Loudoun County to Loudoun County Water Authority. Both transactions will close in early 2014.
- The Component Unit School Board decreased its net position by \$1.1 million during the year, due to a decrease in overall net capital assets partially offset by a receivable due from Fairfax County Public Schools (FCPS) for overpayment of contracted school tuition. The year-end school tuition reconciliation showed a decrease in the "Average Daily Membership" (ADM), a measure of the number of City students attending FCPS schools, during the year.
- The City's governmental funds reflect a combined fund balance of \$30.6 million. Of this balance, \$4.8 million is non-spendable inventories and prepaid expenses, \$0.4 million is restricted by grantors/donors, \$0.6 million is committed to construction contracts, \$9.2 million is assigned to capital projects, and \$15.7 million is unassigned. A negative unassigned fund balance of \$0.6 million in the capital projects fund is a temporary timing difference; funds have been assigned in the General Fund to repay the associated debt on the property once the sale closes in early 2014.
- At the end of June 30, 2013, the City's governmental, business-type, and component unit school board activities had invested \$204.8, \$38.1, \$8.8 million, net of accumulated depreciation, respectively, in a variety of capital assets (please see Table 3).
- The City's total governmental outstanding long-term debt is \$155.8 million, which is a decrease of \$4.5 million. Total enterprise outstanding long-term debt decreased \$0.2 million to \$28.2 million. Debt retirement during the normal course of business was the main driver of both decreases. The City advance refunded the final post-2015 maturities of the 2004 and 2005 school bonds, resulting in \$3.7 million (NPV) in debt service savings over the next 25 years. 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.
- A combination of an increase in the real estate tax rate of \$0.05 to \$1.06 per \$100 of assessed value, and a 2.26% growth in assessed values on taxable real property caused general revenues to exceed budget by \$1.9 million. Meals and business license taxes also provided a budget surplus of \$0.6 million in total, while local sales tax revenues fell short of budget by \$0.3 million.

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.

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.

GOVERNMENT-WIDE STATEMENTS (CONTINUED)

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

FUND FINANCIAL STATEMENTS

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

The City has three types of funds:

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

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

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

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

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

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

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Statement of Net 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, 2013 and 2012
(In millions)*

	Primary Government						Major Component Unit	
	Governmental Activities		Business-type Activities		Totals		School Board	
	2013	2012	2013	2012	2013	2012	2013	2012
Assets:								
Current and other assets	\$66.6	\$66.3	\$22.0	\$21.8	\$88.6	\$88.1	\$3.1	\$3.3
Capital assets, net	204.8	206.3	38.1	36.3	242.9	242.6	8.8	9.9
Total Assets	271.4	272.6	60.1	58.1	331.5	330.7	11.9	13.2
Deferred outflows of resources	12.3	9.6	-	-	12.3	9.6	-	-
Liabilities:								
Current and other liabilities	17.0	18.2	3.3	2.9	20.3	21.1	1.7	1.9
Long-term liabilities	162.9	166.8	29.6	29.7	192.5	196.5	0.1	0.1
Total Liabilities	179.9	185.0	32.9	32.6	212.8	217.6	1.8	2.0
Deferred inflows of resources	29.6	28.3	-	-	29.6	28.3	-	-
Net Position:								
Net investment in capital assets	53.9	51.9	25.7	23.4	79.6	75.3	8.8	9.9
Unrestricted	20.3	17.0	1.5	2.1	21.8	19.1	1.3	1.3
Total net position	\$ 74.2	\$ 68.9	\$ 27.2	\$ 25.5	\$101.4	\$ 94.4	\$ 10.1	\$ 11.2

*Immaterial rounding differences between the Tables in the MD&A and the Exhibits in the Financial Section of the CAFR may exist. 2012 has been restated to conform to GASB 65.

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 \$101.4 million, which is an increase of \$7 million from the restated net position as of June 30, 2012.

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, 2013, this investment totaled \$88.4 million for the entire reporting entity (\$79.6 million for the primary government and \$8.8 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, 2013 and 2012
(In millions)*

	Primary Government						School Board Component Unit	
	Governmental Activities		Business-type Activities		Totals		School Board	
	2013	2012	2013	2012	2013	2012	2013	2012
Revenues:								
Program revenues:								
Charges for services	\$ 5.5	\$ 5.9	\$ 16.4	\$ 13.4	\$ 21.9	\$ 19.3	\$ 0.5	\$ 0.4
Operating grants and contributions	3.7	3.5	1.5	1.4	5.2	4.9	7.3	6.8
Capital grants and contributions	1.6	2.1	-	-	1.6	2.1	-	-
General revenues:								
General property taxes	65.0	57.2	-	-	65.0	57.2	-	-
Other local taxes	30.8	30.2	-	-	30.8	30.2	-	-
Contribution from City	-	-	-	-	-	-	37.3	32.5
Grants and contributions not restricted to specific programs	5.7	5.7	-	-	5.7	5.7	-	-
Use of money and Property	0.6	0.4	-	-	0.6	0.4	1.6	1.6
Miscellaneous	0.5	0.4	-	-	0.5	0.4	0.1	-
Gain/(loss) disposable capital assets	0.1	-	-	0.1	0.1	0.1	-	-
Total revenues	\$113.5	\$105.4	\$ 17.9	\$ 14.9	\$131.4	\$120.3	\$ 46.8	\$ 41.3
Expenses:								
General government	\$ 6.8	\$ 7.7	\$ -	\$ -	\$ 6.8	\$ 7.7	\$ -	\$ -
Judicial administration	2.1	2.0	-	-	2.1	2.0	-	-
Public safety	24.0	23.0	-	-	24.0	23.0	-	-
Public works	15.4	15.2	16.3	17.0	31.7	32.2	-	-
Health & social services	5.2	4.8	-	-	5.2	4.8	-	-
Education	40.4	35.7	-	-	40.4	35.7	47.9	44.9
Parks, recreation and cultural	5.1	4.8	-	-	5.1	4.8	-	-
Planning and community develop	2.8	2.4	-	-	2.8	2.4	-	-
Interest	6.3	5.9	-	-	6.3	5.9	-	-
Total expenses	\$108.1	\$101.5	\$ 16.3	\$ 17.0	\$124.4	\$118.5	\$ 47.9	\$ 44.9
Change in net position before transfers	\$ 5.4	\$ 3.9	\$ 1.6	\$ (2.2)	\$ 7.0	\$ 1.8	\$ (1.1)	\$ (3.6)
Transfers	(0.1)	(0.4)	0.1	0.4	-	-	-	-
Change in net position	\$ 5.3	\$ 3.5	\$ 1.7	\$ (1.8)	\$ 7.0	\$ 1.8	\$ (1.1)	\$ (3.6)
Net position, beginning as restated	\$ 68.9	\$ 65.4	\$ 25.5	\$ 27.2	\$ 94.4	\$ 92.6	\$ 11.2	\$ 14.8
Net position, ending	\$ 74.2	\$ 68.9	\$ 27.2	\$ 25.5	\$101.4	\$ 94.4	\$ 10.1	\$ 11.2

*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)

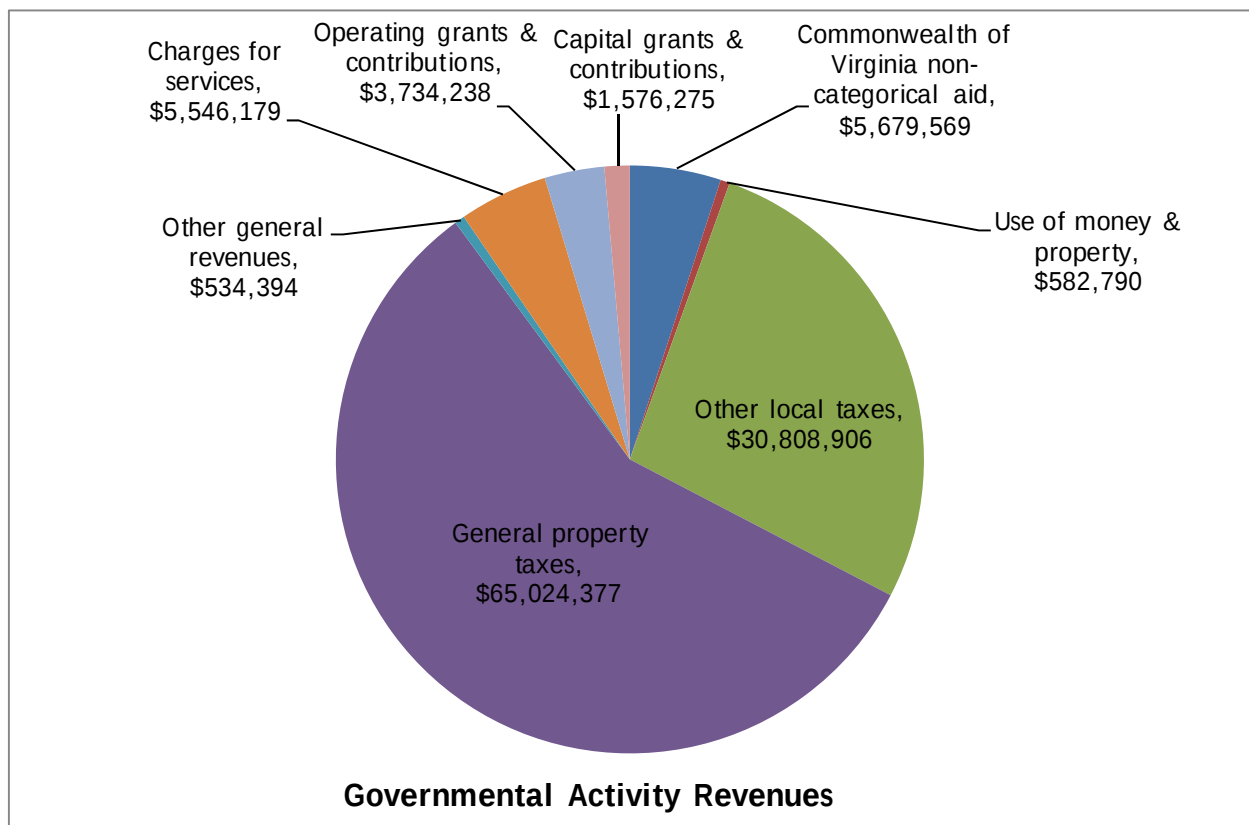
Statement of Activities: (Continued)

Governmental Activities

Revenues for the City's governmental activities were \$113.5 million, which is an increase of \$8.1 million from the prior year.

- General property taxes are the largest revenue source for the City. Increases in assessments and the real property tax rate from \$1.01 to \$1.06, effective January 1, 2012, were the main positive drivers for general property taxes. Also, general property taxes in 2012 contained a one-time reduction of \$1.2 million resulting from a judgment against the City (Army Navy Country Club real estate assessment appeal).
- Local taxes, specifically meals and business license taxes increased over the prior year and exceeded budget. These gains were partially offset by decreases in charges for services, and capital grants and contributions.
- Personal property tax revenues increased by \$0.3 million due to higher assessments; the rate remains \$4.13 per \$100 of assessed value.
- Capital grant revenues decreased because fiscal year 2012 contained a one-time parking grant of nearly \$0.4 million.

The chart below shows F/Y 2013 governmental revenues by program source:



Expenditures for the City's governmental activities were \$108.1 million in F/Y 2013, which is an increase of \$6.6 million from F/Y 2012.

- During the 2012 special session, the VA General Assembly passed legislation mandating that employees hired after July 1, 2012 must make the employee contribution of 5% into the Virginia Retirement System. Localities were given the option to phase-in existing employees' contributions by 1% over the next five years; however, the City opted to implement the 5% requirement in 2012.
- To offset the financial impact to affected employees, the State also required a 5% raise.

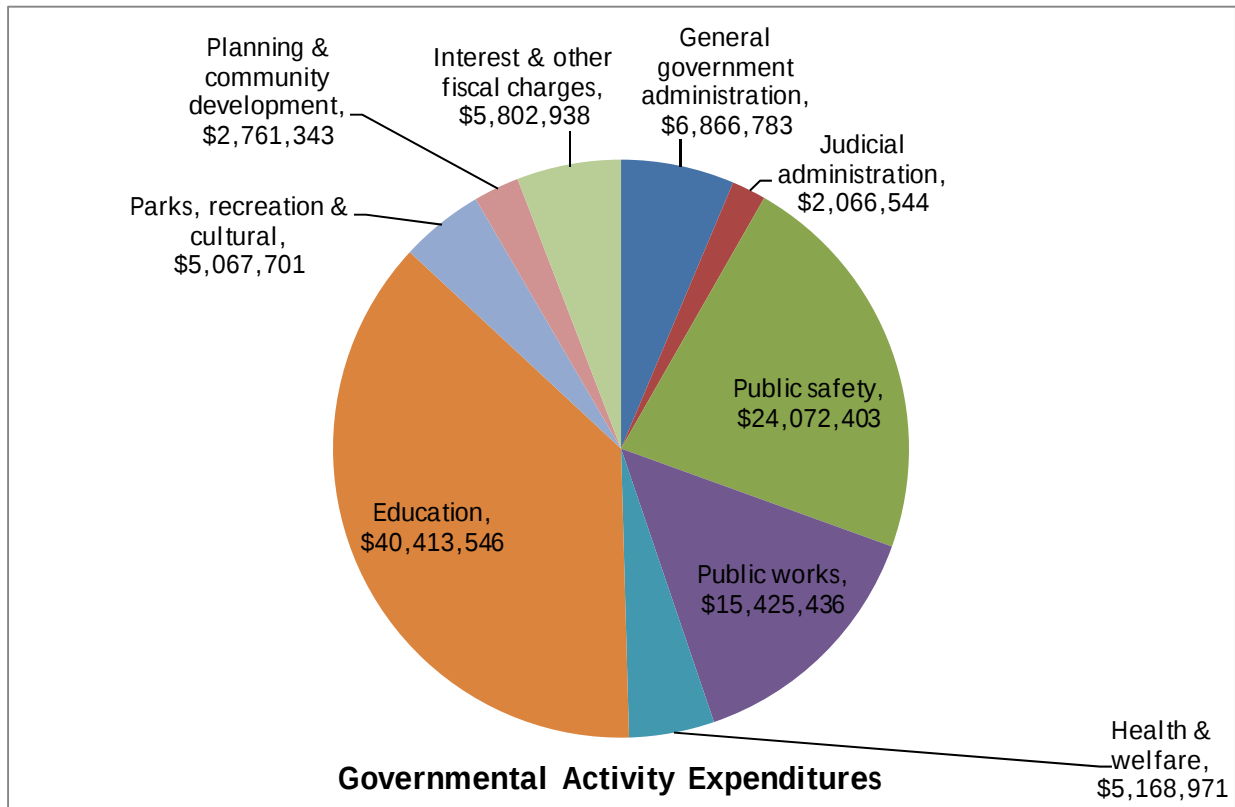
FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (CONTINUED)

Statement of Activities: (Continued)

- In addition to this raise, the City funded a 1% cost-of-living adjustment (COLA), a 3.5% merit for eligible general employees, and a 5% merit for eligible public safety employees.
- School tuition increased by \$3.0 million, which was \$1.3 million less than budget resulting from a decrease in the expected ADM of City students.

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

Governmental activity expenditures by major category are as follows:



Business-type Activities

Business-type activities increased the City's net position by \$1.7 million. Gains in residential and commercial revenues resulting from a combination of higher usage and a 7.5% and 12.5% water and wastewater rate increase, respectively. Additionally, Loudoun County Water Authority purchased more water from the City during F/Y 13 than in the prior year. An increase in the contribution from George Mason University to the CUE system of \$0.18 million also assisted in the overall increase in business-type activities' net position.

Component Unit Activities

The School Board's net position decreased by \$1.1 million during the year, driven by the following key element:

- Tuition rose by \$3.0 million, which was partially offset by higher state revenues and an increased contribution from the General Fund.

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 \$30.6 million, an increase of \$0.3 million over the prior year. Approximately 51.0% of this total amount (\$15.7 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 (\$4.8 million), restricted (\$0.4 million), committed (\$0.6 million), and assigned (\$9.2 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 increased by \$2.5 million (revenues of \$111.4 million less expenditures of \$104.7 million and other financing uses of \$4.2 million), and the unassigned fund balance increased by \$3.0 million to \$16.2 million.

The City's other governmental funds reflected overall decreases in fund balances of \$2.3 million. The total decrease of fund balances consisted of the following: General Capital Projects Fund (\$2.0 million) and the Old Town Fairfax Fund (\$0.5 million). The Other Governmental Funds increased their fund balance by \$0.2 million. All of these fund balances are unavailable for spending.

Key revenue and expenditure factors have already been discussed.

Proprietary funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The City has the following proprietary funds: Wastewater Fund, Water Fund, and Transit Fund. Unrestricted net position of the Wastewater Utility Fund, Water Utility Fund, and Transportation Fund at the end of the year totaled \$2.2, (\$1.1), and \$0.4 million, respectively. The total proprietary fund unrestricted net position decreased by \$1.0 million from the prior year.

Major events during the current fiscal year included the following:

- Continued investment in the Noman Cole Sewer Treatment Plant capital upgrades, using bond monies.
- Upgrades to the Goose Creek Water Treatment Plant, dams, and water mains, using bond monies.
- Increases in Wastewater (12.0%) and Water (7.5%) rates and Transit fares (5.8%).

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

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

General Fund Budgetary Highlights Fiscal Year 2013 (in millions)*

	Final Budget	Actual	Actual Over/(Under) Final Budget
Revenues:			
Taxes	\$ 96.4	\$ 95.2	\$ (1.2)
Intergovernmental	7.1	10.1	3.0
Other	6.0	6.1	0.1
Totals	109.5	111.4	1.9
Expenditures	108.2	104.7	(3.5)
Excess of revenues over expenditures:	1.3	6.7	5.4
Other financing sources and (uses):			
Issuance of refunding debt	-	35.7	35.7
Payment to refunded bond escrow agent	-	(35.8)	(35.8)
Bond premium	-	0.6	0.6
Gain on sale of capital assets	-	0.2	0.2
Transfers out	(5.1)	(4.8)	0.3
Totals	(5.1)	(4.2)	0.9
Changes in fund balance	(3.8)	2.5	6.3
Fund balance, beginning	3.8	19.1	15.3
Fund balance, ending	\$ -	\$ 21.6	\$ 21.6

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

Actual revenues were greater than final budget amounts by \$1.9 million, and actual expenditures were less than the final budget amounts by \$3.5 million. Highlights of the comparison of final budget to actual figures for the fiscal year ended June 30, 2013, include the following:

- Tax revenues were bolstered by increases in general property taxes, meals taxes and business licenses.
- After reconciliation, contracted school tuition was \$1.3 million less than budgeted, due to a lower than anticipated ADM. Also, most departments' actual expenditures were kept at or below budgeted levels. See Exhibit 7 for more detail.

CAPITAL ASSETS

At the end of June 30, 2013, the City's governmental activities, business-type activities, and the activities of the Component Unit School Board had invested \$204.8, \$38.1, \$8.8 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, 2013 and 2012
(In millions)*

	Primary Government						Component Unit	
	Governmental Activities		Business-type Activities		Totals		School Board	
	2013	2012	2013	2012	2013	2012	2013	2012
Land	\$ 40.2	\$ 37.9	\$ 0.7	\$ 0.7	\$ 40.9	\$ 38.6	\$ 1.4	\$ 1.4
Construction in Progress	31.5	29.1	5.5	3.7	37.0	32.8	-	-
Depreciable Capital Assets:								
Buildings and Improvements	51.4	49.6	31.0	31.0	82.4	80.6	29.5	26.0
Machinery and Equipment	23.9	23.4	6.2	6.3	30.1	29.7	1.5	1.5
Joint Tenancy Assets	87.0	90.4	-	-	87.0	90.4	-	-
Intangible Assets	-	-	13.3	12.1	13.3	12.1	-	-
Infrastructure	26.1	26.1	28.5	28.2	54.6	54.3	-	-
Accumulated Depreciation	(55.3)	(50.2)	(47.1)	(45.7)	(102.4)	(95.9)	(23.6)	(19.0)
Total	\$ 204.8	\$ 206.3	\$ 38.1	\$ 36.3	\$ 242.9	\$ 242.6	\$ 8.8	\$ 9.9

*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, 2013, amounts to \$242.9 million, net of accumulated depreciation. This investment in capital assets includes land, construction in progress, buildings, improvements, machinery and equipment, and infrastructure. Common infrastructure items include roadways, bridges, storm drainage areas, sewer lines, water lines, sidewalks, curbs, bike paths and traffic lights. The net increase in the City's investment in capital assets for the current fiscal year was a modest \$0.3 million, as new investments exceeded depreciation.

Major capital asset transactions of the City during F/Y 2013 in both the governmental and business-type activities included the following:

- Construction in progress focusing on the Utilities' infrastructures, including sanitary sewer lining, chemical facilities upgrade, automated meter upgrades, lagoon bypass, and dam studies, totaling about \$1.8 million
- Continued investment in the Noman Cole Sewer Treatment Plant of \$1.2 million (construction in progress).
- Capital leases of multiple vehicle and equipment replacements of \$875,000.
- Additional construction in progress activities include: bridge improvements, Old Town Square design projects, Northfax and Kamp Washington improvements, and traffic controller upgrades.

CAPITAL ASSETS (CONTINUED)

The City's investment in capital assets for its School Board Component Unit as of June 30, 2013, was \$8.8 million, net of accumulated depreciation, a net decrease of \$1.1 million from the prior fiscal year. The investment in capital assets is comprised of the same categories as listed above for the City, and also includes joint tenancy assets (e.g. classroom improvements and school infrastructure funded by the City).

There were no major capital asset additions by the School Board Component Unit during the fiscal year.

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	
	2013	2012	2013	2012	2013	2012
General Obligation Bonds						
2010 Refunding Bonds (8)	\$ 11.8	\$ 11.8	\$ -	\$ -	\$ 11.8	\$ 11.8
2010 School Refunding Bonds (3,12)	20.1	20.2	-	-	20.1	20.2
2012 School Refunding Bonds A (3,4)	3.3	3.3	-	-	3.3	3.3
2012 School Refunding Bonds B (3,4)	19.1	19.3	-	-	19.1	19.3
2013 School Refunding Bonds (3)	35.6	-	-	-	35.6	-
2005 School Bonds (3,13)	1.9	19.2	-	-	1.9	19.2
2005 School Refunding Bonds (3)	6.5	7.8	-	-	6.5	7.8
2004 School Bonds (3,13)	1.9	18.7	-	-	1.9	18.7
2002 Public Improvements (11)	-	0.9	-	-	-	0.9
Fairfax County Note Payable (2)	0.2	0.2	-	-	0.2	0.2
2012 Downtown Redevelopment Note Payable (5)	32.0	33.1	-	-	32.0	33.1
2008 Utility Revenue Bonds (6)	-	-	4.1	4.3	4.1	4.3
2011 VRA Revenue Bond (10)	-	-	24.1	24.1	24.1	24.1
2011 Public Improvement COPS (9)	15.2	17.6	-	-	15.2	17.6
2012 Bus Parking Lot Note Payable (12)	3.9	3.9	-	-	3.9	3.9
2012 Eleven Oaks Note Payable (7)	4.3	4.3	-	-	4.3	4.3
Gross debt	\$ 155.8	\$ 160.3	\$ 28.2	\$ 28.4	\$ 184.0	\$ 188.7
Less Self-supporting Debt:						
Water System (10)	\$ -	\$ -	\$ 15.7	\$ 15.9	\$ 15.7	\$ 15.9
Wastewater System (10)	-	-	12.5	12.5	12.5	12.5
Total Self-supporting	\$ -	\$ -	\$ 28.2	\$ 28.4	\$ 28.2	\$ 28.4
Net Direct Debt (1)	\$ 155.8	\$ 160.3	\$ -	\$ -	\$ 155.8	\$ 160.3

*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.
- (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.
- (7) Enabled City to complete the George Mason Boulevard Road project. This note was fully refunded in F/Y 12 to lower interest payments and defer the balloon payment.
- (8) The advance refunding was undertaken to reduce the total interest costs over the next 15 years by \$2.2M.
- (9) The Public Improvement Certificates of Participation (COPS) were issued in three series: A (3 years, 1.27%); B (8 years, 3.10%); and C (8 years, 3.10%). The City will realize interest savings of approximately \$1.1M over the life of these Certificates, 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 to make upgrades to the City's water treatment plant and distribution system.
- (11) Unrefunded portion of 2002 General Obligation bonds issued for improvements to the City.
- (12) Taxable lease financing was included in the Eleven Oaks refunding. These monies funded the purchase and redevelopment of property to provide a school bus parking lot.
- (13) 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.

Capital leases have not been included in the table above. The outstanding amount for the capital leases is \$1.6 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 increases in real property assessments, meals taxes, and business licenses, have improved for the second consecutive year, local sales taxes stayed flat with the prior year, and missed budget by \$0.4 million. The City's proximity to the seat of the Federal government, long viewed as a stabilizing factor to the entire region's economy, is continuing to show a downside. Sequestration and fears of a government shutdown, which did occur briefly in October 2013, have likely had a negative impact on local sales taxes. There is still much uncertainty about both the short and long-term impacts of the Federal government not adopting a budget, frequent debt ceiling showdowns, moving health care mandate targets, and inflation that is inhibiting business investment and consumer confidence. The City's unemployment rate has worsened slightly in the past year. While lower than the national rate of 7.2%, at 6.3%, the City's unemployment rate is higher than the State rate of 5.4%.

Despite these challenges, Moody's Investor Services revised the City's outlook from negative to stable, and reaffirmed the City's Aaa rating in July 2013. The City continues to maintain a strong economic base. Overall office space vacancy rates (13.6%) and retail vacancy rates (3.7%) in the City are among the lowest in the region. 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. The new Turnpike Center at the corner of Main Street and Pickett Road is fully-leased with a mix of popular restaurants and retail stores.

Continuing uncertain economic forecasts coupled with continuing community expectations for high quality services will again require the City to make difficult choices in order for the community to remain among the strongest financially rated communities in the United States.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

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BASIC FINANCIAL STATEMENTS

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Government-wide Financial Statements

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Statement of Net Position
At June 30, 2013

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Totals	School Board	Nonmajor Component Units
ASSETS					
Current Assets:					
Cash and cash equivalents	\$ 24,413,610	\$ 18,385,309	\$ 42,798,919	\$ 2,499	\$ 663,357
Receivables (net of allowance for uncollectibles):					
Property taxes	30,862,432	-	30,862,432	-	-
Accounts receivable	1,459,088	2,719,566	4,178,654	-	-
Due from other governments	3,230,434	832,050	4,062,484	1,710,417	-
Due from component units	1,879,361	-	1,879,361	-	-
Inventories	4,769,045	56,604	4,825,649	-	862,594
Prepaid items	16,417	-	16,417	-	-
Advance to other governments	-	-	-	1,371,694	-
Total Current Assets	<u>\$ 66,630,387</u>	<u>\$ 21,993,529</u>	<u>\$ 88,623,916</u>	<u>\$ 3,084,610</u>	<u>\$ 1,525,951</u>
Noncurrent Assets:					
Capital assets (net of accumulated depreciation):					-
Land and improvements	\$ 40,168,089	\$ 663,198	\$ 40,831,287	\$ 1,381,115	\$ -
Buildings and improvements	51,352,875	31,033,155	82,386,030	29,455,338	-
Machinery and equipment	23,954,378	6,160,830	30,115,208	1,481,736	-
Joint tenancy assets	86,996,960	-	86,996,960	-	-
Infrastructure	26,140,969	28,494,940	54,635,909	-	-
Intangible assets	-	13,274,981	13,274,981	-	-
Construction in progress	31,504,010	5,559,248	37,063,258	24,644	-
Less: Accumulated depreciation	(55,353,116)	(47,062,299)	(102,415,415)	(23,556,618)	-
Total capital assets	<u>\$ 204,764,165</u>	<u>\$ 38,124,053</u>	<u>\$ 242,888,218</u>	<u>\$ 8,786,215</u>	<u>\$ -</u>
Total Noncurrent Assets	<u>\$ 204,764,165</u>	<u>\$ 38,124,053</u>	<u>\$ 242,888,218</u>	<u>\$ 8,786,215</u>	<u>\$ -</u>
Total Assets	<u>\$ 271,394,552</u>	<u>\$ 60,117,582</u>	<u>\$ 331,512,134</u>	<u>\$ 11,870,825</u>	<u>\$ 1,525,951</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred charge on refunding	\$ 12,299,924	\$ -	\$ 12,299,924	\$ -	\$ -
LIABILITIES					
Current Liabilities:					
Accounts payable and accrued liabilities	\$ 3,074,341	\$ 1,748,897	\$ 4,823,238	\$ 18,454	\$ -
Retainage payable	335,423	-	335,423	-	-
Accrued interest payable	2,143,553	428,619	2,572,172	-	26,378
Customer deposits and other liabilities	1,656,762	835,787	2,492,549	-	-
Due to primary government	-	-	-	1,691,963	187,398
Unearned revenue	345,292	-	345,292	-	-
Current portion of long-term obligations	9,453,234	264,430	9,717,664	2,329	-
Total Current Liabilities	<u>\$ 17,008,605</u>	<u>\$ 3,277,733</u>	<u>\$ 20,286,338</u>	<u>\$ 1,712,746</u>	<u>\$ 213,776</u>
Noncurrent Liabilities:					
Noncurrent portion of long-term obligations	162,850,796	29,622,546	192,473,342	20,960	884,614
Total Liabilities	<u>\$ 179,859,401</u>	<u>\$ 32,900,279</u>	<u>\$ 212,759,680</u>	<u>\$ 1,733,706</u>	<u>\$ 1,098,390</u>
DEFERRED INFLOWS OF RESOURCES:					
Unavailable revenue - property taxes	\$ 29,618,846	\$ -	\$ 29,618,846	\$ -	\$ -
NET POSITION					
Net investment in capital assets	\$ 53,890,492	\$ 25,745,684	\$ 79,636,176	\$ 8,786,215	\$ -
Unrestricted	20,325,737	1,471,619	21,797,356	1,350,904	427,561
Total Net Position	<u>\$ 74,216,229</u>	<u>\$ 27,217,303</u>	<u>\$ 101,433,532</u>	<u>\$ 10,137,119</u>	<u>\$ 427,561</u>

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

CITY OF FAIRFAX, VIRGINIA

Statement of Activities
Year Ended June 30, 2013

		Program Revenues		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 6,866,783	\$ 323,121	\$ 260,485	\$ -
Judicial administration	2,066,544	944,447	-	-
Public safety	24,072,403	2,628,651	912,478	-
Public works	15,425,436	369,964	2,557,748	1,576,275
Health and welfare	5,168,971	-	-	-
Education	40,413,546	-	-	-
Parks, recreation, and cultural	5,067,701	991,345	-	-
Community development	2,761,343	288,651	3,527	-
Interest on long-term debt	6,311,082	-	-	-
Total governmental activities	\$ 108,153,809	\$ 5,546,179	\$ 3,734,238	\$ 1,576,275
Business-type activities:				
Sewer	\$ 4,145,887	\$ 5,221,887	\$ 209,767	\$ -
Water	9,116,938	9,835,466	193,631	-
Transportation	3,126,339	1,332,652	1,122,784	-
Total business-type activities	\$ 16,389,164	\$ 16,390,005	\$ 1,526,182	\$ -
Total primary government	\$ 124,542,973	\$ 21,936,184	\$ 5,260,420	\$ 1,576,275
COMPONENT UNITS:				
School Board	\$ 47,853,635	\$ 490,199	\$ 7,329,947	\$ -
Nonmajor component units:				
Industrial Development Authority	\$ 474,560	\$ 782,732	\$ -	\$ -
Economic Development Authority	59,406	12,828	-	-
Total nonmajor component units	\$ 533,966	\$ 795,560	\$ -	\$ -
Total component units	\$ 48,387,601	\$ 1,285,759	\$ 7,329,947	\$ -

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
Gain on disposal of capital assets
Contribution from City
Grants and contributions not restricted to specific programs
Miscellaneous

Transfers

Total general revenues and transfers

Change in net position

Net position - beginning, as restated

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	
\$ (6,283,177)	\$ -	\$ (6,283,177)	\$ -	\$ -	
(1,122,097)	-	(1,122,097)	-	-	
(20,531,274)	-	(20,531,274)	-	-	
(10,921,449)	-	(10,921,449)	-	-	
(5,168,971)	-	(5,168,971)	-	-	
(40,413,546)	-	(40,413,546)	-	-	
(4,076,356)	-	(4,076,356)	-	-	
(2,469,165)	-	(2,469,165)	-	-	
(6,311,082)	-	(6,311,082)	-	-	
<u>\$ (97,297,117)</u>	<u>\$ -</u>	<u>\$ (97,297,117)</u>	<u>\$ -</u>	<u>\$ -</u>	
\$ -	\$ 1,285,767	\$ 1,285,767	\$ -	\$ -	
-	912,159	912,159	-	-	
-	(670,903)	(670,903)	-	-	
<u>\$ -</u>	<u>\$ 1,527,023</u>	<u>\$ 1,527,023</u>	<u>\$ -</u>	<u>\$ -</u>	
<u>\$ (97,297,117)</u>	<u>\$ 1,527,023</u>	<u>\$ (95,770,094)</u>	<u>\$ -</u>	<u>\$ -</u>	
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (40,033,489)</u>	<u>\$ -</u>	
\$ -	\$ -	\$ -	\$ -	\$ 308,172	
-	-	-	-	(46,578)	
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 261,594</u>	
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (40,033,489)</u>	<u>\$ 261,594</u>	
\$ 65,024,377	\$ -	\$ 65,024,377	\$ -	\$ -	
10,263,955	-	10,263,955	-	-	
8,932,634	-	8,932,634	-	-	
1,704,649	-	1,704,649	-	-	
5,553,975	-	5,553,975	-	-	
1,582,899	-	1,582,899	-	-	
2,770,794	-	2,770,794	-	-	
582,790	48,589	631,379	1,589,649	174	
130,632	-	130,632	-	-	
-	-	-	37,291,280	-	
5,679,569	-	5,679,569	-	-	
491,046	-	491,046	20,000	-	
(115,181)	115,181	-	-	-	
<u>\$ 102,602,139</u>	<u>\$ 163,770</u>	<u>\$ 102,765,909</u>	<u>\$ 38,900,929</u>	<u>\$ 174</u>	
\$ 5,305,022	\$ 1,690,793	\$ 6,995,815	\$ (1,132,560)	\$ 261,768	
68,911,207	25,526,510	94,437,717	11,269,679	165,793	
<u>\$ 74,216,229</u>	<u>\$ 27,217,303</u>	<u>\$ 101,433,532</u>	<u>\$ 10,137,119</u>	<u>\$ 427,561</u>	

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Fund Financial Statements

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Balance Sheet - Governmental Funds
At June 30, 2013

	General	General Capital Projects	Old Town Fairfax Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 19,609,332	\$ -	\$ 1,299,296	\$ 4,466,665	\$ 25,375,293
Receivables (Net of allowance for uncollectibles):					
Taxes, including penalties	30,862,432	-	-	-	30,862,432
Accounts	1,277,290	181,798	-	-	1,459,088
Inventories	712,652	4,056,393	-	-	4,769,045
Prepaid items	11,803	-	4,614	-	16,417
Due from other governments	2,503,564	726,870	-	-	3,230,434
Due from component units	1,719,361	160,000	-	-	1,879,361
Total assets	<u>\$ 56,696,434</u>	<u>\$ 5,125,061</u>	<u>\$ 1,303,910</u>	<u>\$ 4,466,665</u>	<u>\$ 67,592,070</u>
LIABILITIES					
Reconciled overdraft	\$ -	\$ 961,683	\$ -	\$ -	\$ 961,683
Accounts payable and accrued liabilities	2,782,129	172,696	8,226	111,290	3,074,341
Retainage payable	-	227,923	107,500	-	335,423
Customer deposits and other liabilities	1,477,292	179,470	-	-	1,656,762
Unearned revenue	249,523	95,769	-	-	345,292
Total liabilities	<u>\$ 4,508,944</u>	<u>\$ 1,637,541</u>	<u>\$ 115,726</u>	<u>\$ 111,290</u>	<u>\$ 6,373,501</u>
DEFERRED INFLOWS OF RESOURCES:					
Unavailable revenue - property taxes	<u>\$ 30,564,090</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,564,090</u>
FUND BALANCES					
Nonspendable	\$ 724,455	\$ 4,056,393	\$ 4,614	\$ -	\$ 4,785,462
Restricted	188,048	-	-	192,927	380,975
Committed	-	-	398,800	180,963	579,763
Assigned	4,422,688	-	784,770	3,981,485	9,188,943
Unassigned	16,288,209	(568,873)	-	-	15,719,336
Total fund balances	<u>\$ 21,623,400</u>	<u>\$ 3,487,520</u>	<u>\$ 1,188,184</u>	<u>\$ 4,355,375</u>	<u>\$ 30,654,479</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 56,696,434</u>	<u>\$ 5,125,061</u>	<u>\$ 1,303,910</u>	<u>\$ 4,466,665</u>	<u>\$ 67,592,070</u>

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

Reconciliation of the Balance Sheet of the Governmental Funds
to the Statement of Net Position
At June 30, 2013

		<u>Primary Government</u>
Total fund balances - governmental funds	\$	30,654,479
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	\$ 260,117,281	
Less: accumulated depreciation	<u>(55,353,116)</u>	204,764,165
Unearned revenue represents amounts that were not available to fund current expenditures and therefore is not reported as revenue in the governmental funds.		945,244
Interest on long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due.		
Accrued interest payable		(2,143,553)
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	\$ (100,382,000)	
Lease revenue bonds	(32,045,000)	
Notes payable	(8,316,732)	
Public facility certificate of participation	(15,095,100)	
Capital leases	(1,608,324)	
Premiums on bonds payable	(8,873,774)	
Deferred charge on financing	12,299,924	
Net OPEB obligation	(3,363,689)	
Compensated absences	<u>(2,619,411)</u>	
Total long-term liabilities		<u>(160,004,106)</u>
Net position of governmental activities	\$	<u><u>74,216,229</u></u>

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

Statement of Revenues, Expenditures and Changes in Fund Balances -
Governmental Funds
Year Ended June 30, 2013

	Governmental Funds				
	General	General Capital Projects	Old Town Fairfax Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
General property taxes	\$ 64,350,723	\$ -	\$ -	\$ -	\$ 64,350,723
Other local taxes	30,808,906	-	-	-	30,808,906
Permits, privilege fees and regulatory licenses	1,408,601	230,347	-	-	1,638,948
Fines and forfeitures	1,148,262	-	-	-	1,148,262
Revenue from use of money and property	572,729	10,061	-	-	582,790
Charges for services	2,758,969	-	-	-	2,758,969
Miscellaneous	245,287	210,044	-	35,715	491,046
Intergovernmental:					
Fairfax County	736,976	-	-	-	736,976
Commonwealth	8,984,884	617,918	-	-	9,602,802
Federal	428,923	958,357	-	-	1,387,280
Total revenues	\$ 111,444,260	\$ 2,026,727	\$ -	\$ 35,715	\$ 113,506,702
Expenditures:					
Current:					
General government administration	\$ 7,158,981	\$ 320,604	\$ -	\$ -	\$ 7,479,585
Judicial administration	1,990,262	-	-	-	1,990,262
Public safety	23,105,576	317,346	-	-	23,422,922
Public works	11,318,482	6,500,342	-	1,203,488	19,022,312
Health and welfare	5,139,751	-	-	-	5,139,751
Education	34,692,324	130,371	-	-	34,822,695
Parks, recreation, and cultural	5,097,688	262,290	-	12,150	5,372,128
Planning and community development	2,048,225	-	654,723	-	2,702,948
Debt service:					
Principal retirement	8,186,287	441,332	-	-	8,627,619
Interest and other fiscal charges	5,984,617	22,452	-	-	6,007,069
Total expenditures	\$ 104,722,193	\$ 7,994,737	\$ 654,723	\$ 1,215,638	\$ 114,587,291
Excess (deficiency) of revenues over (under) expenditures	\$ 6,722,067	\$ (5,968,010)	\$ (654,723)	\$ (1,179,923)	\$ (1,080,589)
Other financing sources (uses):					
Issuance of refunding debt	\$ 35,685,000	\$ -	\$ -	\$ -	\$ 35,685,000
Capital lease issuance	-	875,000	-	-	875,000
Bond premium	619,778	-	-	-	619,778
Sale of capital assets	150,000	-	-	-	150,000
Payment to refunded bond escrow agent	(35,826,362)	-	-	-	(35,826,362)
Transfers in	-	3,099,192	191,547	1,543,686	4,834,425
Transfers (out)	(4,834,425)	-	-	(115,181)	(4,949,606)
Total other financing sources (uses)	\$ (4,206,009)	\$ 3,974,192	\$ 191,547	\$ 1,428,505	\$ 1,388,235
Net changes in fund balances	\$ 2,516,058	\$ (1,993,818)	\$ (463,176)	\$ 248,582	\$ 307,646
Fund balances at beginning of year	19,107,342	5,481,338	1,651,360	4,106,793	30,346,833
Fund balances at end of year	\$ 21,623,400	\$ 3,487,520	\$ 1,188,184	\$ 4,355,375	\$ 30,654,479

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, 2013

		<u>Primary Government Governmental Funds</u>
Amounts reported for governmental activities in the Statement of Activities are different because:		
Net changes in fund balances - total governmental funds	\$	307,646
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	\$ 7,549,604	
Depreciation expense	<u>(6,466,264)</u>	1,083,340
Transfer of assets from Primary Government to the Component Unit School Board		(2,598,956)
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is to decrease net position.		(19,368)
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:		
Unearned taxes		673,654
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	\$ (35,685,000)	
Bond premium	(619,778)	
Deferred amount on refunding	3,364,585	
Issuance of capital leases	(875,000)	
Principal repayments on debt:		
Principal retired on general obligation debt	36,664,000	
Principal retired on public improvement bonds	2,477,700	
Principal retired on lease revenue bonds	1,060,000	
Principal retired on notes payable	116,733	
Principal retired on capital lease obligations	<u>545,779</u>	7,049,019
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	\$ (133,607)	
Change in compensated absences	(468,115)	
Change in net OPEB obligation	(584,962)	
Amortization of premiums on bonds payable	717,647	
Amortization of loss on refunding	<u>(721,276)</u>	(1,190,313)
Change in net position of governmental activities	\$	<u>5,305,022</u>

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

Statement of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual - General Fund
Year Ended June 30, 2013

Fund, Function, Activity, Element	General Fund			Variance From Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
General property taxes	\$ 65,936,280	\$ 65,936,280	\$ 64,350,723	\$ (1,585,557)
Other local taxes	30,442,879	30,442,879	30,808,906	366,027
Permits, privilege fees and regulatory licenses	1,301,700	1,301,700	1,408,601	106,901
Fines and forfeitures	1,150,700	1,150,700	1,148,262	(2,438)
Revenue from use of money and property	541,225	541,225	572,729	31,504
Charges for services	2,669,417	2,669,417	2,758,969	89,552
Miscellaneous	218,912	264,810	245,287	(19,523)
Intergovernmental:				
Fairfax County	722,611	722,611	736,976	14,365
Commonwealth	5,936,204	6,081,081	8,984,884	2,903,803
Federal	178,000	401,966	428,923	26,957
Total revenues	\$ 109,097,928	\$ 109,512,669	\$ 111,444,260	\$ 1,931,591
Expenditures:				
General government administration:				
Legislative:				
City council	\$ 66,225	\$ 63,560	\$ 63,356	\$ 204
City clerk	153,096	160,796	160,787	9
Total legislative	\$ 219,321	\$ 224,356	\$ 224,143	\$ 213
Board of elections:				
Electoral board	\$ 217,850	\$ 223,250	\$ 219,437	\$ 3,813
General and financial administration:				
City manager	\$ 401,729	\$ 411,829	\$ 411,482	\$ 347
City attorney	611,493	596,193	522,038	74,155
Public audit of accounts	71,549	73,649	73,649	-
Treasurer	570,367	573,386	573,356	30
Commissioner of revenue	978,298	975,881	946,932	28,949
Personnel	526,398	533,225	533,174	51
Community relations	127,170	127,994	127,339	655
Cable television	176,182	184,382	184,367	15
Information technology	1,311,883	1,449,101	1,323,601	125,500
Printing and office supplies	250,864	237,365	224,565	12,800
Motor pool	-	11,138	11,223	(85)
Telephone services	119,182	120,696	131,069	(10,373)
Finance and Accounting	569,976	570,308	541,389	28,919
Real estate assessment	510,893	512,893	501,799	11,094
Marketing	127,929	133,631	129,590	4,041
Retirement	68,000	68,000	97,200	(29,200)
Contingencies	50,000	49,190	38,024	11,166
Salary vacancy factor	(471,423)	(471,423)	-	(471,423)
Risk management	409,254	409,254	344,604	64,650
Total general and financial administration	\$ 6,409,744	\$ 6,566,692	\$ 6,715,401	\$ (148,709)
Total general government administration	\$ 6,846,915	\$ 7,014,298	\$ 7,158,981	\$ (144,683)

Statement of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual - General Fund
Year Ended June 30, 2013

Fund, Function, Activity, Element	General Fund			Variance From Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Expenditures: (continued)				
Judicial administration:				
General district court	\$ 18,950	\$ 19,028	\$ 14,558	\$ 4,470
Commonwealth attorney	72,352	72,352	70,699	1,653
Joint court service	706,249	706,249	649,569	56,680
Jail and custody services	1,151,191	1,151,191	1,255,436	(104,245)
Total judicial administration	\$ 1,948,742	\$ 1,948,820	\$ 1,990,262	\$ (41,442)
Public safety:				
Police administration	\$ 1,029,039	\$ 1,070,371	\$ 1,070,318	\$ 53
Police services	3,578,553	3,361,144	3,177,898	183,246
Police operations	6,688,873	6,971,981	6,971,179	802
Fire and rescue administration	1,074,939	1,158,012	1,048,742	109,270
Fire and rescue suppression	8,714,911	8,934,486	8,934,470	16
Code enforcement	1,934,376	2,210,541	1,902,969	307,572
Total public safety	\$ 23,020,691	\$ 23,706,535	\$ 23,105,576	\$ 600,959
Public works:				
Highways	\$ 1,233,645	\$ 1,244,102	\$ 1,244,012	\$ 90
Concrete maintenance	835,955	826,255	810,284	15,971
Snow and ice removal	254,685	240,785	160,668	80,117
Storm drainage	770,507	770,507	757,166	13,341
Highways, lighting, and signals	2,229,944	2,310,088	2,034,950	275,138
Refuse collection	2,513,300	2,583,842	2,452,057	131,785
Building maintenance	1,604,024	1,672,034	1,647,963	24,071
Street right of way and public grounds	1,225,062	1,246,663	1,078,447	168,216
Administration	891,291	910,410	910,404	6
County agent	43,564	43,564	39,625	3,939
Regional agencies	172,545	172,545	182,906	(10,361)
Total public works	\$ 11,774,522	\$ 12,020,795	\$ 11,318,482	\$ 702,313
Health and welfare:				
Health service department	\$ 1,030,545	\$ 1,030,545	\$ 1,024,260	\$ 6,285
Commission for women	1,225	3,225	1,291	1,934
Community Services Board	1,336,100	1,336,100	1,336,100	-
Senior citizen tax relief	779,342	779,342	900,544	(121,202)
Social services	1,821,206	1,819,206	1,760,713	58,493
Human services coordinator	81,059	81,059	116,843	(35,784)
Total health and social services	\$ 5,049,477	\$ 5,049,477	\$ 5,139,751	\$ (90,274)
Education:				
Contribution to Fairfax City School Board	\$ 36,248,525	\$ 36,373,355	\$ 34,692,324	\$ 1,681,031

Statement of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual - General Fund
Year Ended June 30, 2013

Fund, Function, Activity, Element	General Fund			Variance From Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Expenditures: (continued)				
Parks, recreation and cultural:				
Recreation - administration	\$ 1,937,554	\$ 2,082,589	\$ 2,082,573	\$ 16
Special events	353,078	315,043	258,099	56,944
Parks and ball field maintenance	1,129,099	1,246,644	1,248,339	(1,695)
Recreation - historic resources	527,239	534,895	534,855	40
Recreation - old town hall	355,174	350,574	236,846	113,728
Total recreation	\$ 4,302,144	\$ 4,529,745	\$ 4,360,712	\$ 169,033
Library services	\$ 722,611	\$ 722,611	\$ 736,976	\$ (14,365)
Total parks, recreation and cultural	\$ 5,024,755	\$ 5,252,356	\$ 5,097,688	\$ 154,668
Planning and community development:				
Planning	\$ 1,104,867	\$ 1,105,383	\$ 1,146,548	\$ (41,165)
Community development	847,121	977,436	717,466	259,970
Economic development	202,600	194,600	184,211	10,389
Total planning and community development	\$ 2,154,588	\$ 2,277,419	\$ 2,048,225	\$ 229,194
Debt service:				
Principal retirement	\$ 7,834,361	\$ 7,834,361	\$ 8,186,287	\$ (351,926)
Interest and fiscal charges	6,705,024	6,705,024	5,984,617	720,407
Total debt service	\$ 14,539,385	\$ 14,539,385	\$ 14,170,904	\$ 368,481
Total expenditures	\$ 106,607,600	\$ 108,182,439	\$ 104,722,193	\$ 3,460,247
Excess (deficiency) of revenues over expenditures	\$ 2,490,328	\$ 1,330,230	\$ 6,722,067	\$ 5,391,837
Other financing sources (uses):				
Issuance of refunding debt	\$ -	\$ -	\$ 35,685,000	\$ 35,685,000
Bond premium	-	-	619,778	619,778
Sale of capital assets	-	-	150,000	150,000
Payment to refunded bond escrow agent	-	-	(35,826,362)	(35,826,362)
Transfers (out)	(4,950,129)	(5,087,629)	(4,834,425)	253,204
Total other financing sources (uses)	\$ (4,950,129)	\$ (5,087,629)	\$ (4,206,009)	\$ 881,620
Net changes in fund balance	\$ (2,459,801)	\$ (3,757,399)	\$ 2,516,058	\$ 6,273,457
Fund balance at beginning of year	2,459,801	3,757,399	19,107,342	15,349,943
Fund balance at end of year	\$ -	\$ -	\$ 21,623,400	\$ 21,623,400

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

Statement of Net Position - Proprietary Funds
At June 30, 2013

	Business-type Activities - Enterprise Funds			
	Major Funds		Non-Major Fund	
	Sewer Utility Fund	Water Utility Fund	Transportation Fund	Totals
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 7,861,648	\$ 10,473,661	\$ 50,000	\$ 18,385,309
Receivables (net of allowance for uncollectibles):				
Accounts receivable	847,100	1,872,466	-	2,719,566
Due from other governments	-	-	832,050	832,050
Due from other funds	-	301,690	-	301,690
Inventories	-	56,604	-	56,604
Total Current Assets	\$ 8,708,748	\$ 12,704,421	\$ 882,050	\$ 22,295,219
Noncurrent Assets				
Capital assets:				
Land and improvements	\$ 17,583	\$ 645,615	\$ -	\$ 663,198
Buildings and improvements	1,264,570	29,541,627	226,958	31,033,155
Machinery and equipment	1,343,981	2,567,310	2,249,539	6,160,830
Water and sewer infrastructure	8,228,775	20,266,165	-	28,494,940
Intangible assets	13,274,981	-	-	13,274,981
Construction in progress	264,521	5,294,727	-	5,559,248
Less: Accumulated depreciation	(9,477,735)	(35,471,698)	(2,112,866)	(47,062,299)
Total Capital Assets (net)	\$ 14,916,676	\$ 22,843,746	\$ 363,631	\$ 38,124,053
Total Noncurrent Assets	\$ 14,916,676	\$ 22,843,746	\$ 363,631	\$ 38,124,053
Total Assets	\$ 23,625,424	\$ 35,548,167	\$ 1,245,681	\$ 60,419,272
LIABILITIES				
Current Liabilities				
Accounts payable and accrued liabilities	\$ 1,062,650	\$ 637,688	\$ 48,559	\$ 1,748,897
Due to other funds	301,690	-	-	301,690
Accrued interest payable	180,619	248,000	-	428,619
Customer deposits and other liabilities	16,500	804,287	15,000	835,787
Compensated absences - current portion	9,348	18,001	14,046	41,395
Notes and bonds payable - current portion	11,978	211,057	-	223,035
Total Current Liabilities	\$ 1,582,785	\$ 1,919,033	\$ 77,605	\$ 3,579,423
Noncurrent Liabilities				
Compensated absences - net of current portion	\$ 77,589	\$ 149,411	\$ 117,051	\$ 344,051
Net OPEB obligation	105,842	312,016	259,692	677,550
Notes and bonds payable - net of current portion	12,845,012	15,755,933	-	28,600,945
Total Noncurrent Liabilities	\$ 13,028,443	\$ 16,217,360	\$ 376,743	\$ 29,622,546
Total Liabilities	\$ 14,611,228	\$ 18,136,393	\$ 454,348	\$ 33,201,969
NET POSITION				
Net investment in capital assets	\$ 6,807,086	\$ 18,574,967	\$ 363,631	\$ 25,745,684
Unrestricted	2,207,110	(1,163,193)	427,702	1,471,619
Total Net Position	\$ 9,014,196	\$ 17,411,774	\$ 791,333	\$ 27,217,303
Total Liabilities and Net Position	\$ 23,625,424	\$ 35,548,167	\$ 1,245,681	\$ 60,419,272

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, 2013

	Business-type Activities - Enterprise Funds			
	Major Funds		Non-Major Fund	
	Sewer Utility Fund	Water Utility Fund	Transportation Fund	Totals
Operating revenues:				
Charges for services	\$ 5,130,050	\$ 9,614,189	\$ 1,332,652	\$ 16,076,891
Other operating revenues	91,837	221,277	-	313,114
Total operating revenues	\$ 5,221,887	\$ 9,835,466	\$ 1,332,652	\$ 16,390,005
Operating expenses:				
Salaries	\$ 504,659	\$ 2,451,596	\$ 1,529,670	\$ 4,485,925
Fringe benefits	188,408	880,816	575,836	1,645,060
Contractual services	1,862,785	384,254	61,101	2,308,140
Internal services	296,963	1,411,201	732,050	2,440,214
Other operating expenses	112,885	1,622,843	60,193	1,795,921
Miscellaneous capital outlay	29,866	556,773	-	586,639
Depreciation and amortization	427,847	954,947	167,489	1,550,283
Total operating expenses	\$ 3,423,413	\$ 8,262,430	\$ 3,126,339	\$ 14,812,182
Income (loss) from operations	\$ 1,798,474	\$ 1,573,036	\$ (1,793,687)	\$ 1,577,823
Nonoperating revenues (expenses):				
Investment income	\$ 11,198	\$ 37,391	\$ -	\$ 48,589
Interest expense	(722,474)	(854,508)	-	(1,576,982)
Northern Virginia Transportation Commission	-	-	1,122,784	1,122,784
Federal interest subsidy	209,767	193,631	-	403,398
Total nonoperating revenues (expenses)	\$ (501,509)	\$ (623,486)	\$ 1,122,784	\$ (2,211)
Net income (loss) before transfers	\$ 1,296,965	\$ 949,550	\$ (670,903)	\$ 1,575,612
Transfers:				
Transfers in	\$ -	\$ -	\$ 115,181	\$ 115,181
Change in net position	\$ 1,296,965	\$ 949,550	\$ (555,722)	\$ 1,690,793
Net position, beginning of year, as restated	7,717,231	16,462,224	1,347,055	25,526,510
Net position, end of year	\$ 9,014,196	\$ 17,411,774	\$ 791,333	\$ 27,217,303

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

Statement of Cash Flows - Proprietary Funds
Year Ended June 30, 2013

	Business-type Activities - Enterprise Funds			
	Major Funds		Non-Major Fund	Totals
	Sewer Utility Fund	Water Utility Fund	Transportation Fund	
Cash flows from operating activities:				
Receipts from customers and users	\$ 4,863,244	\$ 9,576,969	\$ 1,332,652	\$ 15,772,865
Payments to employees (including fringe benefits)	(668,414)	(3,301,527)	(2,035,592)	(6,005,533)
Payments for operating activities	(1,999,465)	(3,870,055)	(857,664)	(6,727,184)
Net cash provided by (used for) operating activities	\$ 2,195,365	\$ 2,405,387	\$ (1,560,604)	\$ 3,040,148
Cash flows from non-capital financing activities:				
Transfers in	\$ -	\$ -	\$ 115,181	\$ 115,181
Due to and from other funds	-	-	-	-
Intergovernmental grants	209,767	193,631	1,290,735	1,694,133
Net cash provided by (used for) non-capital financing activities	\$ 209,767	\$ 193,631	\$ 1,405,916	\$ 1,809,314
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	\$ (1,543,163)	\$ (1,793,988)	\$ (24,653)	\$ (3,361,804)
Disposal of capital assets	-	20,233	-	20,233
Principal paid on bonds and notes	-	(192,000)	-	(192,000)
Interest paid on debt	(734,455)	(869,885)	-	(1,604,340)
Net cash provided by (used for) capital and related financing activities	\$ (2,277,618)	\$ (2,835,640)	\$ (24,653)	\$ (5,137,911)
Cash flows from investing activities:				
Interest income	\$ 11,198	\$ 37,391	\$ -	\$ 48,589
Net increase (decrease) in cash and cash equivalents	\$ 138,712	\$ (199,231)	\$ (179,341)	\$ (239,860)
Cash and cash equivalents at beginning of year	7,722,936	10,672,892	229,341	18,625,169
Cash and cash equivalents at end of year	\$ 7,861,648	\$ 10,473,661	\$ 50,000	\$ 18,385,309
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Cash flows from operations:				
Income (loss) from operations	\$ 1,798,474	\$ 1,573,036	\$ (1,793,687)	\$ 1,577,823
Adjustment to reconcile net income (loss) to net cash provided by (used for) operations:				
Depreciation and amortization	427,847	954,947	167,489	1,550,283
Changes in operating accounts:				
(Increase) decrease in:				
Accounts receivable	(358,643)	(258,497)	-	(617,140)
Prepaid items	266	5,772	-	6,038
Due from other governments	7,775	-	-	7,775
Inventories	-	(1,717)	-	(1,717)
Increase (decrease) in:				
Accounts payable	294,994	94,221	(4,320)	384,895
Accrued payroll	300	2,233	(3,316)	(783)
Compensated absences	11,207	(17,356)	20,649	14,500
Net OPEB obligation	13,145	46,008	52,581	111,734
Customer deposits and other liabilities	-	6,740	-	6,740
Net cash provided by (used for) operating activities	\$ 2,195,365	\$ 2,405,387	\$ (1,560,604)	\$ 3,040,148

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

Statement of Fiduciary Net Position
Fiduciary Funds
At June 30, 2013

Assets

Mutual funds	\$ 86,963,638
Stocks	25,606,110
Accrued interest	<u>27,140</u>
 Total assets	 \$ <u><u>112,596,888</u></u>

Net Position

Held in trust for pension benefits	\$ <u><u>112,596,888</u></u>
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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, 2013

Additions

Plan members and employer contributions	\$ 2,625,490
Investment income:	
Interest and dividends earned on investments	\$ 2,420,421
Net appreciation in fair value of investments	8,634,768
Total investment income	\$ 11,055,189
Less: Investment expenses	678,532
Net investment income	\$ 10,376,657
Total additions	\$ 13,002,147

Deductions

Retirement and disability benefits	\$ 5,705,713
Refunds to members	255,983
Total deductions	\$ 5,961,696
Change in net position	\$ 7,040,451

Net position - beginning	105,556,437
Net position - ending	\$ 112,596,888

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

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements As of June 30, 2013

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

A. Entity and Services

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

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

B. Financial Reporting Entity

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

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

Blended Component Units - Blended component units, although legally separate entities are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. The City has no blended component units.

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

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

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

B. Financial Reporting Entity (Continued)

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

Capital Projects Fund - Capital projects funds account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays, except for those financed by proprietary funds or for assets held in trust for individuals, private organizations, or other governments. The School Bond Renovation Fund is considered a major fund of the School Board for financial reporting purposes.

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

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

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

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.

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
As of June 30, 2013 (Continued)

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

B. Financial Reporting Entity (Continued)

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

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

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

C. Government-Wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. The focus is on both the City as a whole and the fund financial statements, including the major individual funds of the governmental and business-type categories, as well as the fiduciary funds, (by category) and the component units. Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business-type. In the government-wide Statement of Net 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 2013.

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.

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
As of June 30, 2013 (Continued)

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 \$35,321,863 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 \$567,688 for the General Fund as of June 30, 2013.

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
As of June 30, 2013 (Continued)

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

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

2. Excess of Expenditures over Appropriations

Expenditures exceeded appropriations for the year ended June 30, 2013 as follows:

<u>Fund</u>	<u>Appropriations</u>	<u>Actual</u>	<u>Variance</u>
General Fund			
Motor pool	\$ 11,138	\$ 11,223	\$ (85)
Telephone services	120,696	131,069	(10,373)
Retirement	68,000	97,200	(29,200)
Jail and custody services	1,151,191	1,255,436	(104,245)
Regional agencies	172,545	182,906	(10,361)
Senior citizen tax relief	779,342	900,544	(121,202)
Human services coordinator	81,059	116,843	(35,784)
Parks and ball field maintenance	1,246,644	1,248,339	(1,695)
Library services	722,611	736,976	(14,365)
Planning	1,105,383	1,146,548	(41,165)

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.

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

Investments are stated at fair value.

G. Inventories and Prepaid Items

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

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

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
As of June 30, 2013 (Continued)

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

H. Receivables and Payables

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

All trade and property tax receivables are shown net of an allowance for uncollectibles. The City calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$609,921 at June 30, 2013 and is comprised of the following:

General Fund-Property taxes	\$	407,286
Sewer Utility Fund		93,212
Water Utility Fund		109,423
Total	\$	<u>609,921</u>

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.

	<u>Real Property</u>	<u>Personal Property</u>
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.

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
As of June 30, 2013 (Continued)

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

I. Capital Assets: (Continued)

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

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

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

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

J. Compensated Absences

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

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

K. 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.

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

K. Deferred Outflows/Inflows of Resources: (Continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The 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.

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.

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

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.

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;

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
As of June 30, 2013 (Continued)

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

R. Fund Equity: (Continued)

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

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

City Council establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). 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	\$ 712,652	\$ 4,056,393	\$ -	\$ -	\$ 4,769,045
Prepays	11,803	-	4,614	-	16,417
Total Nonspendable Fund Balance	\$ 724,455	\$ 4,056,393	\$ 4,614	\$ -	\$ 4,785,462
Restricted:					
Grants	\$ 159,258	\$ -	\$ -	\$ -	\$ 159,258
Legacy for fairfax donations	-	-	-	192,927	192,927
Other purposes	28,790	-	-	-	28,790
Total Restricted Fund Balance	\$ 188,048	\$ -	\$ -	\$ 192,927	\$ 380,975
Committed:					
Storm drainage	\$ -	\$ -	\$ -	\$ 43,188	\$ 43,188
Streets	-	-	-	137,775	137,775
Old town square	-	-	398,800	-	398,800
Total Committed Fund Balance	\$ -	\$ -	\$ 398,800	\$ 180,963	\$ 579,763
Assigned:					
Equipment replacement/maintenance	\$ 215,774	\$ -	\$ -	\$ -	\$ 215,774
Contract services	285,523	-	-	-	285,523
Capital projects	-	-	784,770	3,981,485	4,766,255
Debt service	3,855,000	-	-	-	3,855,000
Other purposes	66,391	-	-	-	66,391
Total Assigned Fund Balance	\$ 4,422,688	\$ -	\$ 784,770	\$ 3,981,485	\$ 9,188,943
Unassigned Fund Balance	\$ 16,288,209	\$ (568,873)	\$ -	\$ -	\$ 15,719,336
Total Fund Balances	\$ 21,623,400	\$ 3,487,520	\$ 1,188,184	\$ 4,355,375	\$ 30,654,479

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
As of June 30, 2013 (Continued)

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

S. Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, Statement No. 63 of the Governmental Accounting Standards Board:

The City implemented the financial reporting provisions of the above Statement for the fiscal year ended June 30, 2013. This Statement provides guidance for reporting deferred inflows and deferred outflows of resources. The requirements of this Statement will improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on an entity's net position. With the implementation of this Statement, certain terminology has changed and financial statement descriptions have changed from "net assets" to "net position." The net equity reported in the financial statements was not changed as a result of implementing this Statement and no restatement of prior balances is required.

T. Items Previously Reported as Assets and Liabilities, Statement No. 65 of the Governmental Accounting Standards Board:

The City implemented the financial reporting provisions of the above Statement for the fiscal year ended June 30, 2013. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The implementation of this Statement resulted in the restatement of net position detailed in Note 19.

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.

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
As of June 30, 2013 (Continued)

NOTE 2—DEPOSITS AND INVESTMENTS: (CONTINUED)

Investment Policy (Continued)

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

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

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

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

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.

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
As of June 30, 2013 (Continued)

NOTE 2—DEPOSITS AND INVESTMENTS: (CONTINUED)

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	A1+
Local Government Investment Pool	\$ 16,483,473	\$ -
SNAP	21,288,655	-
Commercial Paper	-	2,995,325
Total	<u>\$ 37,772,128</u>	<u>\$ 2,995,325</u>

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.

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, 2013 the only portion of the City’s portfolio, excluding the LGIP, SNAP, and U.S. Government money market mutual funds, exceeding 5% of the total portfolio was commercial paper issued by Abbey National which represented 7% of the 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.

Investment Maturities		
Investment Type	Fair Value	Less Than
		1 Year
Commercial Paper	\$ 2,995,325	\$ 2,995,325
Total	<u>\$ 2,995,325</u>	<u>\$ 2,995,325</u>

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

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
As of June 30, 2013 (Continued)

NOTE 3—RECEIVABLES AND ALLOWANCE FOR UNCOLLECTIBLE AMOUNTS:

The City determines its allowances using historical collection data, specific account analysis and management's judgment. Receivables at June 30, 2013 for the government's individual major and nonmajor funds, including the applicable allowances for uncollectible accounts, are as follows:

Primary Government

	<u>General Fund</u>	<u>General Capital Projects Fund</u>	<u>Sewer Utility Fund</u>	<u>Water Utility Fund</u>	<u>Totals</u>
Property taxes	\$ 31,269,718	\$ -	\$ -	\$ -	\$ 31,269,718
Trade and other accounts	<u>1,277,290</u>	<u>181,798</u>	<u>940,312</u>	<u>1,981,889</u>	<u>4,381,289</u>
Gross receivables	\$ 32,547,008	\$ 181,798	\$ 940,312	\$ 1,981,889	\$ 35,651,007
Less allowance for uncollectible accounts	<u>407,286</u>	<u>-</u>	<u>93,212</u>	<u>109,423</u>	<u>609,921</u>
Net receivables	<u>\$ 32,139,722</u>	<u>\$ 181,798</u>	<u>\$ 847,100</u>	<u>\$ 1,872,466</u>	<u>\$ 35,041,086</u>

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

	<u>Unavailable/Unearned</u>	
	<u>Governmental Activities</u>	<u>Governmental Funds</u>
Property taxes receivable	\$ 29,411,418	\$ 30,356,662
Prepaid property taxes	207,428	207,428
Other	<u>345,292</u>	<u>345,292</u>
Total	<u>\$ 29,964,138</u>	<u>\$ 30,909,382</u>

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
As of June 30, 2013 (Continued)

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

Amounts due from other governments include the following:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		
		<u>General Capital Projects Fund</u>		<u>Total Primary Government</u>	<u>Component Unit School Board</u>
	<u>General</u>		<u>Transportation Fund</u>		
Commonwealth of Virginia:					
Local sales tax	\$ 1,785,309	\$ -	\$ -	\$ 1,785,309	-
Communication sales tax	367,736	-	-	367,736	-
State sales tax	-	-	-	-	492,650
Other	123,119	503,587	-	626,706	160,018
Federal government	189,326	223,283	-	412,609	-
County of Fairfax	-	-	-	-	1,057,749
Northern Virginia					
Transportation Commission	-	-	832,050	832,050	-
District Court	38,074	-	-	38,074	-
Total	<u>\$ 2,503,564</u>	<u>\$ 726,870</u>	<u>\$ 832,050</u>	<u>\$ 4,062,484</u>	<u>\$ 1,710,417</u>

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, 2013 are as follows:

<u>Component Unit / Fund</u>	<u>Due From</u>	<u>Due To</u>
Economic Development Authority	\$ -	\$ 187,398
School Board	-	1,691,963
General Fund	1,719,361	-
General Capital Projects	160,000	-
Total	<u>\$ 1,879,361</u>	<u>\$ 1,879,361</u>

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
As of June 30, 2013 (Continued)

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

A summary of interfund transfer activity is presented as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 4,834,425
Capital Projects Fund	3,099,192	-
Old Town Fairfax Fund	191,547	-
Commercial Transportation Tax Fund	1,029,354	115,181
Stormwater Fund	514,332	-
Transportation Fund	115,181	-
	<u> </u>	<u> </u>
Totals	<u>\$ 4,949,606</u>	<u>\$ 4,949,606</u>

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

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

NOTE 5—INVENTORY:

At June 30, 2013 the City has inventory recorded in the various funds as follows:

	<u>Governmental Funds</u>	<u>Enterprise Funds</u>	<u>Component Unit Economic Development Authority</u>
Expendable supplies / materials	\$ 712,652	\$ 56,604	\$ -
Land and building inventory held for resale	<u>4,056,393</u>	<u>-</u>	<u>862,594</u>
Totals	<u>\$ 4,769,045</u>	<u>\$ 56,604</u>	<u>\$ 862,594</u>

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
As of June 30, 2013 (Continued)

NOTE 6—CAPITAL ASSETS:

The following is a summary of capital asset activity for the year ended June 30, 2013:

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
Primary Government:				
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 37,893,473	\$ 2,274,616	\$ -	\$ 40,168,089
Construction in progress-jointly owned assets	75,000	-	-	75,000
Construction in progress	29,005,088	4,245,922	1,822,000	31,429,010
Total capital assets, not being depreciated	\$ 66,973,561	\$ 6,520,538	\$ 1,822,000	\$ 71,672,099
Capital assets being depreciated:				
Buildings	\$ 49,517,472	\$ 1,835,403	\$ -	\$ 51,352,875
Machinery and equipment	23,412,248	1,015,663	473,533	23,954,378
Jointly owned assets	90,423,902	-	3,426,942	86,996,960
Infrastructure	26,140,969	-	-	26,140,969
Total capital assets being depreciated	\$ 189,494,591	\$ 2,851,066	\$ 3,900,475	\$ 188,445,182
Accumulated depreciation:				
Buildings	\$ 9,499,899	\$ 1,269,896	\$ -	\$ 10,769,795
Machinery and equipment	13,249,389	1,653,133	454,165	14,448,357
Jointly owned assets	9,700,367	2,991,895	827,986	11,864,276
Infrastructure	17,719,348	551,340	-	18,270,688
Total accumulated depreciation	\$ 50,169,003	\$ 6,466,264	\$ 1,282,151	\$ 55,353,116
Total capital assets being depreciated, net	\$ 139,325,588	\$ (3,615,198)	\$ 2,618,324	\$ 133,092,066
Governmental activities capital assets, net	\$ 206,299,149	\$ 2,905,340	\$ 4,440,324	\$ 204,764,165
Business-type Activities:				
Sewer Utility Fund:				
Capital assets, not being depreciated:				
Land and land improvements	\$ 17,583	\$ -	\$ -	\$ 17,583
Construction in Progress	-	264,521	-	264,521
Total capital assets, not being depreciated	\$ 17,583	\$ 264,521	\$ -	\$ 282,104
Capital assets being depreciated:				
Buildings and building improvements	\$ 1,264,570	\$ -	\$ -	\$ 1,264,570
Machinery and equipment	1,343,981	-	-	1,343,981
Intangibles	12,075,441	1,199,540	-	13,274,981
Infrastructure	8,149,673	79,102	-	8,228,775
Total capital assets being depreciated, net	\$ 22,833,665	\$ 1,278,642	\$ -	\$ 24,112,307
Accumulated depreciation:				
Buildings and building improvements	\$ 128,248	\$ 25,291	\$ -	\$ 153,539
Machinery and equipment	793,029	87,583	-	880,612
Intangibles	3,219,786	179,600	-	3,399,386
Infrastructure	4,908,825	135,373	-	5,044,198
Total accumulated depreciation	\$ 9,049,888	\$ 427,847	\$ -	\$ 9,477,735
Total capital assets being depreciated, net	\$ 13,783,777	\$ 850,795	\$ -	\$ 14,634,572
Net capital assets	\$ 13,801,360	\$ 1,115,316	\$ -	\$ 14,916,676

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
As of June 30, 2013 (Continued)

NOTE 6—CAPITAL ASSETS: (CONTINUED)

	<u>Balance July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2013</u>
Water Utility Fund:				
Capital assets, not being depreciated:				
Land and land improvements	\$ 645,615	\$ -	\$ -	\$ 645,615
Construction in Progress	3,702,132	1,592,595	-	5,294,727
Total capital assets not being depreciated	<u>\$ 4,347,747</u>	<u>\$ 1,592,595</u>	<u>\$ -</u>	<u>\$ 5,940,342</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 29,541,627	\$ -	\$ -	\$ 29,541,627
Machinery and equipment	2,709,627	29,062	171,379	2,567,310
Infrastructure	20,093,834	172,331	-	20,266,165
Total capital assets being depreciated	<u>\$ 52,345,088</u>	<u>\$ 201,393</u>	<u>\$ 171,379</u>	<u>\$ 52,375,102</u>
Accumulated depreciation:				
Buildings and improvements	\$ 21,561,891	\$ 550,732	\$ -	\$ 22,112,623
Machinery and equipment	2,109,028	132,017	151,146	2,089,899
Infrastructure	10,996,978	272,198	-	11,269,176
Total accumulated depreciation	<u>\$ 34,667,897</u>	<u>\$ 954,947</u>	<u>\$ 151,146</u>	<u>\$ 35,471,698</u>
Total capital assets being depreciated, net	<u>\$ 17,677,191</u>	<u>\$ (753,554)</u>	<u>\$ 20,233</u>	<u>\$ 16,903,404</u>
Net capital assets	<u>\$ 22,024,938</u>	<u>\$ 839,041</u>	<u>\$ 20,233</u>	<u>\$ 22,843,746</u>
Transportation Fund:				
Capital assets being depreciated:				
Buildings and improvements	\$ 226,958	\$ -	\$ -	\$ 226,958
Machinery and equipment	2,224,886	24,653	-	2,249,539
Total capital assets being depreciated	<u>\$ 2,451,844</u>	<u>\$ 24,653</u>	<u>\$ -</u>	<u>\$ 2,476,497</u>
Accumulated depreciation:				
Buildings and improvements	\$ 36,313	\$ 4,539	\$ -	\$ 40,852
Machinery and equipment	1,909,064	162,950	-	2,072,014
Total accumulated depreciation	<u>\$ 1,945,377</u>	<u>\$ 167,489</u>	<u>\$ -</u>	<u>\$ 2,112,866</u>
Total capital assets being depreciated, net	<u>\$ 506,467</u>	<u>\$ (142,836)</u>	<u>\$ -</u>	<u>\$ 363,631</u>
Net capital assets	<u>\$ 506,467</u>	<u>\$ (142,836)</u>	<u>\$ -</u>	<u>\$ 363,631</u>

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
As of June 30, 2013 (Continued)

NOTE 6—CAPITAL ASSETS: (CONTINUED)

	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2013</u>
Discretely Presented Component Unit-School Board:				
Capital assets, not being depreciated:				
Land	\$ 1,381,115	\$ -	\$ -	\$ 1,381,115
Construction in progress	<u>24,644</u>	<u>-</u>	<u>-</u>	<u>24,644</u>
Total capital assets, not being depreciated	<u>\$ 1,405,759</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,405,759</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 26,028,396	\$ 3,426,942	\$ -	\$ 29,455,338
Machinery and equipment	<u>1,461,522</u>	<u>20,214</u>	<u>-</u>	<u>1,481,736</u>
Total capital assets being depreciated	<u>\$ 27,489,918</u>	<u>\$ 3,447,156</u>	<u>\$ -</u>	<u>\$ 30,937,074</u>
Accumulated depreciation:				
Buildings and improvements	\$ 18,376,571	\$ 4,478,879	\$ -	\$ 22,855,450
Machinery and equipment	<u>595,320</u>	<u>105,848</u>	<u>-</u>	<u>701,168</u>
Total accumulated depreciation	<u>\$ 18,971,891</u>	<u>\$ 4,584,727</u>	<u>\$ -</u>	<u>\$ 23,556,618</u>
Total capital assets being depreciated, net	<u>\$ 8,518,027</u>	<u>\$ (1,137,571)</u>	<u>\$ -</u>	<u>\$ 7,380,456</u>
School Board capital assets, net	<u><u>\$ 9,923,786</u></u>	<u><u>\$ (1,137,571)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 8,786,215</u></u>

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
As of June 30, 2013 (Continued)

NOTE 6—CAPITAL ASSETS: (CONTINUED)

Depreciation expense was charged to functions / programs as follows:

Primary government:	
Governmental activities:	
General government administration	\$ 587,292
Public safety	618,207
Public works	1,581,092
Education	2,991,895
Parks, recreation and cultural	<u>687,778</u>
Total governmental activities	\$ <u>6,466,264</u>
Business-type activities:	
Water utility	\$ 954,947
Sewer utility	427,847
Transportation	<u>167,489</u>
Total business-type activities	\$ <u>1,550,283</u>
Component Unit-School Board:	\$ <u>3,756,741</u> (1)
Education	
(1) Depreciation expense	\$ 3,756,741
Accumulated depreciation on Joint tenancy transfer	<u>827,986</u>
Total increase in accumulated depreciation, page 62	\$ <u>4,584,727</u>

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
As of June 30, 2013 (Continued)

NOTE 7—LONG-TERM OBLIGATIONS:

Primary Government

The following is a summary of long-term obligation transactions of the City for the year ended June 30, 2013:

	Balance at June 30, 2012	Issuances/ Increases	Retirements/ Decreases	Balance at June 30, 2013	Amounts Due Within One Year
Governmental Obligations:					
General obligation bonds	\$ 101,361,000	\$ 35,685,000	\$ 36,664,000	\$ 100,382,000	\$ 4,399,000
Lease revenue bonds	33,105,000	-	1,060,000	32,045,000	910,000
Public Improvement COPS	17,572,800	-	2,477,700	15,095,100	2,522,000
Notes payable	8,433,465	-	116,733	8,316,732	116,732
Capital leases	1,279,103	875,000	545,779	1,608,324	437,822
Compensated absences	2,151,296	898,374	430,259	2,619,411	523,882
Net OPEB obligation	2,778,727	924,507	339,545	3,363,689	-
Premiums on bonds payable	8,971,643	619,778	717,647	8,873,774	543,798
Total	<u>\$ 175,653,034</u>	<u>\$ 39,002,659</u>	<u>\$ 42,351,663</u>	<u>\$ 172,304,030</u>	<u>\$ 9,453,234</u>
Enterprise Funds:					
Sewer Utility Fund:					
Lease revenue bonds	\$ 12,521,600	\$ -	\$ -	\$ 12,521,600	\$ -
Premium on bonds payable	347,368	-	11,978	335,390	11,978
Net OPEB obligation	92,697	20,775	7,630	105,842	-
Compensated absences	75,731	12,471	1,265	86,937	9,348
Total	<u>\$ 13,037,396</u>	<u>\$ 33,246</u>	<u>\$ 20,873</u>	<u>\$ 13,049,769</u>	<u>\$ 21,326</u>
Water Utility Fund:					
Lease revenue bonds	\$ 15,849,400	\$ -	\$ 192,000	\$ 15,657,400	\$ 200,000
Premium on bonds payable	320,647	-	11,057	309,590	11,057
Net OPEB obligation	266,008	72,714	26,706	312,016	-
Compensated absences	184,769	9,237	26,594	167,412	18,001
Total	<u>\$ 16,620,824</u>	<u>\$ 81,951</u>	<u>\$ 256,357</u>	<u>\$ 16,446,418</u>	<u>\$ 229,058</u>
Transportation Fund:					
Net OPEB obligation	\$ 207,111	\$ 83,102	\$ 30,521	\$ 259,692	\$ -
Compensated absences	110,448	32,831	12,182	131,097	14,046
Total	<u>\$ 317,559</u>	<u>\$ 115,933</u>	<u>\$ 42,703</u>	<u>\$ 390,789</u>	<u>\$ 14,046</u>
Total Enterprise Funds	<u>\$ 29,975,779</u>	<u>\$ 231,130</u>	<u>\$ 319,933</u>	<u>\$ 29,886,976</u>	<u>\$ 264,430</u>
Discretely Presented Component Units:					
School Board:					
Compensated absences	\$ 28,300	\$ 2,829	\$ 7,840	\$ 23,289	\$ 2,329
Economic Development Authority:					
Notes Payable	\$ 884,614	\$ -	\$ -	\$ 884,614	\$ -

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

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
As of June 30, 2013 (Continued)

NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)

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

Year Ending June 30,	Governmental Obligations									
	General Obligation Bonds		Public Facility Lease Revenue Bonds		COPS		Notes Payable		Capital Leases	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 4,399,000	\$ 3,485,007	\$ 910,000	\$ 1,537,763	\$ 2,522,000	\$ 407,910	\$ 116,732	\$ 190,950	\$ 437,822	\$ 25,963
2015	4,528,000	3,296,901	940,000	1,500,881	1,647,300	362,128	-	164,313	443,327	20,459
2016	4,691,000	3,053,376	990,000	1,454,225	791,000	332,577	8,200,000	82,156	433,452	11,379
2017	4,826,000	2,874,066	1,040,000	1,406,856	816,100	307,847	-	-	146,056	3,244
2018	4,920,000	2,714,680	1,090,000	1,356,925	841,400	282,367	-	-	147,667	1,631
2019	3,714,000	2,549,199	1,145,000	1,301,378	3,772,300	295,790	-	-	-	-
2020	4,293,000	2,430,850	1,200,000	1,243,012	4,705,000	72,928	-	-	-	-
2021	4,492,000	2,234,511	1,265,000	1,179,847	-	-	-	-	-	-
2022	4,172,000	2,056,089	1,325,000	1,119,403	-	-	-	-	-	-
2023	4,322,000	1,906,115	1,390,000	1,057,856	-	-	-	-	-	-
2024	2,999,000	1,752,322	1,455,000	987,053	-	-	-	-	-	-
2025	3,123,000	1,636,831	1,535,000	910,434	-	-	-	-	-	-
2026	3,242,000	1,542,930	1,615,000	829,716	-	-	-	-	-	-
2027	3,357,000	1,419,078	1,695,000	749,947	-	-	-	-	-	-
2028	3,584,000	1,330,996	1,775,000	671,428	-	-	-	-	-	-
2029	3,676,000	1,233,153	1,855,000	589,309	-	-	-	-	-	-
2030	3,779,000	1,132,798	1,945,000	497,484	-	-	-	-	-	-
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	\$ 100,382,000	\$ 40,551,401	\$ 32,045,000	\$ 19,307,091	\$ 15,095,100	\$ 2,061,547	\$ 8,316,732	\$ 437,419	\$ 1,608,324	\$ 62,676

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
As of June 30, 2013 (Continued)

NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)

Details of Long-Term Obligations: (Continued)

Primary Government: (Continued)

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%	\$ 1,890,000
\$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%	6,475,000
\$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%	1,930,000
\$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%	31,915,000
\$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%	3,350,000
\$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%	19,137,000
\$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	\$ <u>100,382,000</u>

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%	\$ <u>32,045,000</u>
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Notes Payable:

\$2,167,325 Fairfax County note payable, due in annual maturities of \$116,733 through July 2014, plus interest at 2%	\$ 116,732
\$8,200,000 financing lease agreement dated May 2012, due in full at maturity on July 15, 2015, interest payable semi-annually at 1.67% to 2.3%	8,200,000
Total Notes Payable	\$ <u>8,316,732</u>

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
As of June 30, 2013 (Continued)

NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)

Details of Long-Term Obligations: (Continued)

Primary Government: (Continued)

Public Improvement Certificates of Participation:

\$6,167,000 certificate issued April 2011, due in semi-annual maturities of \$876,000 to \$890,000 through July 15, 2014, interest at 1.27%	\$ 2,658,000
\$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%	4,662,100
\$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%	<u>7,775,000</u>
Total Public Improvement Certificates of Participation	<u>\$ 15,095,100</u>

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%	\$ 363,762
\$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%	34,563
\$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%	725,700
\$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%	87,201
\$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%	<u>397,098</u>
Total Capital Leases	<u>\$ 1,608,324</u>
Compensated absences	<u>\$ 2,619,411</u>
Net OPEB obligation	<u>\$ 3,363,689</u>
Premium on bonds payable	<u>\$ 8,873,774</u>
Total governmental funds	<u><u>\$ 172,304,030</u></u>

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
As of June 30, 2013 (Continued)

NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)

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

Year Ending June 30,	Lease Revenue Bonds Water Utility Fund		Lease Revenue Bonds Sewer Utility Fund	
	Principal	Interest	Principal	Interest
2014	\$ 200,000	\$ 843,156	\$ -	\$ 722,474
2015	441,800	829,667	252,200	717,178
2016	462,800	809,787	265,200	705,377
2017	483,800	788,631	278,200	692,613
2018	508,200	766,042	293,800	678,716
2019	532,600	741,374	309,400	663,033
2020	558,000	715,528	325,000	646,539
2021	585,800	688,397	343,200	629,165
2022	608,800	660,807	356,200	611,807
2023	630,400	632,616	366,600	594,310
2024	655,400	602,715	379,600	575,520
2025	680,400	571,026	392,600	555,398
2026	708,800	537,498	408,200	533,889
2027	737,200	501,147	423,800	509,975
2028	769,000	462,133	442,000	483,827
2029	422,400	421,530	457,600	456,658
2030	441,600	395,438	478,400	428,391
2031	458,400	368,255	496,600	398,943
2032	477,600	339,743	517,400	368,055
2033	496,800	309,827	538,200	335,646
2034	518,400	278,660	561,600	301,882
2035	540,000	246,169	585,000	266,683
2036	561,600	212,348	608,400	230,044
2037	585,600	177,126	634,400	191,886
2038	609,600	140,435	660,400	152,138
2039	633,600	102,271	686,400	110,794
2040	660,000	62,556	715,000	67,769
2041	688,800	21,146	746,200	22,908
Total	\$ 15,657,400	\$ 13,226,028	\$ 12,521,600	\$ 12,651,618

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
As of June 30, 2013 (Continued)

NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)

Water Utility Fund:

Lease Revenue Bonds:

\$4,821,000 lease revenue bonds issued June 2008, due in annual maturities ranging from \$169,000 to \$361,000 through January 2028, plus interest at 4.30% \$ 4,099,000

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

Total Lease Revenue Bonds \$ 15,657,400

Sewer Utility Fund:

Lease Revenue Bonds:

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

Component Unit—Economic Development Authority

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

Year Ending June 30,	Notes Payable	
	Principal	Interest
2014	\$ 634,167	\$ 28,604
2015	<u>250,447</u>	<u>6,311</u>
Total	\$ <u><u>884,614</u></u>	\$ <u><u>34,915</u></u>

Details of Long-Term Debt Obligations

\$2,000,000 note payable issued October 2004, due in various installments through July 15, 2015 with semi-annual interest payments at 5.04% \$ 884,614

\$ 884,614

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
As of June 30, 2013 (Continued)

NOTE 8—DEFINED BENEFIT PENSION PLANS:

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

A. Plan Description

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

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

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

- Members hired before July 1, 2010 and who were vested as of January 1, 2013 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit early at age 55 with at least 5 years of service credit or age 50 with at least 10 years of service credit.
- Members hired or rehired on or after July 1, 2010 and Plan 1 members who were not vested on January 1, 2013 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.
- Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the member's plan apply.

The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member's average final compensation multiplied by the member's total service credit. Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation. Under Plan 2, average final compensation is the average of the member's 60 consecutive months of highest compensation. The retirement multiplier for non-hazardous duty members is 1.70 %. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier for eligible political subdivision hazardous duty employees other than sheriffs and jail superintendents is 1.70% or 1.85% as elected by the employer. The multiplier for Plan 2 members was reduced to 1.65% effective January 1, 2013 unless they are hazardous duty employees and their employer has elected the enhanced retirement multiplier. At retirement, members can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum Option Payment (PLOP) or the Advance Pension Option. A retirement reduction factor is applied to the Basic Benefit amount for members electing the Survivor Option, PLOP or Advance Pension Option or those retiring with a reduced benefit.

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
As of June 30, 2013 (Continued)

NOTE 8—DEFINED BENEFIT PENSION PLANS: (CONTINUED)

A. Plan Description: (Continued)

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

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/publications/2012-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 2013 were 12.54% and 11.66% of annual covered payroll, respectively.

C. Annual Pension Cost

For fiscal year 2013, the City's annual pension cost of \$3,506,890 was equal to the City's required and actual contributions.

For fiscal year 2013, the School Board's annual pension cost for the Board's professional employees was \$12,673 which was equal to the School Board's required and actual contributions.

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

Fiscal Year Ending	Annual Pension Cost (APC) (1)	Percentage of APC Contributed	Net Pension Obligation
City:			
June 30, 2013	\$ 3,506,890	100%	\$ -
June 30, 2012	2,594,574	100%	-
June 30, 2011	2,581,987	100%	-
School Board:			
June 30, 2013	\$ 12,673	100%	\$ -
June 30, 2012	4,867	100%	-
June 30, 2011	3,008	100%	-

(1) Employer portion only

NOTE 8—DEFINED BENEFIT PENSION PLANS: (CONTINUED)

C. Annual Pension Cost: (Continued)

The FY2013 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.

D. Funded Status and Funding Progress

As of June 30, 2012, the most recent actuarial valuation date, the City's plan was 63.54% funded. The actuarial accrued liability for benefits was \$135,032,405, and the actuarial value of assets was \$85,805,987, resulting in an unfunded actuarial accrued liability (UAAL) of \$49,226,418. The covered payroll (annual payroll of active employees covered by the plan) was \$25,901,110, and ratio of the UAAL to the covered payroll was 190.06%.

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.

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
As of June 30, 2013 (Continued)

NOTE 8—DEFINED BENEFIT PENSION PLANS: (CONTINUED)

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

Significant Accounting Policies: (Continued)

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

Payment of benefits: Benefits are recorded when paid.

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

Administrative costs: Administrative costs are financed from investment earnings.

Concentrations

At June 30, 2013, plan assets were comprised of stocks, corporate bonds, and mutual funds. The following table presents the fair value of the investments in this Plan. Single investments representing more than 5% of the Plan's net position as of June 30, 2013 are separately identified.

<u>Investments at Fair Value as Determined by Quoted Market Prices</u>	
Mutual Funds:	
Wellington	\$ 27,416,544
GMO Total Return Foreign Fd CI II	13,231,641
GMO Total Multi-Strategy Offshore	5,782,874
GMO Strategic Opportunities	12,483,163
Putnam Total Return	16,553,800
Other Investments Individually Less than 5% of Plan Assets	<u>37,101,726</u>
Total	<u>\$ 112,569,748</u>

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
As of June 30, 2013 (Continued)

NOTE 8—DEFINED BENEFIT PENSION PLANS: (CONTINUED)

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

Funding Policy

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

	City Supplemental Retirement Plan	City Firefighters, Policemen and Policewomen
Contribution rate: (2012)		
City	3.52%	7.18%
Plan members - hire pre - April 1, 1983 *	1.5%	5.5%
Plan members - hire post - March 31, 1983	3.0%	7%
* Until reaching 30 years of service, then no further contributions are required.		
Annual pension cost (2012) (1)	\$298,073	\$722,639
Contributions made (2012) (1)	\$298,073	\$722,639
Actuarial valuation date	June 30, 2012	June 30, 2012
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%	3.5%
	2.8% compound	2.8% compound
(1) Employer portion only		

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
As of June 30, 2013 (Continued)

NOTE 8—DEFINED BENEFIT PENSION PLANS: (CONTINUED)

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

Trend Information

	<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
City Supplemental Retirement Plan	2007	\$ -	100%	\$ -
	2008	-	100%	-
	2009	-	100%	-
	2010	-	100%	-
	2011	276,502	100%	-
	2012	298,073	100%	-
City Firefighters, Policemen and Policewomen	2007	\$ 87,866	100%	\$ -
	2008	471,789	100%	-
	2009	356,692	100%	-
	2010	365,744	100%	-
	2011	421,734	100%	-
	2012	722,639	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, 2013 is as follows:

	<u>City Supplemental Retirement Plan</u>	<u>City Firefighters, Policemen and Policewomen Plan</u>
Retirees and beneficiaries	\$ 177	\$ 95
Terminated vested members	25	6
Active members	282	132
Total	<u>\$ 484</u>	<u>\$ 233</u>

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
As of June 30, 2013 (Continued)

NOTE 8—DEFINED BENEFIT PENSION PLANS: (CONTINUED)

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

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

	Pension Trust Funds		
	City Supplemental Pension Trust Fund	Firefighters, Policemen and Policewomen Pension Trust Fund	Totals
Assets			
Mutual funds	\$ 41,597,435	\$ 45,366,203	\$ 86,963,638
Stocks	12,248,205	13,357,905	25,606,110
Accrued interest	12,982	14,158	27,140
	<u>\$ 53,858,622</u>	<u>\$ 58,738,266</u>	<u>\$ 112,596,888</u>
Total assets			
Net Position			
Held in trust for pension benefits	<u>\$ 53,858,622</u>	<u>\$ 58,738,266</u>	<u>\$ 112,596,888</u>
Additions			
Plan members contributions	<u>\$ 1,075,678</u>	<u>\$ 1,549,812</u>	<u>\$ 2,625,490</u>
Investment income:			
Interest and dividends earned on investments	\$ 1,137,598	\$ 1,282,823	\$ 2,420,421
Net appreciation in fair value of investments	3,846,355	4,788,413	8,634,768
Total investment income	<u>\$ 4,983,953</u>	<u>\$ 6,071,236</u>	<u>\$ 11,055,189</u>
Less: Investment expenses	318,910	359,622	678,532
Net investment income	<u>\$ 4,665,043</u>	<u>\$ 5,711,614</u>	<u>\$ 10,376,657</u>
Total additions	<u>\$ 5,740,721</u>	<u>\$ 7,261,426</u>	<u>\$ 13,002,147</u>
Deductions			
Retirement and disability benefits	\$ 2,423,975	\$ 3,281,738	\$ 5,705,713
Refunds to members	57,118	198,865	255,983
Total deductions	<u>\$ 2,481,093</u>	<u>\$ 3,480,603</u>	<u>\$ 5,961,696</u>
Change in net position	<u>\$ 3,259,628</u>	<u>\$ 3,780,823</u>	<u>\$ 7,040,451</u>
Net position - beginning	50,598,994	54,957,443	105,556,437
Net position - ending	<u>\$ 53,858,622</u>	<u>\$ 58,738,266</u>	<u>\$ 112,596,888</u>

F. Funded Status and Funding Progress

As of June 30, 2012, the most recent actuarial valuation date, the City Supplemental plan was 100.32% funded. The actuarial accrued liability for benefits was \$53,420,000, and the actuarial value of assets was \$53,590,000, resulting in an unfunded actuarial accrued liability (UAAL) of (\$170,000). The covered payroll (annual payroll of active employees covered by the plan) was \$16,590,000, and ratio of the UAAL to the covered payroll was (1.02%).

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
As of June 30, 2013 (Continued)

NOTE 8—DEFINED BENEFIT PENSION PLANS: (CONTINUED)

F. Funded Status and Funding Progress: (Continued)

As of June 30, 2012, the most recent actuarial valuation date, the City Firefighters, Policemen, and Policewomen Plan was 93.28% funded. The actuarial accrued liability for benefits was \$62,760,000, and the actuarial value of assets was \$58,540,000, resulting in an unfunded actuarial accrued liability (UAAL) of \$4,220,000. The covered payroll (annual payroll of active employees covered by the plan) was \$10,170,000, and ratio of the UAAL to the covered payroll was 41.49%.

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

NOTE 9—FAIRFAX COUNTY AGREEMENTS:

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

Description	
Joint court service	\$ 578,656
Jail and custody services	1,174,146
Health	1,024,260
Social services	942,643
Library services	736,976
Education	43,361,720
Refuse collection	428,294
County agent	39,625
Debt service judicial center	58,407
Sewage treatment	<u>1,838,522</u>
Total	<u>\$ 50,183,249</u>

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

The City's first quarter tuition payment for the fiscal year ending June 30, 2013 will be decreased by \$1,057,749. This amount has been recorded as a receivable and represents the final adjustment to fiscal year 2013 tuition cost.

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
As of June 30, 2013 (Continued)

NOTE 10—TRANSPORTATION CONTRACTS:

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

CUE Bus

CUE Bus is an intracity bus service operated in cooperation with George Mason University. Funding received from George Mason University was \$720,000 for the fiscal year ended 2013.

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, 2013 was \$1,884,787. These amounts were paid from the City's account at the Northern Virginia Transportation Commission ("NVTC").

Northern Virginia Transportation Commission ("NVTC")

NVTC receives funds designated for the City and it also disburses the designated funds for the City. As of June 30, 2013, the balance designated for the City is \$2,140,729. The NVTC received \$3,405,382 and disbursed \$3,225,323 on behalf of the City for the fiscal year ended June 30, 2013.

NOTE 11—MAJOR CUSTOMER:

The City of Fairfax has one major water customer and for the year ended June 30, 2013, water revenue from this customer was approximately \$1,856,663. Accounts receivable from this customer amounted to approximately \$400,000 at June 30, 2013.

NOTE 12—SURETY BONDS:

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

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

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
As of June 30, 2013 (Continued)

NOTE 13—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.

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	\$ 1,078,801
Interest on net OPEB obligation	133,782
Adjustment to annual required contribution	(111,485)
Annual OPEB cost (expense)	\$ 1,101,098
Contributions made	(404,402)
Increase in net OPEB obligation	\$ 696,696
Net OPEB obligation-beginning of year	3,344,543
Net OPEB obligation-end of year	<u><u>\$ 4,041,239</u></u>

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
As of June 30, 2013 (Continued)

NOTE 13—OTHER POSTEMPLOYMENT BENEFITS—HEALTH INSURANCE: (CONTINUED)

City: (Continued)

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

Funded Status and Funding Progress

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

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2011	\$ 1,243,503	34%	\$ 2,534,801
June 30, 2012	1,281,360	37%	3,344,543
June 30, 2013	1,101,098	37%	4,041,239

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.

Actuarial Methods and Assumptions

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

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
As of June 30, 2013 (Continued)

NOTE 13—OTHER POSTEMPLOYMENT BENEFITS—HEALTH INSURANCE: (CONTINUED)

City: (Continued)

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

Cost Method

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

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

Interest Assumptions

In the June 30, 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.

	<u>Unfunded</u>
Discount rate	4.00%
Payroll growth	3.50%

NOTE 14—RISK MANAGEMENT:

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

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
As of June 30, 2013 (Continued)

NOTE 14—RISK MANAGEMENT: (CONTINUED)

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

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

NOTE 15—COMMITMENTS AND CONTINGENCIES:

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

While no matters of noncompliance were disclosed by audit, the Federal Government may subject grant programs to additional compliance tests which may result in disallowed expenditures. In the opinion of management, any future disallowance of current grant program expenditures, if any, would be immaterial.

NOTE 16—LITIGATION:

At June 30, 2013, the City has been named as defendant in various matters. It is not known what liability if any, the City faces.

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
As of June 30, 2013 (Continued)

NOTE 17—CONSTRUCTION COMMITMENTS:

At June 30, 2013, the City has several major projects under construction which are summarized below:

Project	Contract Amount	Expenditures as of June 30, 2013	Contract Balance
Primary Government:			
Jermantown Road Consulting	\$ 498,284	\$ 360,509	\$ 137,775
Old Town Square	398,800	-	398,800
School Bus Parking Lot	1,673,836	1,186,454	487,382
Wireless Signal Detection/Emergency Backup	169,654	-	169,654
Historic Blenheim Repairs & Improvements	112,396	25,000	87,396
Historic Blenheim Trail Improvements	114,600	-	114,600
Northfax Improvements	2,557,487	1,563,004	994,483
Bridge over Accotink	473,356	431,188	42,168
Storm Drainage	149,661	106,473	43,188
Total	<u>\$ 6,148,074</u>	<u>\$ 3,672,628</u>	<u>\$ 2,475,446</u>

NOTE 18—DEBT REFUNDING:

The City of Fairfax, Virginia issued \$35,685,000 in Public Facility Refunding Bonds, with an effective interest rate from 3.00% to 4.00%. The Bonds were issued to refund \$32,295,000 of General Obligation Bonds. The Bonds will be repaid in various installments beginning January 15, 2020 to January 15, 2037. As a result, the refunded bonds are considered to be defeased in substance and the liability for those bonds has been removed from the financial statements. The reacquisition price exceeded the carrying amount of the old debt by \$3,531,362. The advance refunding was undertaken to reduce the total debt service payments over the next 24 years by \$4,449,970 and resulted in an economic gain of \$3,679,892. At June 30, 2013 the defeased bonds had balances outstanding of \$32,295,000.

NOTE 19—RESTATEMENT OF NET POSITION:

Certain amounts in the beginning net position have been restated in fiscal year 2013 as follows:

	Governmental Activities	Business-Type Activities
Beginning net position, as previously reported	\$ 70,331,511	\$ 25,958,731
Restatement to eliminate issuance costs in accordance with GASB 65	<u>(1,420,304)</u>	<u>(432,221)</u>
Beginning net position, as restated	<u>\$ 68,911,207</u>	<u>\$ 25,526,510</u>

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
As of June 30, 2013 (Continued)

NOTE 20—PENDING GASB PRONOUNCEMENTS:

At June 30, 2013, 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. 67, *Financial Reporting for Pension Plans, an amendment of GASB Statement No. 25*, will improve financial reporting by state and local government pension plans. Statement No. 67 will be effective for fiscal years beginning after June 15, 2013.

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—SUBSEQUENT EVENTS:

Early in calendar year 2014, the City will close on agreements with Fairfax Water and Loudoun Water to transition out of the water distribution and treatment business, respectively, as approved by City Council on April 19, 2013, and November 12, 2013. The City and its customers will become retail customers of Fairfax Water on the closing date of that agreement. Loudoun Water will take ownership of the Goose Creek Water Treatment Plant, reservoir, and associated assets located in Loudoun County on the closing date of that agreement.

REQUIRED SUPPLEMENTARY INFORMATION

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Schedule of Pension and OPEB Funding Progress
For the Year Ended June 30, 2013

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)
6/30/2012	\$	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%
6/30/2010		84,039,964	120,366,342	36,326,378	69.82%	26,381,262	137.70%

B. City Supplemental Retirement Plan:

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%)
6/30/2007		53,110,000	44,070,000	(9,040,000)	120.51%	15,970,000	(56.61%)

C. City Firefighters, Policemen and Policewomen Plan:

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%)
6/30/2006		46,433,098	41,829,858	(4,603,240)	111.00%	9,147,911	(50.32%)

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%

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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, 2013

	Special Revenue Fund	Capital Projects Funds		Total Nonmajor Governmental Funds
	Legacy for Fairfax Fund	Stormwater Fund	Commercial Transportation Tax Fund	
Assets				
Cash and cash equivalents	\$ 192,927	\$ 566,074	\$ 3,707,664	\$ 4,466,665
Total assets	<u>\$ 192,927</u>	<u>\$ 566,074</u>	<u>\$ 3,707,664</u>	<u>\$ 4,466,665</u>
Liabilities				
Accounts payable	\$ -	\$ 111,290	\$ -	\$ 111,290
Total liabilities	<u>\$ -</u>	<u>\$ 111,290</u>	<u>\$ -</u>	<u>\$ 111,290</u>
Fund Balances				
Fund balances:				
Restricted	\$ 192,927	\$ -	\$ -	\$ 192,927
Committed	-	43,188	137,775	180,963
Assigned	-	411,596	3,569,889	3,981,485
Total fund balances	<u>\$ 192,927</u>	<u>\$ 454,784</u>	<u>\$ 3,707,664</u>	<u>\$ 4,355,375</u>
Total liabilities and fund balances	<u>\$ 192,927</u>	<u>\$ 566,074</u>	<u>\$ 3,707,664</u>	<u>\$ 4,466,665</u>

Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances – Nonmajor Governmental Funds
Year Ended June 30, 2013

	Special Revenue Fund	Capital Projects Funds		Total Nonmajor Governmental Funds
	Legacy for Fairfax Fund	Stormwater Fund	Commercial Transportation Tax Fund	
Revenues				
Miscellaneous	\$ 35,715	\$ -	\$ -	\$ 35,715
Total revenues	\$ 35,715	\$ -	\$ -	\$ 35,715
Expenditures				
Current:				
Public works	\$ -	\$ 441,789	\$ 761,699	\$ 1,203,488
Parks, recreation and cultural	12,150	-	-	12,150
Total expenditures	\$ 12,150	\$ 441,789	\$ 761,699	\$ 1,215,638
Excess (deficiency) of revenue over (under) expenditures	\$ 23,565	\$ (441,789)	\$ (761,699)	\$ (1,179,923)
Other financing sources (uses)				
Transfers in	\$ -	\$ 514,332	\$ 1,029,354	\$ 1,543,686
Transfers (out)	-	-	(115,181)	(115,181)
Total other financing sources (uses)	\$ -	\$ 514,332	\$ 914,173	\$ 1,428,505
Net changes in fund balances	\$ 23,565	\$ 72,543	\$ 152,474	\$ 248,582
Fund balances, beginning	169,362	382,241	3,555,190	4,106,793
Fund balances, ending	\$ 192,927	\$ 454,784	\$ 3,707,664	\$ 4,355,375

Combining Statement of Fiduciary Net Position
 Fiduciary Funds
 At June 30, 2013

	City Supplemental Pension Trust Fund	Firefighters, Policemen and Policewomen Pension Trust Fund	Totals
Assets			
Mutual funds	\$ 41,597,435	\$ 45,366,203	\$ 86,963,638
Stocks	12,248,205	13,357,905	25,606,110
Accrued interest	12,982	14,158	27,140
	<u>\$ 53,858,622</u>	<u>\$ 58,738,266</u>	<u>\$ 112,596,888</u>
Total assets			
Net Position			
Held in trust for pension benefits	<u>\$ 53,858,622</u>	<u>\$ 58,738,266</u>	<u>\$ 112,596,888</u>

Combining Statement of Changes in Fiduciary Net Position
 Fiduciary Funds
 Year Ended June 30, 2013

	City Supplemental Pension Trust Fund	Firefighters, Policemen and Policewomen Pension Trust Fund	Totals
Additions			
Plan member and employer contributions	\$ 1,075,678	\$ 1,549,812	\$ 2,625,490
Investment income:			
Interest and dividends earned on investments	\$ 1,137,598	1,282,823	\$ 2,420,421
Net appreciation in fair value of investments	3,846,355	4,788,413	8,634,768
Total investment income	\$ 4,983,953	\$ 6,071,236	\$ 11,055,189
Less: Investment expenses	318,910	359,622	678,532
Net investment income	\$ 4,665,043	\$ 5,711,614	\$ 10,376,657
Total additions	\$ 5,740,721	\$ 7,261,426	\$ 13,002,147
Deductions			
Retirement and disability benefits	\$ 2,423,975	\$ 3,281,738	\$ 5,705,713
Refunds to members	57,118	198,865	255,983
Total deductions	\$ 2,481,093	\$ 3,480,603	\$ 5,961,696
Change in net position	\$ 3,259,628	\$ 3,780,823	\$ 7,040,451
Net position - beginning	50,598,994	54,957,443	105,556,437
Net position - ending	\$ 53,858,622	\$ 58,738,266	\$ 112,596,888

Balance Sheet -
Discretely Presented Component Unit - School Board
At June 30, 2013

	School Operating Fund	School Bond Renovation Fund	Total
ASSETS			
Cash and cash equivalents	\$ -	\$ 2,499	\$ 2,499
Advance to Fairfax County Public Schools	-	1,371,694	1,371,694
Due from other governments	<u>1,710,417</u>	<u>-</u>	<u>1,710,417</u>
Total assets	<u>\$ 1,710,417</u>	<u>\$ 1,374,193</u>	<u>\$ 3,084,610</u>
LIABILITIES			
Accounts payable	\$ 18,454	\$ -	\$ 18,454
Due to primary government	<u>1,691,963</u>	<u>-</u>	<u>1,691,963</u>
Total liabilities	<u>\$ 1,710,417</u>	<u>\$ -</u>	<u>\$ 1,710,417</u>
FUND BALANCES			
Nonspendable - advance	\$ -	\$ 1,371,694	\$ 1,371,694
Assigned - capital projects	<u>-</u>	<u>2,499</u>	<u>2,499</u>
Total fund balances	<u>\$ -</u>	<u>\$ 1,374,193</u>	<u>\$ 1,374,193</u>
Total liabilities and fund balances	<u>\$ 1,710,417</u>	<u>\$ 1,374,193</u>	<u>\$ 3,084,610</u>

Reconciliation of the Balance Sheet of the Governmental Funds
to the Statement of Net Position -
Discretely Presented Component Unit - School Board
At June 30, 2013

		Governmental Funds
Total fund balances - governmental funds	\$	1,374,193
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		29,455,338
Machinery and equipment		1,481,736
Construction in progress		24,644
Less: accumulated depreciation		<u>(23,556,618)</u>
		8,786,215
Long-term liabilities, including compensated absences, are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds.		
Compensated absences		<u>(23,289)</u>
Net position of governmental activities	\$	<u><u>10,137,119</u></u>

Statement of Revenues, Expenditures and Changes in Fund Balances -
Discretely Presented Component Unit - School Board
Year Ended June 30, 2013

	School Operating Fund	School Bond Renovation Fund	Total
Revenues:			
Revenue from use of money and property	\$ 1,589,649	\$ -	\$ 1,589,649
Charges for services	490,199	-	490,199
Miscellaneous	20,000	-	20,000
Intergovernmental:			
City contribution to School Board	34,692,324	-	34,692,324
Commonwealth	7,329,947	-	7,329,947
Total revenues	<u>\$ 44,122,119</u>	<u>\$ -</u>	<u>\$ 44,122,119</u>
Expenditures:			
Current:			
Education	<u>\$ 44,122,119</u>	<u>\$ -</u>	<u>\$ 44,122,119</u>
Total expenditures	<u>\$ 44,122,119</u>	<u>\$ -</u>	<u>\$ 44,122,119</u>
Net changes in fund balances	\$ -	\$ -	\$ -
Fund balances at beginning of year	<u>-</u>	<u>1,374,193</u>	<u>1,374,193</u>
Fund balances at end of year	<u><u>\$ -</u></u>	<u><u>\$ 1,374,193</u></u>	<u><u>\$ 1,374,193</u></u>

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, 2013

**Governmental
Funds**

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

Net changes in fund balances - total governmental funds \$ -

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	\$ <u>(3,756,741)</u>	(3,736,527)
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Transfer of joint tenancy assets from Primary Government to Component Unit School Board, net		2,598,956
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds. The following is a summary of items supporting this adjustment:

Change in compensated absences		<u>5,011</u>
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Change in net position of governmental activities	\$ <u><u>(1,132,560)</u></u>	
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Combining Statement of Net Position -
Discretely Presented Nonmajor Component Units
At June 30, 2013

	Industrial Development Authority	Economic Development Authority	Total
ASSETS			
Cash and cash equivalents	\$ 583,176	\$ 80,181	\$ 663,357
Inventory - property held for resale	<u>-</u>	<u>862,594</u>	<u>862,594</u>
Total assets	<u>\$ 583,176</u>	<u>\$ 942,775</u>	<u>\$ 1,525,951</u>
LIABILITIES			
Current liabilities:			
Accrued interest payable	\$ -	\$ 26,378	\$ 26,378
Due to primary government	<u>-</u>	<u>187,398</u>	<u>187,398</u>
Total current liabilities	<u>\$ -</u>	<u>\$ 213,776</u>	<u>\$ 213,776</u>
Noncurrent Liabilities:			
Note payable - noncurrent portion	<u>\$ -</u>	<u>\$ 884,614</u>	<u>\$ 884,614</u>
Total liabilities	<u>\$ -</u>	<u>\$ 1,098,390</u>	<u>\$ 1,098,390</u>
NET POSITION			
Unrestricted	<u>\$ 583,176</u>	<u>\$ (155,615)</u>	<u>\$ 427,561</u>
Total net position	<u>\$ 583,176</u>	<u>\$ (155,615)</u>	<u>\$ 427,561</u>
Total liabilities and net position	<u>\$ 583,176</u>	<u>\$ 942,775</u>	<u>\$ 1,525,951</u>

CITY OF FAIRFAX, VIRGINIA

Combining Statement of Activities -
Discretely Presented Nonmajor Component Units
Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Nonmajor component units:				
Industrial Development Authority	\$ 474,560	\$ 782,732	\$ -	\$ -
Economic Development Authority	59,406	12,828	-	-
Total nonmajor component units	<u>\$ 533,966</u>	<u>\$ 795,560</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues:

Unrestricted revenues from use of money and property

Total general revenues

Change in net position

Net position - beginning

Net position - ending

Exhibit 23

<u>Industrial Development Authority</u>	<u>Economic Development Authority</u>	<u>Total</u>
\$ 308,172	\$ -	\$ 308,172
<u>-</u>	<u>(46,578)</u>	<u>(46,578)</u>
\$ 308,172	\$ (46,578)	\$ 261,594
<u>61</u>	<u>113</u>	<u>174</u>
\$ 61	\$ 113	\$ 174
\$ 308,233	\$ (46,465)	\$ 261,768
274,943	(109,150)	165,793
<u>\$ 583,176</u>	<u>\$ (155,615)</u>	<u>\$ 427,561</u>

Balance Sheet -
Discretely Presented Nonmajor Component Units
At June 30, 2013

	Industrial Development Authority	Economic Development Authority	Total
ASSETS			
Cash and cash equivalents	\$ 583,176	\$ 80,181	\$ 663,357
Total assets	<u>\$ 583,176</u>	<u>\$ 80,181</u>	<u>\$ 663,357</u>
LIABILITIES			
Due to primary government	\$ -	\$ 187,398	\$ 187,398
Total liabilities	<u>\$ -</u>	<u>\$ 187,398</u>	<u>\$ 187,398</u>
FUND BALANCES			
Unassigned	\$ 583,176	\$ (107,217)	\$ 475,959
Total fund balances	<u>\$ 583,176</u>	<u>\$ (107,217)</u>	<u>\$ 475,959</u>
Total liabilities and fund balances	<u>\$ 583,176</u>	<u>\$ 80,181</u>	<u>\$ 663,357</u>

Reconciliation of the Balance Sheet of the Governmental Funds to the Statement of Net Position -
Discretely Presented Nonmajor Component Units
At June 30, 2013

	<u>Industrial Development Authority</u>	<u>Economic Development Authority</u>	<u>Totals</u>
Total fund balances - governmental funds	\$ 583,176	\$ (107,217)	\$ 475,959
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.	-	(26,378)	(26,378)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds.			
Notes payable	<u>-</u>	<u>(884,614)</u>	<u>(884,614)</u>
Net position of governmental activities	<u>\$ 583,176</u>	<u>\$ (155,615)</u>	<u>\$ 427,561</u>

Statement of Revenues, Expenditures and Changes in Fund Balances -
Discretely Presented Nonmajor Component Units
Year Ended June 30, 2013

	Industrial Development Authority	Economic Development Authority	Totals
Revenues:			
Revenue from use of money and property	\$ 782,793	\$ 12,941	\$ 795,734
Total revenues	\$ 782,793	\$ 12,941	\$ 795,734
Expenditures:			
Current:			
Planning and community development	\$ 474,560	\$ 31,311	\$ 505,871
Debt service:			
Interest and fiscal charges	-	22,398	22,398
Total expenditures	\$ 474,560	\$ 53,709	\$ 528,269
Excess (deficiency) of revenues over (under) expenditures	\$ 308,233	\$ (40,768)	\$ 267,465
Net changes in fund balances	\$ 308,233	\$ (40,768)	\$ 267,465
Fund balances at beginning of year	274,943	(66,449)	208,494
Fund balances at end of year	\$ 583,176	\$ (107,217)	\$ 475,959

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, 2013

	Industrial Development Authority	Economic Development Authority	Totals
Net changes in fund balances-discretely presented nonmajor component units	\$ 308,233	\$ (40,768)	\$ 267,465
Amounts reported for governmental activities in the statement of activities are different because:			
Change in accrued interest payable	-	(5,697)	(5,697)
Change in net position of governmental activities	<u>\$ 308,233</u>	<u>\$ (46,465)</u>	<u>\$ 261,768</u>

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CITY OF FAIRFAX, VIRGINIA

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)

	2004	2005	2006	2007	2008
Governmental activities:					
Net investment in capital assets	\$ 24,783,163	\$ 46,953,895	\$ (11,812,521)	\$ (48,500,591)	\$ 38,986,748
Restricted	49,245	43,764	-	-	-
Unrestricted	15,626,504	(40,550,651)	(16,939,669)	(1,066,325)	12,750,610
Total governmental activities net position	\$ 40,458,912	\$ 6,447,008	\$ (28,752,190)	\$ (49,566,916)	\$ 51,737,358
Business-type activities:					
Net investment in capital assets	\$ 23,348,054	\$ 25,198,355	\$ 25,002,792	\$ 24,895,262	\$ 20,264,835
Unrestricted	11,124,005	8,002,028	5,850,290	5,369,440	7,224,926
Total business-type activities net position	\$ 34,472,059	\$ 33,200,383	\$ 30,853,082	\$ 30,264,702	\$ 27,489,761
Primary government:					
Net investment in capital assets	\$ 48,131,217	\$ 72,152,250	\$ 13,190,271	\$ (23,605,329)	\$ 59,251,583
Restricted	49,245	43,764	-	-	-
Unrestricted (deficit)	26,750,509	(32,548,623)	(11,089,379)	4,303,115	19,975,536
Total primary government net position	\$ 74,930,971	\$ 39,647,391	\$ 2,100,892	\$ (19,302,214)	\$ 79,227,119
Component units: (1)					
Component unit - school board:					
Net investment in capital assets	\$ 31,615,523	\$ 35,369,476	\$ 66,251,923	\$ 103,979,947	\$ 13,005,785
Unrestricted	1,358,664	38,556,759	50,485,036	19,401,869	6,517,420
Total component unit - school board net position	\$ 32,974,187	\$ 73,926,235	\$ 116,736,959	\$ 123,381,816	\$ 19,523,205
Component unit - all others aggregate					
Net investment in capital assets	\$ 2,280,550	\$ 1,258,300	\$ -	\$ -	\$ -
Restricted	306,522	299,529	307,920	273,943	-
Unrestricted (deficit)	410,990	437,389	456,061	466,884	(27,149)
Total component unit - all others aggregate net position	\$ 2,998,062	\$ 1,995,218	\$ 763,981	\$ 740,827	\$ (27,149)
Component units:					
Net investment in capital assets	\$ 33,896,073	\$ 36,627,776	\$ 66,251,923	\$ 103,979,947	\$ 13,005,785
Restricted	306,522	299,529	307,920	273,943	-
Unrestricted (deficit)	1,769,654	38,994,148	50,941,097	19,868,753	6,490,271
Total component units net position	\$ 35,972,249	\$ 75,921,453	\$ 117,500,940	\$ 124,122,643	\$ 19,496,056
Total reporting entity:					
Net investment in capital assets	\$ 63,827,290	\$ 49,605,026	\$ (23,202,806)	\$ (28,390,382)	\$ 72,257,368
Restricted	355,767	343,293	307,920	273,943	-
Unrestricted (deficit)	46,720,163	65,620,525	142,496,718	132,936,868	26,465,807
Total reporting entity net position	\$ 110,903,220	\$ 115,568,844	\$ 119,601,832	\$ 104,820,429	\$ 98,723,175

Notes:

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

Table 1

	2009	2010	2011	2012	2013
\$	34,396,876	\$ 39,308,283	\$ 39,486,639	\$ 51,917,773	\$ 53,890,492
	-	-	-	-	-
	<u>23,158,474</u>	<u>25,359,148</u>	<u>24,969,176</u>	<u>16,993,434</u>	<u>20,325,737</u>
\$	<u>57,555,350</u>	<u>64,667,431</u>	<u>64,455,815</u>	<u>68,911,207</u>	<u>74,216,229</u>
\$	24,450,435	\$ 24,498,812	\$ 22,938,374	\$ 23,422,114	\$ 25,745,684
	<u>2,854,098</u>	<u>3,697,754</u>	<u>4,709,709</u>	<u>2,104,396</u>	<u>1,471,619</u>
\$	<u>27,304,533</u>	<u>28,196,566</u>	<u>27,648,083</u>	<u>25,526,510</u>	<u>27,217,303</u>
\$	58,847,311	\$ 63,807,095	\$ 62,425,013	\$ 75,339,887	\$ 79,636,176
	-	-	-	-	-
	<u>26,012,572</u>	<u>29,056,902</u>	<u>29,678,885</u>	<u>19,097,830</u>	<u>21,797,356</u>
\$	<u>84,859,883</u>	<u>92,863,997</u>	<u>92,103,898</u>	<u>94,437,717</u>	<u>101,433,532</u>
\$	13,508,352	\$ 14,268,025	\$ 13,162,745	\$ 9,923,786	\$ 8,786,215
	<u>2,947,883</u>	<u>2,401,691</u>	<u>1,664,486</u>	<u>1,345,893</u>	<u>1,350,904</u>
\$	<u>16,456,235</u>	<u>16,669,716</u>	<u>14,827,231</u>	<u>11,269,679</u>	<u>10,137,119</u>
\$	-	\$ -	\$ -	\$ -	\$ -
	-	-	-	-	-
	<u>(106,376)</u>	<u>(170,104)</u>	<u>(10,165)</u>	<u>165,793</u>	<u>427,561</u>
\$	<u>(106,376)</u>	<u>(170,104)</u>	<u>(10,165)</u>	<u>165,793</u>	<u>427,561</u>
\$	13,508,352	\$ 14,268,025	\$ 13,162,745	\$ 9,923,786	\$ 8,786,215
	-	-	-	-	-
	<u>2,841,507</u>	<u>2,231,587</u>	<u>1,654,321</u>	<u>1,511,686</u>	<u>1,778,465</u>
\$	<u>16,349,859</u>	<u>16,499,612</u>	<u>14,817,066</u>	<u>11,435,472</u>	<u>10,564,680</u>
\$	72,355,663	\$ 78,075,120	\$ 75,587,758	\$ 85,263,673	\$ 88,422,391
	-	-	-	-	-
	<u>28,854,079</u>	<u>31,288,489</u>	<u>31,333,206</u>	<u>20,609,516</u>	<u>23,575,821</u>
\$	<u>101,209,742</u>	<u>109,363,609</u>	<u>106,920,964</u>	<u>105,873,189</u>	<u>111,998,212</u>

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Expenses:										
Governmental activities:										
General government administration	\$ 8,181,818	\$ 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
Judicial administration	1,020,073	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
Public safety	15,085,222	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
Public works	11,305,843	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
Health and social services	3,627,848	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
Parks, recreation and cultural	3,625,794	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
Planning and community development	1,602,478	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
Education	25,153,505	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
Interest	2,013,416	2,744,269	6,479,175	7,392,158	7,950,084	7,299,070	6,863,092	7,580,448	5,933,554	6,311,082
Total governmental activities expenses	\$ 71,615,997	\$ 116,195,972	\$ 127,515,886	\$ 113,063,500	\$ 89,284,398	\$ 94,364,836	\$ 96,569,984	\$ 104,406,772	\$ 101,685,621	\$ 108,153,809
Business-type activities:										
Sewer	\$ 3,544,868	\$ 3,647,372	\$ 3,766,595	\$ 3,967,948	\$ 3,876,585	\$ 3,960,547	\$ 3,770,579	\$ 4,417,029	\$ 4,761,106	\$ 4,145,887
Water	6,431,715	7,431,685	7,735,802	8,007,885	7,859,380	8,420,622	8,503,675	9,706,260	9,279,575	9,116,938
Transportation	3,139,468	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
Total business-type activities expenses	\$ 13,116,051	\$ 14,026,108	\$ 14,484,334	\$ 15,061,517	\$ 14,873,936	\$ 15,429,836	\$ 15,256,154	\$ 17,101,156	\$ 17,018,608	\$ 16,389,164
Total primary government expenses	\$ 84,732,048	\$ 130,222,080	\$ 142,000,220	\$ 128,125,017	\$ 104,158,334	\$ 109,794,672	\$ 111,826,138	\$ 121,507,928	\$ 118,704,229	\$ 124,542,973
Program revenue:										
Governmental activities:										
Charges for services:										
General government administration	\$ 371,202	\$ 354,887	\$ 465,151	\$ 358,362	\$ 221,030	\$ 239,652	\$ 263,865	\$ 291,048	\$ 386,170	\$ 323,121
Judicial administration	969,096	922,229	978,733	848,240	771,992	768,841	855,289	1,005,567	1,026,807	944,447
Public safety	881,927	1,349,949	744,380	634,789	735,565	1,571,900	1,675,070	1,700,143	2,633,859	2,628,651
Public works	322,523	349,295	292,250	342,136	343,431	345,774	378,634	624,368	382,035	369,964
Parks, recreation and cultural	463,813	452,081	434,290	557,264	780,237	918,688	946,381	1,072,621	1,075,741	991,345
Planning and community development	129,040	144,488	184,211	242,676	261,461	284,462	386,282	282,954	358,896	288,651
Operating grants and contributions:										
General government administration	268,679	284,555	298,925	319,875	347,860	335,316	301,953	262,777	271,658	260,485
Public safety	819,684	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
Public works	1,932,737	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
Parks, recreation and cultural	36,415	5,000	-	-	5,000	5,000	30,499	23,084	19,245	-
Planning and community development	-	-	7,182	5,000	32,052	79,307	-	-	-	3,527
Capital grants and contributions:										
General government administration	58,979	107,398	-	-	-	-	-	-	-	-
Public safety	664,969	-	-	898	-	-	-	-	-	-
Public works	234,135	298,914	373,386	241,350	467,991	2,437,582	595,393	1,662,535	2,138,099	1,576,275
Parks, recreation and cultural	30,000	-	-	74,457	-	-	-	-	-	-
Total governmental activities program revenue	\$ 7,183,199	\$ 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
Business-type activities:										
Charges for services:										
Sewer	\$ 2,741,097	\$ 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
Water	6,596,970	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
Transportation	562,117	634,659	558,927	596,367	705,693	846,825	811,570	1,195,092	1,153,240	1,332,652
Operating grants and contributions:										
Sewer	7,346	-	-	-	-	-	-	-	209,767	209,767
Water	10,110	3,757	-	-	-	-	-	-	193,631	193,631
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
Capital grants and contributions:										
Sewer	\$ 534,500	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 92,064	\$ -	\$ -
Water	757,425	-	-	-	-	-	-	84,982	-	-
Transportation	1,610,481	1,109,375	53,172	-	-	-	-	-	-	-
Total business-type activities program revenues	\$ 12,820,046	\$ 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
Total primary government program revenues	\$ 20,003,245	\$ 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
Net (expense) revenue:										
Governmental activities	\$ (64,432,798)	\$(108,775,263)	\$(120,168,261)	\$(106,275,011)	\$(81,978,496)	\$(83,924,244)	\$(87,535,513)	\$(94,054,508)	\$(90,146,005)	\$(97,297,117)
Business-type activities	(296,005)	(2,658,888)	(3,150,665)	(2,387,283)	(2,616,202)	(1,262,768)	115,549	(594,185)	(2,157,406)	1,527,023
Total primary government net expense	\$ (64,728,803)	\$(111,434,151)	\$(123,318,926)	\$(108,662,294)	\$(84,594,698)	\$(85,187,012)	\$(87,419,964)	\$(94,648,693)	\$(92,303,411)	\$(95,770,094)
General revenues and other changes in net position:										
Governmental activities:										
Taxes:										
General property	\$ 38,155,395	\$ 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
Local sales	10,608,683	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
Business license	7,664,177	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
Consumer utility	2,850,414	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
Meals	2,087,428	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
Other local taxes	3,793,123	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
Intergovernmental, other than grants	3,321,928	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
Gain/(loss) on disposal of capital assets	-	-	-	-	-	-	2,915,936	-	161,424	130,632
Use of money and property	880,309	1,493,699	5,106,837	5,246,271	2,595,320	946,400	350,867	282,100	379,849	582,790
Miscellaneous	230,315	260,376	475,662	220,325	298,029	1,244,816	2,200,585	2,845,072	372,970	491,046
Transfers	(1,543,056)	(1,287,073)	(700,000)	(1,768,700)	218,886	(1,015,000)	(780,000)	(20,511)	(428,000)	(115,181)
Total governmental activities	\$ 68,048,716	\$ 74,763,359	\$ 84,969,063	\$ 85,460,285	\$ 91,538,108	\$ 89,742,236	\$ 94,647,594	\$ 93,842,892	\$ 93,607,744	\$ 102,602,139

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Program revenue: (Continued)										
Business-type activities:										
Use of money and property	\$ 105,074	\$ 100,139	\$ 103,364	\$ 30,203	\$ 59,947	\$ 62,540	\$ (3,516)	\$ 25,191	\$ 54,958	\$ 48,589
Transfers	1,543,056	1,287,073	700,000	1,768,700	(218,686)	1,015,000	780,000	20,511	428,000	115,181
Total business-type activities	\$ 1,648,130	\$ 1,387,212	\$ 803,364	\$ 1,798,903	\$ (158,739)	\$ 1,077,540	\$ 776,484	\$ 45,702	\$ 482,958	\$ 163,770
Total primary government	\$ 69,696,846	\$ 76,150,571	\$ 85,772,427	\$ 87,259,188	\$ 91,379,369	\$ 90,819,776	\$ 95,424,078	\$ 93,888,594	\$ 94,090,702	\$ 102,765,909
Changes in net position:										
Governmental activities	\$ 3,615,918	\$ (34,011,904)	\$ (35,199,198)	\$ (20,814,726)	\$ 9,559,612	\$ 5,817,992	\$ 7,112,081	\$ (211,616)	\$ 3,461,739	\$ 5,305,022
Business-type activities	1,352,125	(1,271,676)	(2,347,301)	(588,380)	(2,774,941)	(185,228)	892,033	(548,483)	(1,674,448)	1,690,793
Total primary government	\$ 4,968,043	\$ (35,283,580)	\$ (37,546,499)	\$ (21,403,106)	\$ 6,784,671	\$ 5,632,764	\$ 8,004,114	\$ (760,099)	\$ 1,787,291	\$ 6,995,815
Component units: (2)										
Component unit - school board:										
Expenses:										
Instruction	\$ 29,626,772	\$ 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
Total expenses	\$ 29,626,772	\$ 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
Program revenues:										
Charges for services	\$ 289,914	\$ 313,991	\$ 338,006	\$ 354,796	\$ 377,503	\$ 396,955	\$ 406,213	\$ 421,973	\$ 445,037	\$ 490,199
Operating grants and contributions	4,916,007	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
Total program revenues	\$ 5,205,921	\$ 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
Net expense	\$ (24,420,851)	\$ (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)
General revenues and other changes in net position:										
Component Unit-School Board:										
Grants and contributions not restricted to specific programs	\$ 25,153,505	\$ 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
Use of money and property	521,407	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
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	\$ 25,674,912	\$ 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
Total component unit - school board change in net position	\$ 1,254,061	\$ 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)
Component unit - all others aggregate										
Expenses:										
Renaissance Housing Corporation	\$ 340,929	\$ 189,556	\$ 97,041	\$ 194,873	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Industrial Development Authority	622,649	1,530,901	2,166,704	781,294	784,763	783,726	821,075	834,312	760,708	474,560
Economic Development Authority	29,122	331,777	264,379	136,953	182,692	203,086	195,187	85,840	170,861	59,406
Total expenses	\$ 992,700	\$ 2,052,234	\$ 2,528,124	\$ 1,113,120	\$ 967,455	\$ 986,812	\$ 1,016,262	\$ 920,152	\$ 931,569	\$ 533,966
General revenues and other changes in net position										
Grants and contributions not restricted to specific programs	\$ 200,000	\$ 242,133	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Use of money and property	608,216	801,051	21,878	37,506	10,418	4,711	1,012	332	388	174
Gain/(loss) on disposal of capital assets	-	-	-	-	-	-	-	-	182,145	-
Miscellaneous	25,205	6,206	150,000	200,000	40,000	27,000	25,617	50,100	85,986	-
Operating grants and contributions	-	-	-	-	-	-	-	-	50,000	-
Charges for services	-	-	1,092,573	852,460	865,148	875,874	925,905	1,029,659	789,008	795,560
Total general revenues and other changes in net position	\$ 833,421	\$ 1,049,390	\$ 1,264,451	\$ 1,089,966	\$ 915,566	\$ 907,585	\$ 952,534	\$ 1,080,091	\$ 1,107,527	\$ 795,734
Total component unit - all others aggregate change in net position	\$ (159,279)	\$ (1,002,844)	\$ (1,263,673)	\$ (23,154)	\$ (51,889)	\$ (79,227)	\$ (63,728)	\$ 159,939	\$ 175,958	\$ 261,768
Total component units change in net position	\$ 1,094,782	\$ 39,949,204	\$ 41,547,051	\$ 6,621,703	\$ (12,165,838)	\$ (3,146,197)	\$ 149,753	\$ (1,682,546)	\$ (3,381,594)	\$ (870,792)
Total reporting entity change in net position	\$ 6,062,825	\$ 4,665,624	\$ 4,000,552	\$ (14,781,403)	\$ (5,381,167)	\$ 2,486,567	\$ 8,153,867	\$ (2,442,645)	\$ (1,594,303)	\$ 6,125,023

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 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	2004	2005	2006	2007	2008	2009
Primary government:						
Governmental activities:						
General government administration	\$ 698,860	\$ 746,840	\$ 764,076	\$ 678,237	\$ 568,890	\$ 574,968
Judicial administration	969,096	922,229	978,733	848,240	771,992	768,841
Public safety	2,366,580	2,709,742	2,423,737	1,836,821	2,048,275	2,933,092
Public works	2,489,395	2,440,329	2,555,396	2,545,794	2,837,995	4,876,234
Parks, recreation and cultural	530,228	457,081	434,290	631,721	785,237	923,688
Planning and community development	129,040	144,488	191,393	247,676	293,513	363,769
Total governmental activities	\$ 7,183,199	\$ 7,420,709	\$ 7,347,625	\$ 6,788,489	\$ 7,305,902	\$ 10,440,592
Business-type activities:						
Sewer	\$ 3,282,943	\$ 3,078,461	\$ 3,067,876	\$ 3,127,259	\$ 2,989,180	\$ 3,323,391
Water	7,364,505	6,544,725	6,408,222	7,744,604	7,468,413	8,893,201
Transportation	2,172,598	1,744,034	1,857,571	1,802,371	1,800,141	1,950,476
Total business-type activities	\$ 12,820,046	\$ 11,367,220	\$ 11,333,669	\$ 12,674,234	\$ 12,257,734	\$ 14,167,068
Total government	\$ 20,003,245	\$ 18,787,929	\$ 18,681,294	\$ 19,462,723	\$ 19,563,636	\$ 24,607,660
Component units:						
Component unit - school board:						
Instruction	\$ 5,205,921	\$ 5,997,273	\$ 6,249,107	\$ 7,225,089	\$ 7,401,102	\$ 7,367,709
Component unit - all others aggregate						
Renaissance Housing Corporation	\$ 207,355	\$ 211,232	\$ 168,922	\$ 174,325	\$ -	\$ -
Industrial Development Authority	599,822	626,457	937,870	808,699	815,602	819,095
Economic Development Authority	26,244	211,701	3,266,871	106,943	49,546	56,779
Total non major component unit	833,421	1,049,390	4,373,663	1,089,967	865,148	875,874
Total reporting entity	\$ 26,042,587	\$ 25,834,592	\$ 29,304,064	\$ 27,777,779	\$ 27,829,886	\$ 32,851,243

Table 3

2010	2011	2012	2013
\$ 565,818	\$ 553,825	\$ 657,828	\$ 583,606
855,289	1,005,567	1,026,807	944,447
3,156,009	2,978,716	3,603,710	3,541,129
3,094,193	4,480,497	4,797,389	4,503,987
976,880	1,050,705	1,094,986	991,345
386,282	282,954	358,896	292,178
<u>\$ 9,034,471</u>	<u>\$ 10,352,264</u>	<u>\$ 11,539,616</u>	<u>\$ 10,856,692</u>
\$ 3,532,646	\$ 4,270,816	\$ 4,709,696	\$ 5,431,654
9,319,840	9,226,309	7,958,831	10,029,097
2,519,217	3,009,846	2,192,675	2,455,436
<u>\$ 15,371,703</u>	<u>\$ 16,506,971</u>	<u>\$ 14,861,202</u>	<u>\$ 17,916,187</u>
<u>\$ 24,406,174</u>	<u>\$ 26,859,235</u>	<u>\$ 26,400,818</u>	<u>\$ 28,772,879</u>
<u>\$ 7,186,929</u>	<u>\$ 6,731,757</u>	<u>\$ 7,240,176</u>	<u>\$ 7,820,146</u>
\$ -	\$ -	\$ -	\$ -
866,044	963,797	772,255	782,732
59,861	65,862	66,753	12,828
<u>925,905</u>	<u>1,029,659</u>	<u>839,008</u>	<u>795,560</u>
<u>\$ 32,519,008</u>	<u>\$ 34,620,651</u>	<u>\$ 34,480,002</u>	<u>\$ 37,388,585</u>

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

	Fiscal Year June 30,				
	2004	2005	2006	2007	2008
General Fund:					
Reserved	\$ 460,566	\$ 576,450	\$ 1,102,170	\$ 694,142	\$ 811,052
Unreserved	10,514,821	11,957,796	13,176,313	14,612,947	16,312,240
Total General Fund	\$ 10,975,387	\$ 12,534,246	\$ 14,278,483	\$ 15,307,089	\$ 17,123,292
All Other Governmental Funds:					
Reserved	\$ 2,239,943	\$ 20,327,193	\$ 24,235,778	\$ 6,522,884	\$ 4,505,089
Unreserved, reported in:					
Capital projects funds	23,840,377	6,644,780	30,878,626	24,899,521	17,927,671
Total all other government funds	\$ 26,080,320	\$ 26,971,973	\$ 55,114,404	\$ 31,422,405	\$ 22,432,760

	Fiscal Year June 30,				
	2009	2010	2011	2012	2013
General Fund:					
Reserved	\$ 1,278,465	\$ 1,254,535	\$ -	\$ -	\$ -
Unreserved	14,420,568	15,569,904	-	-	-
Nonspendable	-	-	810,071	705,866	724,455
Restricted	-	-	66,439	4,598,270	188,048
Committed	-	-	-	-	-
Assigned	-	-	470,845	597,541	4,422,688
Unassigned	-	-	15,171,679	13,205,665	16,288,209
Total General Fund	\$ 15,699,033	\$ 16,824,439	\$ 16,519,034	\$ 19,107,342	\$ 21,623,400
All Other Governmental Funds:					
Reserved	\$ 8,581,428	\$ 6,682,971	\$ -	\$ -	\$ -
Unreserved, reported in:					
Capital projects funds	10,360,928	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
Committed, reported in:					
Capital projects funds	-	-	590,673	2,454,002	579,763
Assigned, reported in:					
Capital projects funds	-	-	10,662,464	4,540,388	4,766,255
Unassigned, reported in:					
Capital projects funds*	-	-	-	-	(568,873)
Total all other government funds	\$ 18,942,356	\$ 17,642,378	\$ 15,445,074	\$ 11,239,491	\$ 9,031,079

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)

	2004	2005	2006	2007
Revenues:				
General property taxes	\$ 38,325,686	\$ 41,962,115	\$ 44,808,950	\$ 47,059,528
Other local taxes	27,003,825	29,204,060	32,066,526	31,205,699
Permits, privilege fees and licenses	1,280,551	1,472,063	1,509,454	1,397,467
Fines and forfeitures	1,243,358	1,567,914	954,306	879,235
Use of money and property	880,309	1,493,699	5,106,837	5,246,271
Charges for services	672,671	640,350	635,255	706,765
Miscellaneous	310,315	260,376	331,140	220,325
Recovered costs	-	-	-	-
Intergovernmental	7,228,547	6,918,852	8,197,105	8,024,260
Total revenues	\$ 76,945,262	\$ 83,519,429	\$ 93,609,573	\$ 94,739,550
Expenditures:				
General government administration	\$ 5,782,988	\$ 6,994,940	\$ 6,824,416	\$ 8,089,989
Judicial administration	981,164	1,062,608	1,090,776	1,588,440
Public safety	15,142,630	16,956,386	19,586,179	21,185,213
Public works	8,668,491	9,647,984	24,608,412	21,262,349
Health and social services	3,627,545	3,873,923	4,302,640	4,612,319
Parks, recreation and cultural	3,431,311	4,024,734	9,098,348	18,889,445
Planning and community development	1,595,332	1,581,489	9,992,176	8,376,952
Education	24,781,155	65,608,917	70,224,788	34,051,143
Non-departmental	2,167,325	-	-	-
Capital outlay	5,470,831	14,973,743	-	-
Debt service:				
Principal	3,045,450	4,366,347	4,192,126	5,123,537
Interest and fiscal charges	2,111,899	2,240,243	5,304,550	8,254,858
Total expenditures	\$ 76,806,121	\$ 131,331,314	\$ 155,224,411	\$ 131,434,245
Excess of revenues (under) expenditures	\$ 139,141	\$ (47,811,885)	\$ (61,614,838)	\$ (36,694,695)
Other financing sources (uses):				
Transfers in	\$ 5,430,017	\$ 7,519,836	\$ 9,692,142	\$ 14,139,244
Transfers out	(6,973,073)	(8,806,909)	(10,392,142)	(15,907,944)
Issuance of debt	5,417,325	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	(3,250,000)	(12,638,993)	-	-
Premium on issuance debt	-	1,152,033	1,721,506	-
Total other financing sources (uses)	\$ 624,269	\$ 50,262,397	\$ 91,501,506	\$ 14,031,300
Net changes in fund balance	\$ 763,410	\$ 2,450,512	\$ 29,886,668	\$ (22,663,395)
Debt Service as a percentage of noncapital expenditures:				
Primary government:				
Total debt service	\$ 5,157,349	\$ 6,606,590	\$ 9,496,676	\$ 13,378,395
Total expenditures	\$ 76,806,121	\$ 131,331,314	\$ 155,224,411	\$ 131,434,245
Less: Capital outlay - primary government	3,772,576	13,159,210	26,577,656	14,778,965
Noncapital expenditures	\$ 73,033,545	\$ 118,172,104	\$ 128,646,755	\$ 116,655,280
Debt service as a percentage of Noncapital expenditures	7.06%	5.59%	7.38%	11.47%
Component units: (2)				
Expenditures:				
School board	\$ 30,062,202	\$ 36,167,553	\$ 33,500,788	\$ 34,917,722
All others aggregate	969,600	6,329,984	4,356,865	1,113,120
Less: Capital outlay - school board	1,918,229	4,844,913	32,489,768	38,796,585
Less: Capital outlay - others aggregate	-	5,245,736	-	-
Noncapital expenditures	\$ 29,113,573	\$ 32,406,888	\$ 5,367,885	\$ (2,765,743)
Total reporting entity:				
Total noncapital expenditures (3)	\$ 77,165,963	\$ 84,727,942	\$ 134,014,640	\$ 113,889,537
Debt service as a percentage of Noncapital expenditures	7.06%	5.59%	7.38%	11.47%

Notes:

- (1) For fiscal years 2004 through 2013, 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.
- (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.

Table 5

	2008	2009	2010	2011	2012	2013
\$	50,687,883	\$ 55,639,263	\$ 56,070,278	\$ 56,771,987	\$ 57,920,903	\$ 64,350,723
	34,322,775	29,080,239	28,091,384	28,665,267	30,248,908	30,808,906
	1,206,160	1,228,451	1,484,843	1,434,252	1,843,288	1,638,948
	893,190	873,601	919,492	1,041,171	1,288,332	1,148,262
	2,595,320	946,400	350,867	282,100	379,849	582,790
	1,014,366	2,027,265	2,101,186	2,456,278	2,731,888	2,758,969
	298,029	1,244,816	2,200,585	2,845,072	372,970	491,046
	-	420,009	3,244,991	-	-	-
	8,487,759	10,552,826	11,024,414	11,806,319	12,023,789	11,727,058
\$	<u>99,505,482</u>	<u>\$ 102,012,870</u>	<u>\$ 105,488,040</u>	<u>\$ 105,302,446</u>	<u>\$ 106,809,927</u>	<u>\$ 113,506,702</u>
\$	7,369,660	\$ 6,954,234	\$ 7,123,209	\$ 7,120,746	\$ 7,342,947	\$ 7,479,585
	1,672,007	1,720,033	1,950,422	1,728,595	1,920,697	1,990,262
	22,375,860	21,745,756	21,821,855	22,457,743	22,542,972	23,422,922
	16,274,979	15,269,159	17,229,424	15,846,187	16,711,634	19,022,312
	4,874,283	4,746,065	4,787,163	4,666,290	4,757,819	5,139,751
	12,319,692	8,977,780	7,401,377	7,938,260	5,556,258	5,372,128
	3,452,197	3,505,001	3,988,566	3,322,835	4,439,353	2,702,948
	27,571,892	27,724,105	28,571,397	30,181,608	32,168,415	34,822,695
	-	-	-	-	-	-
	-	-	-	-	-	-
	6,515,101	6,951,253	7,003,215	7,549,852	12,125,002	8,627,619
	8,661,866	8,319,147	8,482,176	7,890,102	7,645,385	6,007,069
\$	<u>111,087,537</u>	<u>\$ 105,912,533</u>	<u>\$ 108,358,804</u>	<u>\$ 108,702,218</u>	<u>\$ 115,210,482</u>	<u>\$ 114,587,291</u>
\$	<u>(11,582,055)</u>	<u>\$ (3,899,663)</u>	<u>\$ (2,870,764)</u>	<u>\$ (3,399,772)</u>	<u>\$ (8,400,555)</u>	<u>\$ (1,080,589)</u>
\$	2,554,297	\$ 3,383,729	\$ 5,441,825	\$ 3,570,275	\$ 4,802,436	\$ 4,834,425
	(2,335,611)	(4,398,729)	(6,221,825)	(3,590,786)	(5,230,436)	(4,949,606)
	4,189,927	-	-	690,807	812,858	875,000
	-	-	3,129,357	-	240,000	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	-	5,766,233	619,778
\$	<u>4,408,613</u>	<u>\$ (1,015,000)</u>	<u>\$ 2,696,192</u>	<u>\$ 897,063</u>	<u>\$ 6,783,280</u>	<u>\$ 1,388,235</u>
\$	<u>(7,173,442)</u>	<u>\$ (4,914,663)</u>	<u>\$ (174,572)</u>	<u>\$ (2,502,709)</u>	<u>\$ (1,617,275)</u>	<u>\$ 307,646</u>
\$	<u>15,176,967</u>	<u>\$ 15,270,400</u>	<u>\$ 15,485,391</u>	<u>\$ 15,439,954</u>	<u>\$ 19,770,387</u>	<u>\$ 14,634,688</u>
\$	<u>111,087,537</u>	<u>\$ 105,912,533</u>	<u>\$ 108,358,804</u>	<u>\$ 108,702,218</u>	<u>\$ 115,210,482</u>	<u>\$ 114,587,291</u>
	<u>18,442,278</u>	<u>9,842,310</u>	<u>11,609,406</u>	<u>5,712,018</u>	<u>4,991,167</u>	<u>7,549,604</u>
\$	<u>92,645,259</u>	<u>\$ 96,070,223</u>	<u>\$ 96,749,398</u>	<u>\$ 102,990,200</u>	<u>\$ 110,219,315</u>	<u>\$ 107,037,687</u>
	<u>16.38%</u>	<u>15.90%</u>	<u>16.01%</u>	<u>14.99%</u>	<u>17.94%</u>	<u>13.67%</u>
\$	51,631,725	\$ 41,994,373	\$ 37,941,520	\$ 39,434,345	\$ 41,509,575	\$ 44,122,119
	942,378	986,812	1,018,335	935,843	935,843	528,269
	300,793	1,532,448	227,897	-	2,473,840	-
	-	-	-	-	-	-
\$	<u>52,273,310</u>	<u>\$ 41,448,737</u>	<u>\$ 38,731,958</u>	<u>\$ 40,370,188</u>	<u>\$ 39,971,578</u>	<u>\$ 44,650,388</u>
\$	<u>144,918,569</u>	<u>\$ 107,789,125</u>	<u>\$ 106,925,459</u>	<u>\$ 113,118,045</u>	<u>\$ 118,107,106</u>	<u>\$ 119,604,288</u>
	<u>16.38%</u>	<u>15.90%</u>	<u>16.01%</u>	<u>14.99%</u>	<u>17.94%</u>	<u>13.67%</u>

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

Fiscal Year June 30,	Property	Local Sales	Business License	Consumer Utility	Meals	Tobacco	Other	Totals
2004	\$ 38,325,686	\$ 10,608,683	\$ 7,664,177	\$ 2,850,414	\$ 2,087,428	\$ 963,680	\$ 2,829,443	\$ 65,329,511
2005	41,962,115	11,604,756	8,370,119	2,774,256	2,176,558	939,837	3,338,534	71,166,175
2006	44,808,950	13,721,180	8,444,976	3,063,302	2,235,496	897,579	3,703,993	76,875,476
2007	47,059,528	13,587,593	8,662,866	2,132,805	2,301,359	811,123	3,709,953	78,265,227
2008	50,687,883	13,433,256	8,599,019	1,459,146	4,628,046	778,192	5,425,116	85,010,658
2009	55,639,263	8,831,495	8,375,552	1,512,860	4,646,735	775,714	4,937,883	84,719,502
2010	56,070,278	10,644,038	7,485,809	1,547,114	4,654,171	829,555	2,930,697	84,161,662
2011	56,771,987	9,907,063	8,151,072	1,551,010	4,938,869	1,028,992	3,088,261	85,437,254
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
Change 2004-2013	67.90%	-3.25%	16.55%	-40.20%	166.07%	1.22%	19.40%	45.66%

Notes:

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

CITY OF FAIRFAX, VIRGINIA

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

Fiscal Year June 30,		Residential Property	Direct Tax Rate		Commercial Property	Direct Tax Rate		Public Service Corporation	Nontaxable	Total Assessed Value
2004	\$	2,439,123,400	0.90	\$	1,314,291,800	0.90	\$	98,693,202	\$ 251,341,800	\$ 4,103,450,202
2005		3,063,115,200	0.84		1,382,126,100	0.84		96,641,780	296,497,400	4,838,380,480
2006		3,817,504,900	0.71		1,626,385,700	0.71		90,098,852	333,581,700	5,867,571,152
2007		3,723,667,700	0.72		1,884,634,000	0.72		93,444,978	353,598,900	6,055,345,578
2008		3,475,794,600	0.79		2,161,997,400	0.79		87,580,035	372,660,900	6,098,032,935
2009		3,182,468,200	0.88		2,177,141,900	0.88		94,044,526	388,478,700	5,842,133,326
2010		3,013,912,200	0.955		1,968,035,100	0.955		93,846,777	389,153,800	5,464,947,879
2011		3,123,099,700	0.942		1,954,294,800	0.942		97,144,428	394,555,500	5,569,094,430
2012		3,195,889,977	1.010		2,025,966,286	1.010		92,221,418	488,638,000	5,802,715,683
2013		3,266,638,900	1.060		2,073,994,400	1.060		90,856,256	494,790,700	5,926,280,258

Source: Real Estate Assessor's Office

- Notes:
- 1) Real Estate assessments are done on a calendar year basis.
 - 2) Commercial property values include commercial, industrial & apartments
 - 3) "Nontaxable" is interpreted to mean tax exempt properties.
 - 4) Total Assessed Value category includes real estate, public service corporations and exempt properties.
 - 5) Total taxable assessed value includes real estate and public service corporation properties.
 - 6) The Public Service Corporation assessment listed for 2003 is the original assessment.
This assessment was revised based on a law suit settlement.
 - 7) Nontaxable assessed values increased in 2012 after a complete review and revaluation.

Table 7

	Total Taxable Assessed Value	Percent Growth	Total Direct Tax Rate		Actual Taxable Value	Value as a Percentage of Actual Value
\$	3,852,108,402	12.6%	0.90	\$	3,852,108,402	100%
	4,541,883,080	17.9%	0.84		4,541,883,080	100%
	5,533,989,452	21.8%	0.71		5,533,989,452	100%
	5,701,746,678	3.0%	0.72		5,701,746,678	100%
	5,725,372,035	0.4%	0.79		5,725,372,035	100%
	5,453,654,626	-4.8%	0.88		5,453,654,626	100%
	5,075,794,077	-6.9%	0.955		5,075,794,077	100%
	5,174,538,928	1.9%	0.942		5,174,538,928	100%
	5,314,077,681	2.7%	1.010		5,314,077,681	100%
	5,431,489,556	2.2%	1.010		5,431,489,556	100%

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

Fiscal Year June 30,	Real Estate	Personal Property
2004	\$ 0.90	\$ 3.29
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

Note:

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

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

Taxpayer	2013			2004		
	Taxable Assessed Value	Rank	Percentage (%) of Total City	Taxable Assessed Value	Rank	Percentage (%) of Total City
			Taxable Assessed Value			Taxable Assessed Value
RKB & RPB Willowwood LLC (I, II)	\$ 104,455,500	1	1.96%	\$ -	-	-
Fairfax Square LP.	94,012,600	2	1.76%	53,001,200	2	1.41%
Fair City HHH, LLC	81,262,600	3	1.52%	56,463,700	1	1.66%
Army Navy Country Club	53,783,800	4	1.01%	36,995,900	5	0.99%
CH Realty III/Old Town	35,266,400	6	0.66%	-	-	-
Saul Holdings, LP	34,012,800	7	0.64%	20,830,800	9	0.55%
Avalon at Providence Park, LLC	30,205,100	8	0.57%	-	-	-
JDC, LLC's (3)	28,369,400	10	0.53%	-	-	-
USRP I, LLC	29,326,300	9	0.55%	20,521,200	10	0.55%
John Swart, Jr., et al	-	-		23,720,200	6	0.63%
SMII Fairfax LLC	-	-		43,490,200	4	1.16%
Combined Properties LP/LTD	37,473,800	5		22,954,000	7	0.61%
Mosby, LLC	-	-	0.71%	22,949,000	8	0.61%
RKB Willowwood LLC	-	-		47,771,700	3	1.27%
Total	\$ 528,168,300		9.91%	\$ 348,697,900		9.44%

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
2004	\$ 33,302,756	\$ 32,873,737	98.71%	\$ 429,019	\$ 33,302,756	100.00%
2005	37,407,495	36,859,176	98.53%	548,319	37,407,495	100.00%
2006	38,862,866	38,330,448	98.63%	532,418	38,862,866	100.00%
2007	41,095,855	40,508,516	98.57%	587,339	41,095,855	100.00%
2008	43,780,473	43,171,104	98.61%	609,348	43,780,452	100.00%
2009	47,682,500	46,678,811	97.90%	1,000,618	47,679,429	99.99%
2010	49,560,633	48,593,292	98.05%	958,451	49,551,743	99.98%
2011	49,769,304	48,879,797	98.21%	856,333	49,736,130	99.93%
2012	52,346,460	51,474,451	98.33%	708,287	52,182,738	99.69%
2013	56,984,359	56,079,986	98.41%	N/A	56,079,986	98.41%

Source:

City of Fairfax Treasurer's Office.

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

Fiscal Year June 30,	Governmental Activities					Business-Type Activities			Total Primary Government	Percentage of Personal Income	Debt Per Capita
	General Obligation Bonds	Lease Revenue Bonds	Notes Payable	Public Improvement COPS	Capital Leases	Revenue Bonds	Capital Leases	Notes Payable			
2004	\$ 40,755,000	\$ 390,000	\$ 2,167,325	\$ -	\$ 92,147	\$ 3,316,589	\$ 180,510	\$ 219,817	\$ 47,121,388	4.50%	2,227
2005	80,665,418	-	9,040,404	-	711,430	2,246,942	-	179,210	92,843,404	8.42%	4,451
2006	122,682,596	39,630,000	13,975,798	-	634,394	1,183,034	-	136,990	178,242,812	14.86%	8,326
2007	119,124,230	39,630,000	28,355,767	-	556,505	387,882	-	93,093	188,147,477	14.55%	8,678
2008	114,767,655	39,330,000	30,768,959	-	474,713	5,016,885	-	47,452	190,405,664	14.26%	8,611
2009	110,300,000	39,030,000	28,671,254	-	388,821	4,821,000	-	-	183,211,075	13.90%	8,172
2010	106,825,000	38,170,000	26,489,109	-	298,625	4,652,000	-	-	176,434,734	13.56%	7,819
2011	102,605,000	37,285,000	4,540,125	19,905,800	877,905	28,555,000	-	-	193,768,830	14.93%	8,547
2012	101,361,000	33,105,000	8,433,465	17,572,800	1,279,103	28,371,000	-	-	190,122,368	14.27%	8,386
2013	109,255,774	32,045,000	8,316,732	15,095,100	1,608,324	28,823,980	-	-	195,144,910	12.70%	8,165

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%	\$ 1,926
2005	80,665,418	1.78%	3,867
2006	122,682,596	2.22%	5,731
2007	119,124,230	2.09%	5,494
2008	114,767,655	2.00%	5,190
2009	110,300,000	2.02%	4,920
2010	106,825,000	2.10%	4,734
2011	102,605,000	1.98%	4,526
2012	101,361,000	1.91%	4,471
2013	109,255,774	2.01%	4,571

Notes:

- (1) Details regarding the City's outstanding debt may be found in the notes to the basic financial statements.
- (2) Population and personal income data can be found in table 14
- (3) See table 7 for property value data
- (4) The Lease Revenue Bonds under the Governmental Activities will be repaid with general government resources

CITY OF FAIRFAX, VIRGINIA

Legal Debt Margin Information
Last Ten Fiscal Years
(Unaudited)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Debt limit	\$ 385,210,840	\$ 454,188,308	\$ 553,398,945	\$ 570,174,668	\$ 572,537,204
Total net debt applicable to limit	<u>41,145,000</u>	<u>90,417,252</u>	<u>176,922,788</u>	<u>187,666,502</u>	<u>185,341,328</u>
Legal debt margin	<u>\$ 344,065,840</u>	<u>\$ 363,771,056</u>	<u>\$ 376,476,157</u>	<u>\$ 382,508,166</u>	<u>\$ 387,195,876</u>
Total net debt applicable to the limit as a percentage of debt limit	10.68%	19.91%	31.97%	32.91%	32.37%

Legal debt margin calculation for fiscal year 2013		Summary of outstanding debt:	<u>2008</u>
Assessed value of real estate	\$ <u>5,431,489,556</u>	Public Improvement COPS	\$ -
Debt limit (10% of assessed value)	\$ 543,148,956	General Obligation Bonds	114,767,655
Debt applicable to limit:		Lease Revenue Bonds	39,330,000
Net direct debt outstanding	<u>166,320,930</u>	Notes payable	30,768,960
		Capital leases	<u>474,713</u>
Legal debt margin	<u>\$ 376,828,026</u>		<u>\$ 185,341,328</u>

Notes:

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

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

Table 12

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
\$ 545,365,463	\$ 507,579,408	\$ 517,453,893	\$ 531,407,768	\$ 543,148,956
<u>178,390,076</u>	<u>171,782,734</u>	<u>165,213,830</u>	<u>161,751,368</u>	<u>166,320,930</u>
<u>\$ 366,975,387</u>	<u>\$ 335,796,673</u>	<u>\$ 352,240,063</u>	<u>\$ 369,656,400</u>	<u>\$ 376,828,026</u>
32.71%	33.84%	31.93%	30.44%	30.62%
<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
\$ -	\$ -	\$ 19,905,800	\$ 17,572,800	\$ 15,095,100
110,300,000	106,825,000	102,605,000	101,361,000	109,255,774
39,030,000	38,170,000	37,285,000	33,105,000	32,045,000
28,671,255	26,489,109	4,540,125	8,433,465	8,316,732
<u>388,821</u>	<u>298,625</u>	<u>877,905</u>	<u>1,279,103</u>	<u>1,608,324</u>
<u>\$ 178,390,076</u>	<u>\$ 171,782,734</u>	<u>\$ 165,213,830</u>	<u>\$ 161,751,368</u>	<u>\$ 166,320,930</u>

CITY OF FAIRFAX, VIRGINIA

Pledged-Revenue Coverage
Last Ten Fiscal Years
(Unaudited)

Fiscal Year June 30,	Water Revenue Bonds					
	Utility Service Charges	Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2004	\$ 6,673,100	\$ 5,140,636	\$ 1,532,464	\$ 738,411	\$ 120,666	1.78
2005	6,608,525	6,152,166	456,359	1,069,647	61,158	0.40
2006	6,453,364	6,391,239	62,125	1,063,908	41,413	0.06
2007	8,502,293	6,813,558	1,688,735	795,152	21,771	2.07
2008	7,526,494	6,704,459	822,035	191,997	119,549	2.64
2009	8,940,605	7,159,290	1,781,315	195,885	128,544	5.49
2010	9,315,674	7,268,863	2,046,811	169,000	213,246	5.35
2011	8,676,006	8,116,546	559,460	177,000	477,471	0.85
2012	7,740,780	7,365,331	375,449	184,000	525,875	0.53
2013	9,872,857	7,307,483	2,565,374	192,000	657,782	3.02

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.

Table 13

Wastewater Revenue Bonds						
Utility Service Charges	Operating Expenses	Net Available Revenue	Debt Service		Coverage	
			Principal	Interest		
\$ 2,787,497	\$ 3,103,903	\$ (316,406)	\$ 39,056	\$ 10,283		N/A
3,114,800	3,195,501	(80,701)	40,607	8,731		N/A
3,126,098	3,322,479	(196,381)	42,220	7,120		N/A
3,528,473	3,549,732	(21,259)	43,897	5,440		N/A
4,075,046	3,444,774	630,272	45,641	3,698		N/A
3,338,527	3,544,242	(205,715)	47,452	1,884		N/A
3,543,296	3,362,005	181,291	-	-		N/A
4,284,829	3,536,310	748,519	-	316,771		2.36
4,744,584	3,547,837	1,196,747	-	361,237		3.31
5,233,085	2,995,566	2,237,519	-	512,708		4.36

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Demographic and Economic Statistics
 Last Ten Fiscal Years
 (Unaudited)

Fiscal Year June 30,	Population	Personal Income	Per Capita Personal Income	School Enrollment	Unemployment Rate
	(1)	(2)	(2)	(3)	(4)
2004	21,160	\$ 1,047,422,000	\$ 49,500	2,767	2.70%
2005	20,860	1,102,682,000	52,900	2,784	2.60%
2006	21,407	1,199,790,000	56,000	2,582	2.40%
2007	21,682	1,293,463,000	59,700	2,766	2.50%
2008	22,112	1,335,019,000	60,400	2,771	3.20%
2009	22,418	1,317,776,000	58,800	2,764	5.60%
2010	22,565	1,300,755,709 *	57,600 *	2,905	5.70%
2011	22,671	1,297,429,219 *	57,200 *	2,976	6.00%
2012	22,671	1,332,664,782 *	58,783 *	3,081	5.70%
2013	23,900	1,536,636,621	64,300	3,107	6.30%

Notes:

*Estimated by City of Fairfax

(1) Population updated from 2010 US Census Bureau results and annual population estimates.
 2013 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 2012 (released in April 2013).

(2) To estimate personal income for 2013, 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) 2013 unemployment rate estimated by averaging all available months (Jan-Oct) of 2013 data.

Principal Employers
Current Year and Ten Years Ago
(Unaudited)

Employer (1)	2013			2004		
	(1) Employees	Rank	Percentage (2) of Total City Employment	Employees	Rank	Percentage of Total City Employment
City of Fairfax	425	1	2.20%	340	2	1.36%
The Wackenhut Corporation	410	2				
Fairfax Nursing Center	400	3	2.07%	250	4	1.00%
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%	-	-	-
Wal Mart	150	8	0.78%			
Fairfax Volkswagen, Honda	150	9	0.78%	200	6	0.80%
Dominion Virginia Power	150	10	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	2,800		14.51%	2,254		8.99%
Average Total Employment (3)			19,291			25,071

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	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
City Clerk	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	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	3.00	2.50	2.50	2.50	2.50	2.13	2.63	2.63
Personnel	5.00	5.00	5.00	5.00	5.00	5.00	4.00	4.00	4.00	4.00
Community Relations	2.00	2.00	2.50	2.50	2.50	2.00	1.00	1.00	1.00	1.00
Marketing	0.00	0.00	0.00	0.00	0.00	0.88	0.00	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	1.50
Information Technology	10.00	10.00	11.00	11.00	11.00	11.00	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	13.00
Finance & Accounting	7.00	7.00	7.00	7.50	7.50	7.50	7.50	7.50	7.50	7.50
Real Estate Assessment	4.00	5.00	5.00	5.00	5.00	5.00	4.00	4.00	4.00	4.00
Treasurer	7.50	7.50	7.50	7.75	7.75	7.75	7.75	7.75	7.75	7.75
Commissioner of Revenue	8.50	8.50	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00
Police Department	86.95	85.75	85.50	85.75	88.00	88.00	90.00	91.13	90.00	90.00
Fire Department	70.00	69.00	70.00	80.00	80.00	80.00	79.00	80.00	79.00	79.00
Public Works	70.70	70.70	69.20	74.70	77.00	77.00	76.10	77.50	75.50	75.50
Social Services	0.62	0.62	0.62	0.62	0.62	0.62	0.62	0.62	0.62	0.62
Parks & Recreation	16.75	17.00	17.63	17.63	18.63	18.25	17.13	19.88	19.13	19.13
Historic Resources	3.95	3.95	3.95	3.95	3.95	3.95	3.95	3.95	3.95	3.95
Planning & Design	12.25	12.63	14.50	15.00	15.70	15.70	15.70	15.70	15.70	15.70
Economic Development	2.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Education	3.13	2.26	3.13	2.63	1.90	1.90	1.90	2.85	1.90	1.90
Wastewater	8.00	8.00	8.00	8.00	8.00	8.00	8.00	6.00	8.60	8.60
Water	29.00	29.00	31.00	31.00	31.00	32.00	32.00	32.00	34.40	34.40
Transit	30.00	30.00	30.00	30.50	30.50	30.50	30.38	31.50	30.50	30.50
Total	<u>400.35</u>	<u>397.91</u>	<u>404.53</u>	<u>421.03</u>	<u>426.55</u>	<u>427.55</u>	<u>420.53</u>	<u>427.01</u>	<u>425.18</u>	<u>425.18</u>

Source:

City Budget Office.

CITY OF FAIRFAX, VIRGINIA

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

	Actual 2004	Actual 2005	Actual 2006	Actual 2007
<u>GENERAL GOVERNMENT:</u>				
Public Works				
Homes Served - Refuse Collection	6,032	6,032	6,168	6,226
Elections				
Registered Voters	13,937	14,478	14,387	13,772
# of Votes cast last General Election	2,090	10,651	8,177	5,557
% of Registered Voters last General Election	15.00%	73.57%	56.84%	40.35%
Parks and Recreation				
Old Town Hall Occupancy Rate	90%	92%	90%	90%
Old Town Hall Rentals	*	*	*	74
Total Unique Recreation Programs	*	*	49	50
Total Recreation Programs	*	*	117	135
Day Camp program participants	*	534	507	563
Community Development and Planning				
Planning Studies/Reports prepared	225	275	225	220
Residential/Non-residential Use Permits	1,100	1,250	1,400	1,400
Administrative Permit-Review/Approve	2,500	2,500	2,500	2,500
Neighborhood Renaissance Conferences	*	*	*	450
Board of Architectural Review (BAR) Applications	*	*	*	48
Enforcement Citations	*	*	*	450
Land Use Applications	*	*	*	38
Development Plans & Subdivisions	*	*	*	37
Economic Development				
Vacancy Rate - Office Space	8.50%	6.25%	6.75%	6.90%
Vacancy Rate - Retail Space	2.20%	0.90%	1.10%	1.10%
<u>SCHOOLS:</u>				
Education				
Average Daily Membership	2,767	2,784	2,745	2,766
Elementary - Kindergarten	215	204	205	189
Elementary - (1-6)	1,255	1,266	1,290	1,324
Secondary - (7-12)	1,297	1,314	1,250	1,253
Tuition Cost Per Student	\$ 10,486	\$ 10,812	\$ 11,915	\$ 12,030
<u>PUBLIC SAFETY:</u>				
Police Department				
Cases Assigned	382	346	332	245
Cases Closed	286	221	207	173
Calls for Service	18,013	16,042	17,414	14,970
Criminal Arrests	1,748	1,894	1,756	1,756
Fire Department				
Staff Training Hours	8,355	9,056	9,725	14,399
Responses to Fire Incidents	3,325	3,325	3,390	3,169
Responses to EMS Incidents	7,400	7,400	7,435	7,395
Plans reviewed	1,207	1,028	932	1,088
Building Permits Issued	2,522	2,604	653	629
Cost Associated with Building Permits	\$ 30,286,780	\$ 34,834,731	\$ 47,430,498	\$ 37,402,772
<u>UTILITIES:</u>				
Wastewater				
Number of New Service Connections	35	57	43	53
\$ Amount of New Service Connections	\$ 213,656	\$ 372,106	\$ 331,611	\$ 341,075
Average Daily Flow (MGD)	4	4	4	4
Feet of Pipeline Rehabilitated	3,603	2,346	3,881	3,881
Site Plans Reviewed	31	25	22	22
Water				
\$ Amount of New Customer Connections	\$ 49,691	\$ 50,440	\$ 54,218	\$ 49,542
Number New Service Connections	55	11	52	105
\$ Amount of New Service Connections	\$ 360,317	\$ 406,235	\$ 301,773	\$ 826,596
Gallons of Water Produced (millions)	4,426	4,426	4,351	4,351
Feet of Pipeline replaced	4,650	4,707	600 l)	600
Number of Site Plans Reviewed	31	26	22	25
<u>TRANSIT:</u>				
Total Ridership	985,000	1,000,000	1,093,926	1,126,966

Notes:

Source: City Annual Operating Budget & Comprehensive Annual Financial Report

* - information not available (not tracked)

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

Table 17

	Actual 2008	Actual 2009	Actual 2010	Actual 2011	Actual 2012	Actual/Estimate 2013
	6,245	6,249	6,249	6,249	6,338	6,498
	15,476	14,920	14,937	14,912	15,315	15,794
	11,478	7,206	9,914	7,112	9,184	15,206
	74.17%	48.30%	66.37%	47.69%	59.97%	96.28%
	*	*	*	*	*	*
	75	85	153	231	164	165
	51	50	98	71	80	94
	386	306	512	513	686	456
	574	759	819	927	801	801
	*	*	*	*	*	*
	*	*	*	*	*	*
	*	*	*	*	*	*
	600	600	600	600	600	600
	51	51	48	86	80	80
	540	550	450	550	550	550
	42	45	38	31	44	39
	59	60	37	47	49	48
	7.25%	9.50%	12.00%	13.00%	12.40%	13.60%
	1.50%	6.00%	4.50%	5.50%	4.70%	3.70%
	2,771	2,764	2,905	2,976	3,081	2,739
	229	198	221	239	210	192
	1,294	1,307	1,319	1,259	1,386	1,233
	1,248	1,260	1,398	1,478	1,485	1,314
\$	13,548 \$	13,078 \$	12,027 \$	12,745 \$	13,110 \$	15,831
	255	250	240	169	198	204
	172	168	171	130	172	178
	14,589	13,958	13,764	13,896	13,947	14,000
	1,388	1,340	1,243	1,272	1,373	1,359
	14,420	15,090	16,568	16,879	15,536	16,400
	3,367	3,327	2,585	2,846	4,015	4,100
	7,458	5,907	6,409	6,569	5,766	6,000
	1,290	894	972	1,333	1,401	1,500
	531	530	494	605	647	650
\$	33,968,649 \$	21,654,448 \$	38,388,562 \$	27,634,266 \$	39,254,118 \$	36,000,000
	47	31	20	20	54	30
	377,208	347,858	223,358	223,358	558,027	335,025
	4	3.9	3.9	2.95	2.95	3.2
	4,288	4,500	3,906	7,840	7,840	7,000
	22	21	23	40	40	33
\$	46,130 \$	61,213 \$	64,450 \$	64,450 \$	62,954 \$	62,882
	111	200	40	40	59	55
(2)	1,243,299 (2)	1,621,803 (2)	1,294,495 \$	1,294,495 \$	426,329 \$	144,208
	4,380	3,400	3,167	2,900	2,620	600
(1)	0 (1)	3,000	1,100	447 (4)	100 (4)	100
	22	22	49	40	40	30
	1,055,664	952,072	941,694	910,549	908,367	900,000

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	Actual/ Estimate 2013
<u>GENERAL GOVERNMENT</u>										
Parks and Recreation										
Acres of Parks	222	279	279	279	279	279	279	279	279	279
Number of Major Parks	9	9	9	9	9	9	9	9	9	9
Number of Neighborhood Parks	13	13	13	13	13	14	14	14	15	15
Public Works										
Vehicle Availability (%)	97%	97%	97%	97%	97%	97%	97%	97%	98%	98%
Vehicle Repair Orders	3,389	2,823	2,455	2,672	3,800	3,600	3,600	3,600	3,766	3,766
Total Fleet	522	522	548	560	563	590	590	590	664	664
Miles of Streets - Primary	15.58	15.58	15.58	15.58	15.58	15.58	15.58	15.58	16.5	15.5
Miles of Streets - Secondary	54.38	54.38	54.76	54.76	54.76	55.33	55.33	55.33	54	56.5
Number of Street Lights	2,940	2,950	2,950	2,950	2,950	2,967	2,967	2,967	2,967	2,967
<u>PUBLIC SAFETY</u>										
Police										
Number of Stations	1	1	1	1	1	1	1	1	1	1
Fire										
Number of Stations	2	2	2	2	2	2	2	2	2	2
Number of Fire Hydrants	870	870	870	870	870	870	870	870	870	870
<u>UTILITIES:</u>										
Water										
Gallons produced (millions)	4,426	4,426	4,351	4,351	4,380	3,431	3,500	2,900	2,620	2,620
Water Mains (miles)	182.68	182.68	182.68	182.68	182.68	183.77	184.01	184.01	184.01	184.01
Sewer										
Sanitary Sewers (miles)	97.03	97.03	97.03	97.03	97.03	97.07	97.14	97.14	100.00	100.00
<u>TRANSIT:</u>										
Number of Buses	12	12	12	12	12	12	12	12	12	12

Notes:

Source: City Annual Operating Budget & Comprehensive Annual Financial Report

* - information not available

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

**To the 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, 2013, 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 20, 2013.

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 20, 2013

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

To 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, 2013. 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, 2013.

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 20, 2013

CITY OF FAIRFAX, VIRGINIA

Schedule of Expenditures of Federal Awards
 Year Ended June 30, 2013

Federal Grantor/State Pass - Through Grantor/ Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
<u>DEPARTMENT OF JUSTICE:</u>			
<u>Direct payments:</u>			
Bulletproof Vest Partnership Program	16.607	N/A	\$ 2,827
<u>DEPARTMENT OF TRANSPORTATION:</u>			
<u>Direct payments:</u>			
Federal Highway Administration:			
Highway Planning and Construction	20.205	N/A	\$ 958,357
<u>Pass through payments:</u>			
National Highway Traffic Safety Administration:			
Alcohol Open Container Requirements	20.607	60507-52213	\$ 7,813
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	60507-53302	4,360
Total Department of Transportation			\$ 970,530
<u>DEPARTMENT OF HOMELAND SECURITY:</u>			
<u>Direct payments:</u>			
Homeland Security Grant Program	97.067	N/A	\$ 133,015
Citizens Community Resilience Innovation Challenge	97.053	N/A	3,527
Assistance for Firefighters Grant	97.044	N/A	53,865
<u>Pass through payments:</u>			
Department of Emergency Services:			
State Homeland Security Program	97.073	77501-52700	10,947
Emergency Management Performance Grants	97.042	77501-52740/52741	24,198
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	77602-00148/0158	185,571
Total Department of Homeland Security			\$ 411,123
<u>U.S. ELECTION ASSISTANCE COMMISSION:</u>			
<u>Pass through payments:</u>			
Virginia Board of Elections:			
Help America Vote Act Requirements Payments	90.401	72302-40030	\$ 2,800
Total expenditures of federal awards			\$ 1,387,280

See accompanying notes to schedule of expenditures of federal awards.

CITY OF FAIRFAX, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards For The Year Ended June 30, 2013

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, 2013. 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	\$ 1,387,280
Enterprise Funds	<u>403,398</u>

Total primary government	\$ <u>1,790,678</u>
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Less:

Interest subsidy	\$ <u>(403,398)</u>
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Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$ <u><u>1,387,280</u></u>
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CITY OF FAIRFAX, VIRGINIA

Schedule of Findings and Questioned Costs
Year Ended June 30, 2013

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:

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
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.

CITY OF FAIRFAX, VIRGINIA

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2013

There were no prior year audit findings.