CITY OF FALLS CHURCH, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2009

CITY OF FALLS CHURCH

CITY OF FALLS CHURCH, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2009

PREPARED BY THE DIVISION OF FINANCE
JOHN TUOHY, CPA, CFO/DIRECTOR OF FINANCE
MELISSA ANN C. RYMAN, CPA, DEPUTY DIRECTOR OF FINANCE

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The City of Falls Church does not discriminate on the basis of disability in its employment practices or in its admission to, access to, or operation of its services, programs, or activities. Letha Flippin, 300 Park Avenue, Virginia, 22046, has been designated to coordinate compliance with the ADA non-discrimination requirement.

CITY OF FALLS CHURCH, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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CITY OF FALLS CHURCH, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR JUNE 30, 2009

INTRODUCTORY SECTION

November 24, 2009

City Council
City of Falls Church
Mayor and Members of the Council

We are pleased to submit to you the Comprehensive Annual Financial Report (CAFR) of the City of Falls Church, Virginia (the City) for the fiscal year ended June 30, 2009, in accordance with the *Code of Virginia*. The financial statements included in this report conform to accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (GASB). Responsibility for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with management. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner that presents fairly the financial position of the governmental activities, business-type activities, aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended. All necessary disclosures have been included to enable the reader to gain the maximum understanding of the City's financial affairs.

The letter of transmittal is traditionally addressed to the governing or legislative body. We believe that the CAFR should be management's report to constituents, oversight bodies, resource providers, investors and creditors. This letter is addressed to you and by wide circulation it is also directed to the citizens of the City of Falls Church and all other interested readers. In addition to complying with legal requirements, this letter, management's discussion and analysis (MD&A), the financial statements, supplemental data, and the statistical tables have been prepared to provide full financial disclosure.

The report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in the report. To provide a reasonable basis for making these representations, management has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with Generally Accepted Accounting Principals (GAAP). As management, we assert that to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements have been audited by Cherry, Bekaert & Holland, LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements for the fiscal year ended June 30, 2009 are free of material misstatement. The independent auditor's report is presented as the first component of the financial section of this report.

Our CAFR is divided into three sections: introductory, financial and statistical. The introductory section includes this letter of transmittal, a list of the City's principal elected and appointed officials, and the organizational chart. The financial section includes the Independent Auditors' Report, M D&A, Basic Financial Statements, including the notes, and Required Supplementary Information. In addition, the financial section contains other supplemental data, consisting of combining, individual fund, and component unit financial statements and schedules. The statistical section contains selected financial and demographic information, generally presented on a multi-year basis. The Single Audit Report, which is required for federal grant recipients, is issued separately.

All the financial activities of the reporting entity are included within this report. As used here, the reporting entity comprises the primary government (City of Falls Church as legally defined) and its component units. Under GASB pronouncements, component units are

legally separate entities for which the primary government is financially accountable. The component units of the City (the City of Falls Church Public School Board and the Falls Church Economic Development Authority) are discretely presented component units. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the primary government and to differentiate their financial position and changes in financial position from those of the primary government.

GOVERNMENTAL STRUCTURE

The City is located in the northeastern corner of Virginia and encompasses an area of 2.2 square miles. The City is part of the Washington, D.C. metropolitan area, which includes jurisdictions in Maryland and Northern Virginia, and the District of Columbia.

The City is a municipal corporation incorporated as an independent city in 1948 under the laws of the Commonwealth of Virginia, and is not part of any county. The City operates under a Council-Manager form of government. The City Council (the Council) is comprised of seven members elected at-large for four-year staggered terms. Every two years the Council elects one member to serve as Mayor and one to serve as Vice-Mayor. The Council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring the City's manager, attorney and clerk. The Council appoints a City Manager to act as the administrative head of the City. The City Manager serves at the pleasure of the Council, carries out the policies established by the Council, and directs business and administrative procedures.

The City provides a full range of services, including police and fire protection; the construction and maintenance of highways, streets and other infrastructure; and recreational activities and cultural events. The City also provides water and sanitation services to its residents. In addition, it provides water to a portion of Fairfax County. The water and sewer functions are included as business-type activities in the City's financial statements. The City is financially accountable for the legally separate school system, which is reported as a component unit within the financial statements.

ECONOMIC CONDITION AND OUTLOOK

The information presented in the financial statements is best understood when it is considered from the broader perspective of the specific environment within which the City operates

The Local Marketplace

The City of Falls Church benefits from an unprecedented wave of new development and investment that occurred along several of its primary commercial corridors starting with the Broadway project in 2002. The Byron, the Spectrum, the Read Building, and Pearson Square followed the Broadway and its successful formula of higher-density, mixed-use development. Collectively these projects have produced more than $2.2 million per year in net revenue for the city. However, timing of delivery and prevailing market conditions have impacted each of these projects in significantly different ways.

The Broadway, the Byron and the Read Building are each essentially fully occupied with residential and commercial uses. Pearson Square and the Tax Analysts Building on South Maple Avenue were approved as one project, although sold by the developer as separate assets. The Tax Analysts Building contains 85,000 square feet of office and retail space that has now exceeded 90 percent occupancy. It is the largest office building constructed in the city in 20 years.

Pearson Square adapted to changing conditions in the regional market by converting 230 residential units from condos to condo rentals. Property owner Transwestern has leased over 96 percent of the units since entering the market in early 2008. The ground-level commercial space in Pearson Square will be marketed aggressively now that the owner has received approval by the city to fill the space with a combination of retail, retail/service and some professional office users. Falls Church Arts and Creative Cauldron are tenants that share arts flex space in Pearson Square. Together they have generated a popular hub of activity in the building.

The Spectrum was delivered to market in early 2008 with 189 residential condo units, 32,000 square feet of condo office, and 32,000 square feet of retail space. The regional market for residential condos is still greatly oversupplied and sales in the Spectrum have been very slow. Condo unit prices have been lowered to adjust to the market. A block of units has been set aside for lease in a rent-to-own program.

The Spectrum owner has succeeded in attracting Foster's Grille, For Eyes, and a professional service use in the ground-level retail space. In addition, Mad Fox Brewery has signed a letter of intent and is negotiating a 15-year lease to occupy the most prominent commercial space in the building (8,600 square feet). Another bright spot is that three quarters of the office space has now been sold.

As of July 2009 the vacancy rate for office space in the City of Falls Church has edged upward to 13.6 percent. Most of the available office space is located in older buildings, some of which are targeted for renovation or are impacted by site redevelopment plans. The city's vacancy rate compares with a 13.9 percent vacancy rate in Tyson's Corner and 14.7 percent in Merrifield, two of Northern Virginia's office submarkets closest to Falls Church (Sources: Delta Associates and Washington Business Journal, July 2009).

Occupancy rates in older properties are still holding strong for retail tenants. As space occasionally becomes available it has been quickly filled, generally at higher rent. Restaurants have been the source of the greatest demand for space in the city.

Projects Impacted by the Recession and Credit Crisis

In late 2008, the Hekemian Company received approval for its site plan for a mixed-use project in the 400 block of North Washington Street. The "Northgate" is located within close proximity to the East Falls Church Metro Station and the developer will use that advantage to market its 105 residential units, office and retail space. Hekemian confirms its intent to move forward with construction but is undecided about timing in the challenging current credit market.

The City Center South project, the largest mixed-use development approved in Falls Church at one million square feet of proposed residential, office, hotel, retail, grocery and entertainment space, is in a holding pattern due to the frozen markets for commercial credit. Atlantic Realty also intends to move forward to secure site plan approval and implement a revised project, but timing has not been determined.

A 110-room Hilton Garden Inn hotel proposed for the 700 block of W. Broad Street received site plan approval in 2008. The franchisee has not announced a construction schedule pending purchase of the property from the Young Group and needs to secure a financing commitment. In the 800 block of W. Broad Street the Young Group delivered to market in spring 2009 a 44,000-square-foot office and retail building, which is already about 60 percent leased, including the relocated U.S. Postal Service customer center for Falls Church.

Resubmission of an application from the Akridge Company for "The Gateway" is pending. This proposed mixed-use development project is located in the 500 block of N. Washington Street, the city's entrance to Arlington County. The development would include 69,000 square feet of new Class A office, 16,000 square feet of retail, 140 condos or apartments, and ten townhouses with garden apartments. Like the proposed Northgate next door, the Gateway is designed to be Metro Transit oriented.

While pipeline development projects in the city wait for the credit markets to thaw, developers and their brokers are examining the city closely for land purchase and assemblage opportunities that will bring about the next wave of development proposals.

The Eden Center

One of the most remarkable commercial success stories in Falls Church and, indeed, the metropolitan Washington region, is the Eden Center on Wilson Boulevard. The center is Northern Virginia's premier Asian shopping destination, with over 130 businesses. Its Vietnamese restaurants, eclectic array of shops, vendors and cultural events regularly draw chartered buses from surrounding states and Canada. The recent closure of National Wholesale Liquidator's store at the center provides a long-awaited opportunity for the owner to add more ethic businesses and expand the power of Eden Center's thematic draw.

BJ's Comes to Town

In early 2009 BJ's Wholesale Club, a Fortune 300 company, signed a 20-year lease with JBG Rosenfeld to build an 87,000 square foot store on an eight-acre light industrial site on Wilson Boulevard. This deal was facilitated by an agreement with the city to share with JBG a portion of taxes generated by the new store over a 12-year period.

BJ's is one of very few national retailers experiencing sales growth during the current recession. The company received site plan approval from the city in June 2009, Virginia Department of Transportation permit approvals in August 2009, and is on schedule to open its Falls Church store by mid-year 2010. Sales tax revenue for the city could increase by ten percent per year if BJ's achieves sales volume per square foot comparable to its other regional stores.

Long-term planning

The Council's vision statement adopted January 12, 2009 provides the framework for the City's long-term planning. The vision provides for the continuity necessary to execute both short and long-term policy and resource decisions. The annual budget serves as the City's annual operations plan. The Capital Improvement Program (CIP) is adopted annually for the current and subsequent four years to provide longer term planning and implementation of the capital elements of the Council's vision.

The budget adopted by the City Council for fiscal year 2010 sought to preserve the City's strong record of fiscal prudence while maintaining a high quality of life for the City's residents. In spite of a decrease in real estate assessments, the City's most significant source of revenue, the budget continues a commitment to a broad range of services at approximately the same levels as the previous year with a moderate increase in the real estate tax rate of three cents.

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 Comprehensive Annual Financial Report for the year ended June 30, 2008. This marks five years in a row the City has been awarded this certificate. To earn a Certificate of Achievement, a CAFR must be efficiently organized, employ 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.

The Certificate is valid for one year only. The City believes that our current report continues to conform to the Certificate of Achievement Program requirements and standards.

In addition, the government also received the GFOA's Distinguished Budget Presentation Award for its annual budget document dated April 27, 2009. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and a communication device.

Acknowledgements

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the administration department along with staff from the City Manager's office. We would like to express our appreciation to all members of the departments who assisted and contributed to the preparation of this report. In addition, we acknowledge the cooperation and assistance of each City department throughout the year in the efficient administration of the City's financial operations.

We would like to give special recognition to Melissa Cabacar-Ryman, the City's Deputy Director of Finance, and Krisanee Vitoonkittikul, Senior Accountant, who orchestrated the City's preparation of this CAFR for submission to the Government Finance Officer's Association for participation in the Certificate of Achievement for Excellence in Financial Reporting program.

This CAFR reflects our commitment to the citizens of Falls Church, the City Council, and all interested readers of this report to provide information in conformance with the highest standards of financial reporting.

Respectfully submitted,

F. Wyatt Shields
City Manager

John H. Tuohy, CPA
Chief Financial Officer

CITY OF FALLS CHURCH, VIRGINIA

DIRECTORY OF OFFICIALS

AT JUNE 30, 2009

CITY COUNCIL

Robin S. Gardner, *Mayor*

Harold "Hal" Lippman, *Vice Mayor*

Nader Baroukh

Daniel Maller

David E. Snyder

Daniel Sze

Lawrence Webb

CITY OFFICIALS

F. Wyatt Shields, *City Manager*

Cindy L. Mester, *Assistant City Manager*

John H. Tuohy, CPA, *Chief Financial Officer*

John Foster, *City Attorney*

Kathleen C. Buschow, *City Clerk*

Catherine Kaye, *City Treasurer*

Thomas D. Clinton, *Commissioner of Revenue*

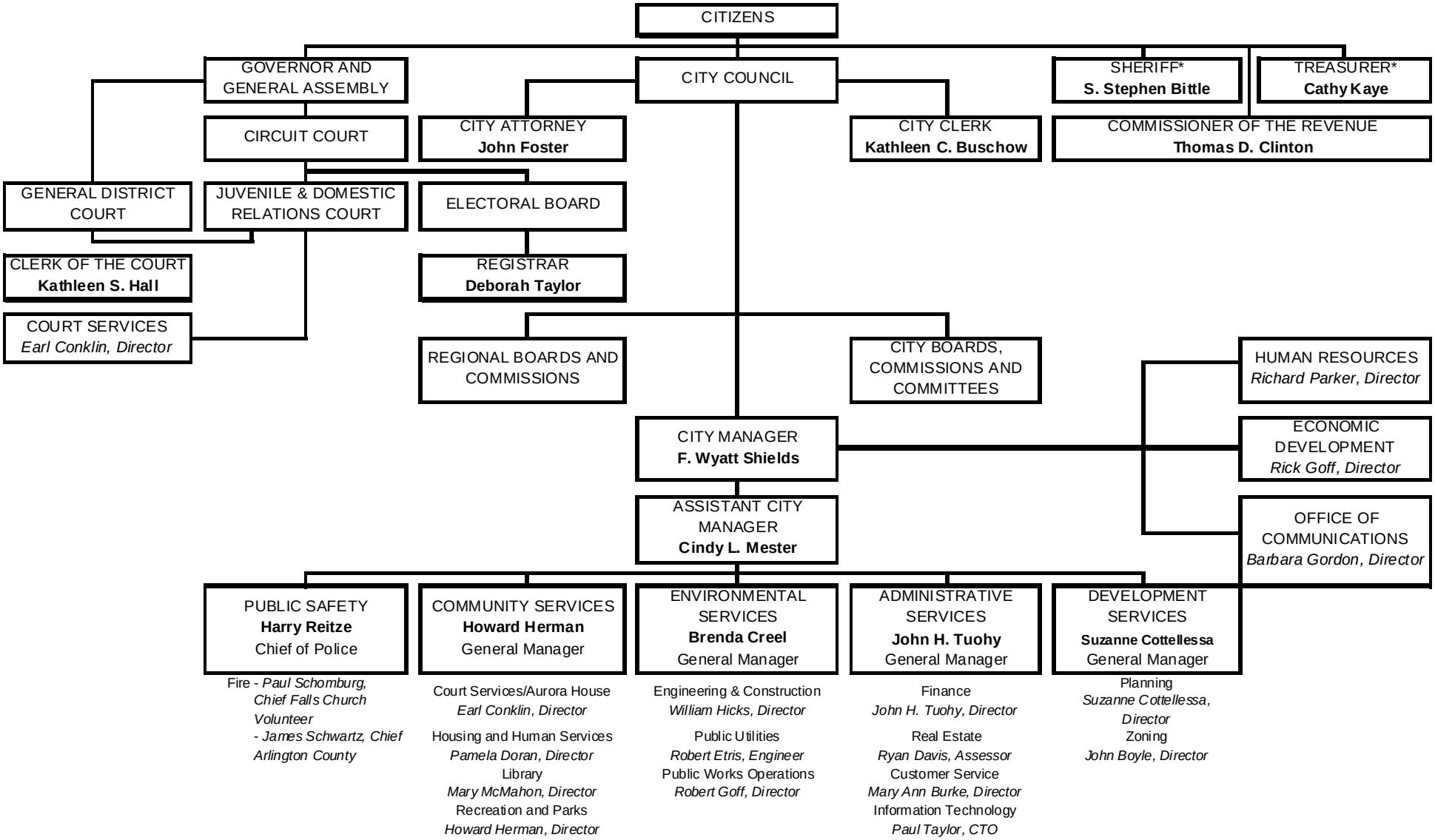
S. Stephen Bittle, *Sheriff*

Lois Berlin Ed.D., *Superintendent of Schools*

CITY OF FALLS CHURCH, VIRGINIA

ORGANIZATIONAL CHART

AS OF JUNE 30, 2009



*Constitutional Officers will participate in coordination with Public Safety and Administrative Teams

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Falls Church Virginia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2008

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

President

Executive Director

CITY OF FALLS CHURCH, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR JUNE 30, 2009

FINANCIAL SECTION

City of Falls Church City Hall

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CITY OF FALLS CHURCH, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR JUNE 30, 2009

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Cherry Hill Farmhouse
With its adjoining barn and park, the Cherry Hill Farmhouse is a historic family farm now being managed by the City's Recreation and Parks Division.

CITY OF FALLS CHURCH

CHERRY BEKAERT & HOLLAND
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

Independent Auditors' Report

To The Honorable Mayor and Members of the City Council
City of Falls Church, Virginia

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 the City of Falls Church, Virginia (the City), as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Falls Church, Virginia, as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards,* we have also issued our report dated November 30, 2009 on our consideration of the City's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and other required supplementary information as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and express no opinion thereon.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, other supplementary information in the financial section, and statistical section, as listed in the accompanying table of contents, are presented for purpose of additional analysis and are not a required part of the basic financial statements. The other supplementary information in the financial section 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. The introductory and statistical sections of this report have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we express no opinion on them.

Cherry, Bekaert & Holland, LLP

Vienna, Virginia
November 30, 2009

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FINANCIAL SECTION

MANAGEMENT'S DISCUSSION AND ANALYSIS

Civil War Day at Cherry Hill Park

This section of the City of Falls Church, Virginia's (the City) Comprehensive Annual Financial Report (CAFR) presents our discussion and analysis of the City's financial performance during the fiscal year that ended on June 30, 2009.

We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, and the basic financial statements and related notes, which are also contained in this CAFR.

FINANCIAL HIGHLIGHTS

HIGHLIGHTS FOR GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements report information about the City as a whole using the economic resources measurement focus and accrual basis of accounting.

- The City's total net assets (assets less liabilities) on a government-wide basis were $104.2 million at June 30, 2009. Of this balance, $98.3 million is the Primary Government's and $6.0 million is the component units'.
- For fiscal year 2009, taxes, other revenues, and transfers of the City's governmental activities amounted to $60.6 million and expenses amounted to $64.2 million, which resulted in a decrease in net assets for the City's governmental activities of $3.6 million. Revenues of the City's business-type activities were $24.9 million, expenses were $23.0 million, and transfers to general fund were 2.4 million, which resulted in a decrease in net assets for the City's business-type activities of approximately $0.5 million.

HIGHLIGHTS FOR FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the City's most significant funds using the current financial resources measurement focus and modified accrual basis of accounting for the City's governmental funds. The City's proprietary funds, the Water and Sewer funds, are also presented in the fund financial statements but are presented using the economic resources measurement focus and the accrual basis of accounting, the same basis of accounting used to prepare the government-wide financial statements.

- The City's governmental funds reported expenditures and other financing uses in excess of revenues and other financing sources of $6.3 million for the fiscal year.

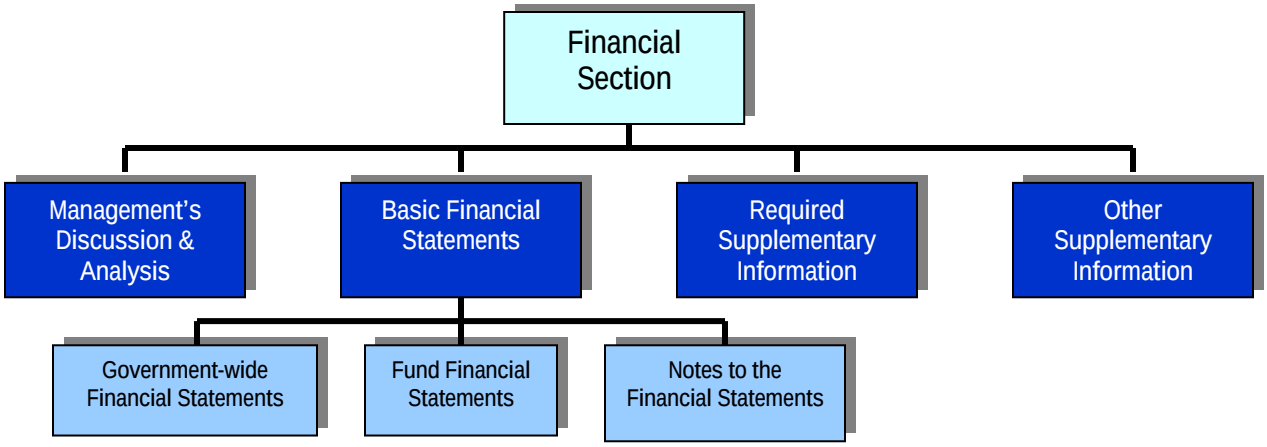
- The City's General Fund reported a fund balance of $4.2 million at June 30, 2009, a decrease of $7.2 million from June 30, 2008. The FY2009 budget had programmed a use of fund balance primarily for capital investments in the amount of $3.6 million.

- The City's Capital Projects Fund reported an increase in fund balance of $0.7 million, resulting in a balance of $5.9 million at June 30, 2009.

- The City's Water fund reported an increase in net assets of approximately $1.3 million and the City's Sewer fund reported a decrease of $1.8 million in 2009. In FY2009, the Sewer fund continued to contribute to Arlington County and Fairfax County towards the upgrade of their sewer treatment plants to bring them in compliance with current EPA standards. In FY2009, those contributions amounted to $2.3 million and $328 thousand to Arlington County and Fairfax County, respectively. Operating revenues of the Water Fund were higher than prior years' partially due to a full year's wholesale sales to the Town of Vienna.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of this annual report consists of four parts: (1) management's discussion and analysis (MD&A) presented here, (2) basic financial statements and related notes, (3) required supplementary information (RSI), and (4) other supplementary information.



The City's basic financial statements consist of two kinds of statements, each with a different view of the City's finances. The government-wide financial statements provide both long and short-term information about the City's overall financial position. The fund financial statements focus on the individual parts of the City's government, reporting the City's operations in more detail than the government-wide financial statements. The basic financial statements also include notes to explain information in the financial statements and provide more detailed data.

The statements and notes are followed by required supplementary information that contains data pertaining to the retirement systems. In addition to these required elements, the City includes other supplementary information such as combining and individual fund statements to provide details about the fiduciary funds, capital assets, and component units.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements report information about the City as a whole using the economic resources measurement focus and the accrual basis of accounting, which are similar to those used by private-sector businesses. In addition, they report the City's net assets and how they have changed during the fiscal year.

The first government-wide statement – the *Statement of Net Assets* – presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial health of the City is improving or deteriorating. Additionally, non-financial factors, such as a change in the City's property tax base or the condition of the City facilities, should be considered to assess the overall health of the City.

The second statement – the *Statement of Activities* – presents information showing how the City's net assets changed during the fiscal year. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when the cash is received or paid. This statement also highlights the extent to which City programs are able to cover their costs with user fees, contributions, and grants as opposed to being financed with general revenues of the City.

The government-wide financial statements are divided into three categories, as follows:

> Governmental Activities – Most of the City's basic services are reported here, including education; public safety; public works; judicial administration; health and welfare services; community development; economic development; parks, recreation, and

cultural programs; and general administration. These activities are financed primarily by property taxes, other local taxes, and federal and state grants. Included in the governmental activities are the governmental funds.

Business-type Activities – The City's business-type activities (the Water and Sewer funds) are reported here.

Discretely Presented Component Units – The City includes two other entities in its financial reporting entity: City of Falls Church Public School Board (School Board), and the Falls Church Economic Development Authority (EDA). Although legally separate, these component units are important because the City is financially accountable for them.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the City's most significant funds. Fund accounting is used to keep track of the specific sources of funding and spending for particular purposes, as well as ensure and demonstrate compliance with finance-related legal requirements. The City has the following three types of funds:

Governmental Funds – Most of the City's basic services are included in governmental funds, which focus on (1) how cash, and other financial assets that can readily be converted to cash, flow in and out and (2) the year-end balances that are available for spending. The governmental funds financial statements provide a detailed short-term or "current financial resources" 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. Because this information does not encompass the additional long-term or "economic resources" focus of the government-wide financial statements, additional information is provided with the fund financial statements to explain the relationship (or differences). The General Fund is the main operating fund of the City and consequently, the largest of the governmental funds. The other two governmental funds of the City are the capital projects fund and the affordable dwelling units fund. The capital projects fund is also considered a major governmental fund.

Proprietary Funds – Proprietary funds, which consist of two enterprise funds, are used to account for operations that are financed and operated in a manner similar to private business enterprises in which costs are recovered primarily through user charges. Proprietary fund financial statements, like the government-wide financial statements, provide both long and short-term financial information. The City's enterprise funds, the Water and Sewer funds, are the City's business-type activities reported in the government-wide statements. The fund financial statements provide more detail and additional information, such as cash flows, for the Water and Sewer funds.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support City programs. The City's fiduciary funds consist of post-retirement trust funds and agency funds. The post-retirement trust funds are used to account for the assets held in trust by the City for the employees and beneficiaries of its defined benefit pensions plans – the Basic Pension Plan and the Police Pension Plan – as well as other post-employment benefits, primarily health insurance and life insurance for City and School Board employees. The agency funds are used to account for monies received and disbursed on behalf of the Fairfax County Water Authority and the Northern Virginia Criminal Justice Academy.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

A comparative analysis of government-wide financial information is included in this report.

STATEMENT OF NET ASSETS

The following table presents a summary of the net assets of the primary government as of June 30, 2009 and 2008:

Summary of Net Assets
As of June 30, 2009 and 2008
($ In Thousands)

	2009		2008	
	Governmental Activities	Business-Type Activities	Governmental Activities	Business-Type Activities
Assets:				
Current and other assets	$ 40,921	$ 30,271	$ 48,614	$ 35,037
Capital assets, net	66,989	56,842	67,810	53,740
Total assets	107,910	87,113	116,424	88,777
Liabilities:				
Other liabilities	29,518	7,836	30,828	10,867
Long-term liabilities	41,899	17,506	45,506	15,646
Total liabilities	71,417	25,342	76,334	26,513
Net Assets:				
Invested in capital assets, net of related debt	27,502	54,442	25,613	51,078
Unrestricted	8,991	7,329	14,477	11,186
Total net assets	$ 36,493	$ 61,771	$ 40,090	$ 62,264

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position.

Current and other assets for governmental activities decreased by $7.7 million primarily due to investments in capital assets of $2.0 million and excess of expenditures over revenues of $3.4 million. Net capital assets for governmental activities decreased by $0.9 million during FY2009 due to depreciation expense exceeding the value of added assets. Current and other assets for business-type activities decreased by $4.8 million during FY2009 due to investments in capital assets of $4.2 million, a reduction in payables primarily to the Washington Aqueduct and Arlington County for capital contributions, in the amount of $3.2 million and excess of expenditures over revenues of $0.5 million.

Other liabilities for business-type activities decreased by $2.9 million largely due to a reduction in accounts payable as noted above. Long-term liabilities for governmental activities decreased by $3.6 million mainly as a result of bond principal payments, while long-term liabilities for business-type activities increased by $1.8 million as a result of a draw-down on a new line of credit for the Sewer Fund for $2 million, partially offset by repayment of existing debt.

During FY2009, the net assets invested in capital assets, net of related debt, increased for the City's governmental activities by $1.9 million and increased slightly for the business-type activities by $3.4 million. The increase in the governmental activities' investment in capital assets is primarily due to the repayment of principal on debt incurred prior to FY2009 and the increase in the business-type activities' net assets invested in capital assets is primarily due to investments in capital assets exceeding depreciation during FY2009.

Unrestricted net assets decreased by $5.5 million for governmental activities mainly due to revenues received being significantly lower than expected; especially real estate taxes which were estimated too high in the FY2009 budget process and sales taxes which were reduced by the Virginia Department of taxation as a result of a correction of long-term situs issues. This latter correction included a recapture of revenues for the prior three years in addition to the FY2009 correction. For the business-type activities, unrestricted net assets decreased by $3.9 million largely due to transfers to the City government and payments to Washington Aqueduct, Arlington County and Fairfax County for the City's share of their capital upgrade costs.

STATEMENT OF ACTIVITIES

The following table summarizes the changes in net assets for the primary government for the years ended June 30, 2009 and 2008:

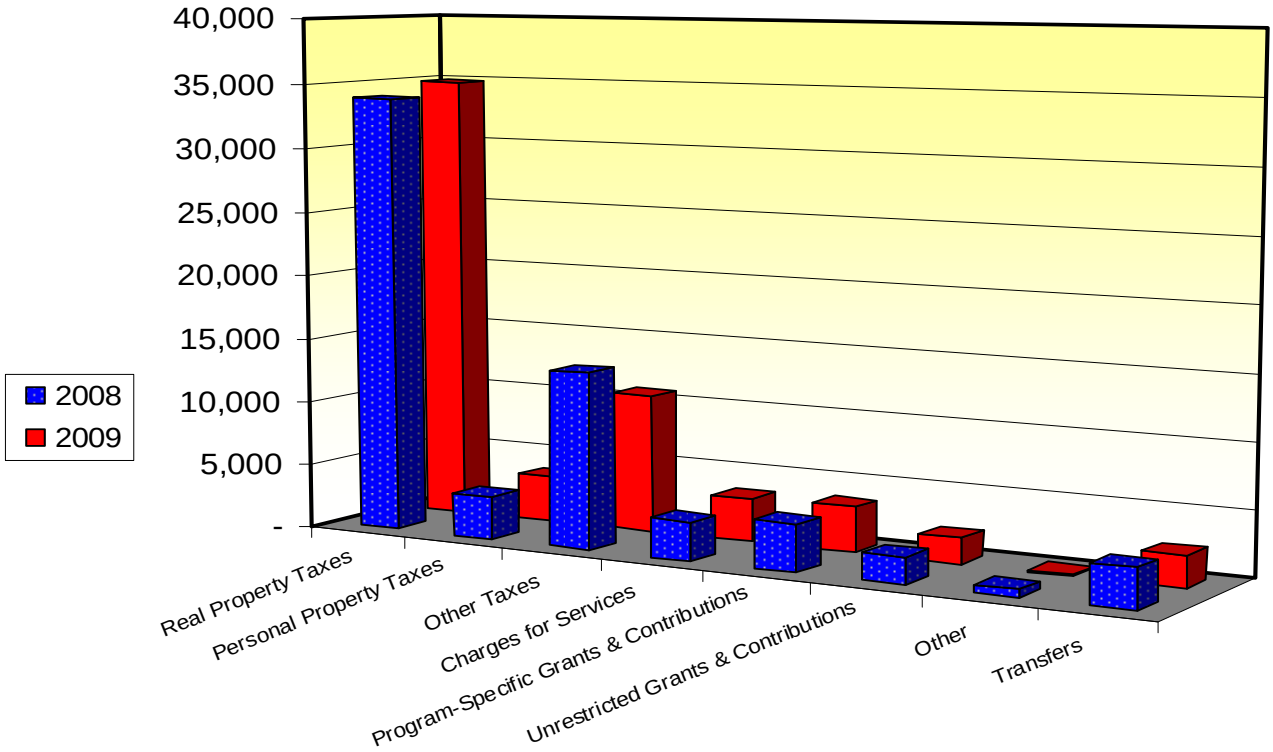
Summary of Changes in Net Assets
For the Fiscal Years Ended June 30, 2009 and 2008
($ In Thousands)

	2009		2008	
	Governmental Activities	Business-Type Activities	Governmental Activities	Business-Type Activities
Revenues:				
Program revenues:				
Charges for services	$ 3,358	$ 24,124	2,961	$ 22,795
Operating grants & contributions	3,545	-	3,538	-
Capital grants & contributions	1	236	101	480
General revenues:				
Real estate taxes	34,829	-	33,878	-
Personal property taxes	3,540	-	3,287	-
Business license taxes, based on gross receipts	2,819	-	3,139	-
Local sales & use taxes	2,042	-	3,962	-
Consumer's utility taxes	2,084	-	2,144	-
Motor vehicle decals	227	-	209	-
Recordation	447	-	712	-
Occupancy, tobacco, & other taxes	3,140	-	3,468	-
Unrestricted grants & contributions	2,021	-	2,039	-
Revenue from use of money and property	83	544	467	1,394
Other	57	18	133	10
Special item - gain/(loss) on sale of capital assets	(2)	(3)	5	(4)
Total revenues	58,191	24,919	60,043	24,675
Expenses:				
General government administration	5,160	-	5,483	-
Judicial administration	1,536	-	1,399	-
Public safety	8,860	-	8,196	-
Public works	5,669	22,340	6,490	36,298
Health and welfare	2,371	-	2,626	-
Education and payments to schools	31,372	-	30,879	-
Parks, recreation, and cultural	4,774	-	3,863	-
Community development	2,388	-	2,231	-
Economic development	400	-	386	-
Interest expense	1,662	668	1,714	456
Total expenses	64,192	23,008	63,267	36,754
Excess/(deficiency) before transfers	(6,001)	1,911	(3,224)	(12,079)
Transfers	2,404	(2,404)	3,076	(3,076)
Change in net assets	(3,597)	(493)	(148)	(15,155)
Net assets, beginning of year	40,090	62,264	40,238	77,419
Net assets, end of year	$ 36,493	$ 61,771	$ 40,090	$ 62,264

Governmental Activities

Revenues and transfers for the City's governmental activities were $60.6 million for fiscal year 2009 and $63.1 million for fiscal year 2008. Sources of revenue for fiscal year 2009 and 2008 are comprised of the following items:

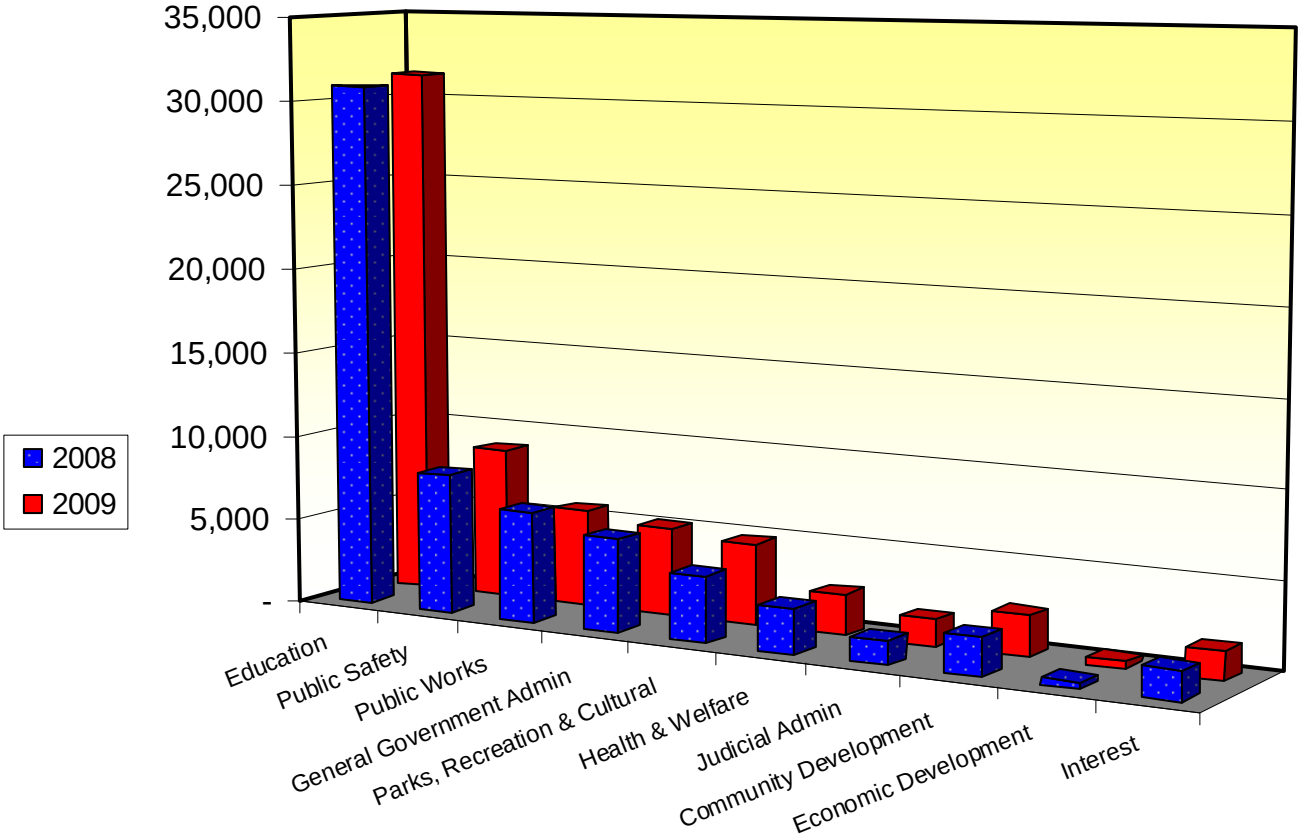
GOVERNMENTAL ACTIVITIES – REVENUES BY SOURCE
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND 2008
($ IN THOUSANDS)



Taxes constitute the largest source of City revenues, amounting to $49.1 million for fiscal year 2009 and $50.8 million for fiscal year 2008. Real property taxes ($34.8 million in fiscal year 2009 and $33.9 million in fiscal year 2008) represent over 70 percent in fiscal year 2009 and over 66 percent in fiscal year 2008 of tax revenues. The decline in other taxes is the result of a retroactive correction by the Virginia Department of Taxation for sales taxes that had been remitted to the City incorrectly due to a situs error affecting a number of businesses over many years. The correction was for the current year and $1.4 million for three years back. The City's sales tax collections will be permanently reduced as a result of this correction.

The cost of all governmental activities in fiscal year 2009 was $64.2 million, and in fiscal year 2008 was $63.3 million. Education was the City's largest program and highest priority in both fiscal years 2009 and 2008; education expenses totaled $31.4 million in fiscal year 2009 and $30.9 million in fiscal year 2008. Public safety expenses represent the second largest expense in both fiscal years, totaling $8.9 million in fiscal year 2009 and $8.2 million in fiscal year 2008. Public works expenses totaled $5.7 million for fiscal year 2009 and $6.5 million for 2008, representing the third largest expense for the City in both fiscal years.

GOVERNMENTAL ACTIVITIES – EXPENSES BY FUNCTION
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND 2008
($ IN THOUSANDS)



The following table presents the cost of each of the City's six largest programs – education, public safety, public works, general government administration, health and welfare, and parks, recreation and cultural - as well as each program's net cost (total cost less fees generated by the activities and program-specific intergovernmental aid).

Net Cost of City's Governmental Activities
For the Fiscal Years Ended June 30, 2009 and 2008
($ In Thousands)

	2009		2008	
Functions/Programs	**Total Cost**	**Net Cost**	**Total Cost**	**Net Cost**
Education and payments to schools	$ 31,372	31,356	$ 30,879	$ 30,879
Public safety	8,860	7,899	8,196	7,133
Public works	5,669	4,264	6,490	5,285
General government administration	5,160	4,679	5,483	4,967
Parks, recreation, and cultural	4,774	3,101	3,863	2,773
Health and welfare	2,371	2,090	2,626	2,457
Other	5,986	3,899	5,730	3,172
Total	$ 64,192	$ 57,288	$ 63,267	$ 56,666

Some of the cost of governmental activities was paid by those who directly benefited from the programs ($3.4 million in 2009 and $3.0 million in 2008) and other governments and organizations that subsidized certain programs with grants and contributions ($3.5 million in 2009 and $3.6 million in 2008). Of the $57.3 million net cost of services in 2009, the amount that our taxpayers paid for these activities through City taxes was $49.1 million. The remaining $8.2 million net cost was funded primarily by transfers from the Water and Sewer funds of $2.4 million. In fiscal year 2008, of the $56.7 million of net cost of services, the amount that our taxpayers paid through City taxes was $50.7 million, and the remaining net cost of $6 million was funded primarily by transfers from Water and Sewer funds of $3.1 million.

The net cost for education and payment to schools is the same as its total cost for the City. Other costs for education as well as program-specific revenues are reported in the component unit School Board.

Business-type Activities

The Water Fund reported an increase in net assets of $1.3 million for fiscal year 2009 and a decrease of $12.5 million for fiscal year 2008. In fiscal year 2009, total revenues and capital contributions of the Water Fund were $22.1 million and total costs and transfers were $20.8 million. In fiscal year 2008, total revenues and capital contributions were $21.9 million and total costs and transfers were $34.4 million. The Water Fund recovers its costs primarily through user charges. The increase in revenues and capital contributions were primarily due to higher availability fees received during FY2009 because of a single large development in the City's service area. The decrease in costs and transfers were primarily due to payments to the Department of Army Washington Aqueduct for the Water Fund's share of the costs to upgrade the residuals facility in FY2008 that did not recur in FY2009.

The Sewer Fund reported a decrease in net assets of $1.8 million for fiscal year 2009 and a decrease of $2.6 million for fiscal year 2008. In fiscal year 2009, total revenues of the Sewer Fund were $2.9 million as compared to total costs and transfers of $4.6 million. In fiscal year 2008, total revenues of the Sewer Fund were $2.8 million and total costs and transfers were $5.4 million. The Sewer Fund recovers its costs primarily through user charges. The increase in revenues and capital contributions were primarily due to higher availability fees received during FY2009 because of a single large development in the Sewer Fund's service area.

Highlights of the City's business-type activities for fiscal year 2009 are as follows:

- The Water Fund continues to make improvements to the water supply and distribution system by adding new water mains and pump stations, and replacing older ones, and renovating water tanks. The City invested $2.2 million in replacing and building new water mains and pump stations and $1.0 million in renovating water tanks.

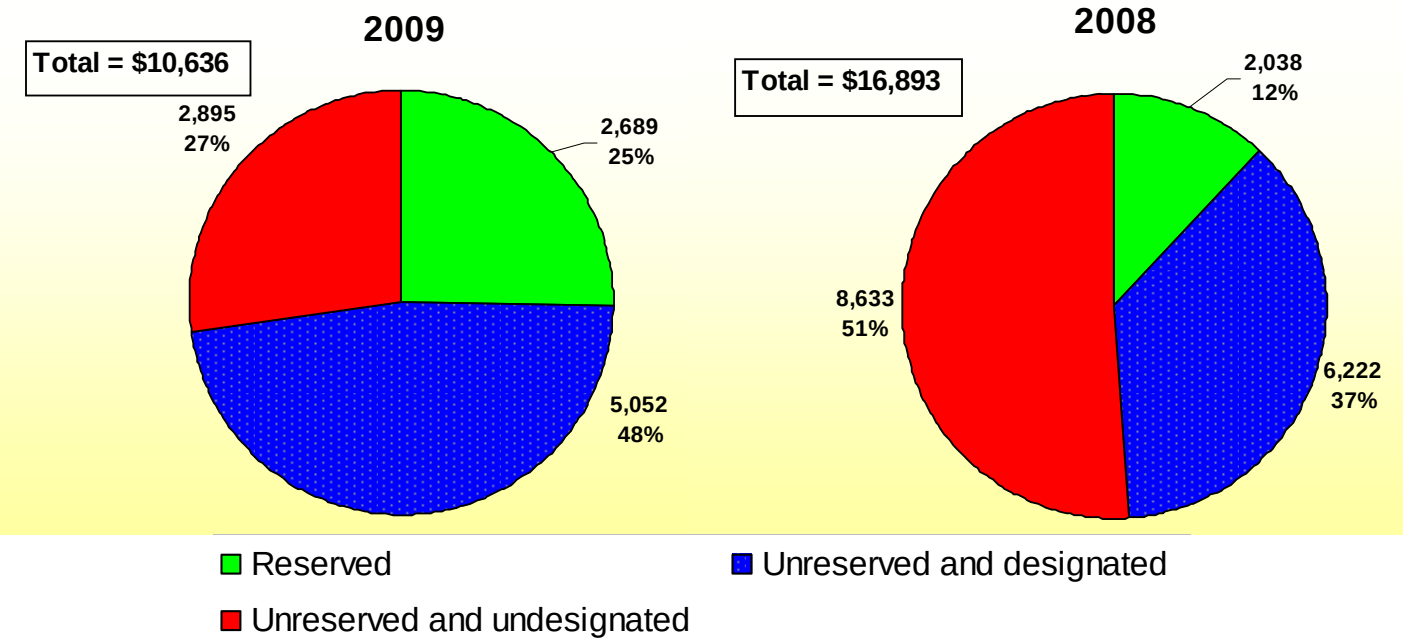
- Developers added to the distribution system in the amount of $0.2 million.

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

The following chart represents the components of City's governmental fund balances as of June 30, 2009 and 2008.

GOVERNMENTAL FUNDS – FUND BALANCES
AS OF JUNE 30, 2009 AND 2008
($ IN THOUSANDS)



Overall, the fund balance for all governmental funds decreased by approximately $6.2 million and $0.9 million for the fiscal years ended June 30, 2009 and 2008, respectively. In FY2009, total revenues and other financing sources were $62.0 million and total expenditures and other financing uses were $68.2 million. Total revenues and other financing sources were $67.1 million in FY2008 and expenditures and other financing uses were $68 million. The decrease in revenues and other financing sources of $5.2 million is mostly due to decrease in taxes of $2 million and that no bonds were issued in FY2009, as opposed to $2.5 million of bonds issued in FY2008. The decrease in taxes is primarily due to the reduction in receipts of sales taxes. In FY2009, the State of Virginia transferred approximately $1.4 million in sales taxes from the City to other jurisdictions. Expenditures and other financing uses increased by only $400 thousand.

The reserved amounts include fund balances that are not available for new spending because they have already been committed for items such as existing purchase orders and construction contracts.

The unreserved fund balance represents resources that are available for appropriation. Of this, the City Council designates certain amounts to be used for specific purpose. As of June 30, 2009 and 2008, the following amounts were designated:

Designated Fund Balances - Governmental Funds
As of June 30, 2009 and 2008
($ In Thousands)

Purpose	2009	2008
Construction and other capital improvements	$ 4,514	$ 4,643
Debt service for school capital improvement bonds	-	1,198
Affordable dwelling	538	381
	$ 5,052	$ 6,222

The City has three governmental funds: (1) the General Fund, (2) the Capital Projects Fund, and (3) the Affordable Dwelling Units Fund.

The General Fund is the main operating fund of the City. The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by the Proprietary Funds). The Affordable Dwelling Units Fund accounts for the City's planned investments in affordable housing. The ending General Fund unreserved, undesignated fund balance at June 30 was 4.7% of revenues, is below the Council adopted target of 8% - 12% of revenues. $1.2 million in fund balance designated for school construction debt service has been undesignated; the designation in FY2008 was not as a result of Council action and therefore the designation has been removed to reflect the funds being available for appropriation. Council may in the future elect to designate a portion of fund balance for School purposes. In addition, approximately $4.7 million in capital projects is currently being proposed to be defunded in FY2010. These two actions will restore the fund balance to greater than the maximum of the policy target (12%). However, projected revenue shortfalls in FY2010 is expected to reduce the fund balance to around the 8% minimum policy target.

The following shows the fund balances of these funds as of June 30, 2009 and 2008:

Fund Balances - Governmental Funds
As of June 30, 2009 and 2008
($ In Thousands)

	General Fund		Capital Projects Fund		Affordable Dwelling Unit Fund		Total	
	2009	2008	2009	2008	2009	2008	2009	2008
Reserved	$ 1,266	$ 1,495	$ 1,423	$ 543	$ -	$ -	$ 2,689	$ 2,038
Designated for construction	-	-	4,514	4,643	-	-	4,514	4,643
Designated for school construction debt service	-	1,198	-	-	-	-	-	1,198
Designated for affordable dwelling	-	-	-	-	538	381	538	381
Unreserved & undesignated	2,895	8,633	-	-	-	-	2,895	8,633
Total	$ 4,161	$ 11,326	$ 5,937	$ 5,186	$ 538	$ 381	$ 10,636	$ 16,893

The following shows the changes in the individual fund balances for fiscal years 2009 and 2008:

Changes in Fund Balances - Governmental Funds
For the Fiscal Years Ended June 30, 2009 and 2008
($ In Thousands)

	General Fund		Capital Projects Fund		Affordable Dwelling Unit Fund		Total*	
	2009	2008	2009	2008	2009	2008	2009	2008
Revenues and other financing sources	$ 61,777	$ 67,057	$ 2,304	$ 3,585	$ 157	$ 19	$ 61,950	$ 67,139
Expenditures and other financing uses	68,942	69,553	1,553	1,496	-	142	68,207	67,669
Special items	-	(376)	-	-	-		-	(376)
Changes in Fund Balances	(7,165)	(2,872)	751	2,089	157	(123)	(6,257)	(906)
Fund balance at beginning of year	11,326	14,198	5,186	3,097	381	504	16,893	17,799
Fund balance at end of year	$ 4,161	$ 11,326	$ 5,937	$ 5,186	$ 538	$ 381	$ 10,636	$ 16,893

*Transfers between funds have been eliminated in the Total columns.

Changes to the general fund are discussed in page 24.

The City's enterprise funds provide the same type of information found in the government-wide financial statements, as the basis of accounting is the same. Factors concerning finances of the Water and Sewer funds have already been addressed in the discussion of the City's business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

The final amended budget appropriations, which include expenditures and transfers out, exceeded the original budget by $2 million or 2.6 percent. $1.5 million consisted of carryover of commitments for projects that were not started or completed during FY2008.

The final amended budget revenues and transfers in were more than the original budget by $1.1 million or 1.4 percent. The change is mostly due to the reappropriation of grants and proceeds from bonds that were not fully spent in the prior year.

Actual revenues and other financing sources were less than final budget amounts by $13.1 million or 17.4 percent, and actual expenditures and other financing uses were $9.6 million or 12.3 percent less than final budget amounts. Highlights of the comparison of final budget to actual figures for the fiscal year ended June 30, 2009, include the following:

- Actual total tax revenues were less than budgeted amounts by $5.6 million. The differences are mainly in two areas – real estate taxes and sales taxes. Real estate tax estimates included in the FY2009 budget was projected $2.7 million higher. Sales taxes were lower by $2.6 million primarily due to a correction by the Virginia Department of Taxation of situs of a number of establishments formerly erroneously attributed to the City (including a retroactive recapture of three years' prior receipts) and the effect of general economic conditions on sales taxes and business taxes.

- Actual departmental expenditures were less than budgeted amounts by $3.4 million. Public Safety was below budget by $1.2 million largely due to anticipated federal grants not being received, resulting in the grant-related expenditures not being incurred, and due to the planned red light camera program not commencing during the fiscal year. Public Works was under budget by $0.9 million mostly due to projects that were not completed or started in FY2009. Other departments were below budget due to a mid-year expenditure and hiring freeze in anticipation of lower than budgeted revenues.

- In October 2008 City Council approved $800,000 in expenditure reductions to compensate for lower than budgeted tax receipts projected for the year. The budget was not amended, the reductions were transferred to a non-departmental reserve.

- Capital outlay was above budget due to the purchase of property in the amount of $650,000. This amount had been recorded as a reservation of fund balance in FY2008 in anticipation of the transaction.

- The budget reflected the intent to issue bonds in the amount of $6 million and pay related expenditures for a parking facility at the proposed City Center. The bonds were not issued due to the delay in the proposed development.

OTHER POST EMPLOYMENT BENEFITS (OPEB)

In addition to a defined benefit pension plan, the City offers post-retirement health and life insurance benefits to employees who qualify. Prior to FY2008, the costs of these benefits were recognized on a pay-as-you-go basis.

The Governmental Accounting Standards Board (GASB) issued accounting guidance for post employment benefits other than pensions in June 2004. These statements, No. 43 (*Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*) and No. 45 (*Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*) would have been required to be implemented by the City during FY2009. However, the City chose to early implement during FY2008. In addition, the City elected to establish a trust fund for OPEB and to contribute $2 million to the fund, resulting in an over funding of the required contribution. This over funding was done with the intent of realizing the returns normally associated with pension-like investments and thus reducing the

City's overall unfunded liability. Combined with a redesign on the benefit plan instituted during the year, this over funding is expected to significantly reduce future OPEB costs. See footnote V for additional information.

CAPITAL ASSETS AND LONG-TERM DEBT

The City's investment in capital assets as of June 30, 2009 and 2008, amounted to approximately $121.9 million and $121.5 million, respectively, (net of accumulated depreciation and amortization) as summarized in the following table:

Capital Assets
As of June 30, 2009 and 2008
($ In Thousands)

	2009			2008		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Land	$ 8,794	$ 2,595	$ 11,389	$ 8,089	$ 2,595	$ 10,684
Construction in progress	564	4,270	4,834	75	2,187	2,262
Buildings and system	63,367	89,186	152,553	63,058	86,426	149,484
Improvements other than buildings	4,817	74	4,891	4,780	62	4,842
Machinery and equipment	10,265	1,680	11,945	10,327	1,546	11,873
Intangibles	1,417	47	1,464	1,393	31	1,424
Infrastructure	9,243	-	9,243	9,243	-	9,243
Library collections	2,061	-	2,061	2,033	-	2,033
Accumulated depreciation	(33,539)	(41,010)	(74,549)	(31,189)	(39,108)	(70,297)
Total Capital Assets, Net	$ 66,989	$ 56,842	$ 123,831	$ 67,809	$ 53,739	$ 121,548

During fiscal year 2009, the City's net capital assets remained mostly unchanged due to depreciation being as much as new investments.

This year's major capital asset events included the following:

- Ongoing improvements to the water system's security features for approximately $0.5 million.
- Improvements and expansions to the water supply and distribution system for a total of $3.0 million. The major components of these additions were discussed in the discussion of the City's business-type activities.

See Note II.D in the notes to the financial statements for additional information pertaining to the city's capital assets.

LONG-TERM DEBT

The City maintains the following ratings related to tax-exempt securities; Aa2 from Moody's Investor Services, AA from Standard and Poor's Corporation and AA+ from Fitch Ratings.

The City's legal limit for outstanding debt is 10 percent of total assessed real property within the City, which is $3.5 billion in 2009 and $3.6 billion in 2008. The City's total long-term general obligation bonds of $56.4 million as of June 30, 2009 and $58.1 million as of June 30, 2008, are well within the limits set by the Constitution of the Commonwealth of Virginia.

The City Council has adopted a policy that sets a limit for outstanding debt at 5 percent of total assessed value of real property. In addition, annual debt service payments must be less than 12 percent of annual General Fund expenditures. As of June 30, 2009 and 2008, total debt outstanding was 1.6 percent and 1.7 percent, respectively, of assessed value of real property. General Fund debt

service payments were 7.9 percent of General Fund expenditures in FY2009 and 7.5 percent in FY2008. Both ratios are below the City's debt limit policy of 12% of General Fund expenditures.

In July 2009 the City issued $5.5 million in general obligation debt through the Virginia Resources Authority for projects related to the water system. It is the intent that these bonds be repaid from revenues of the system.

The following table shows a summary of the City's outstanding debt as of June 30, 2009 and 2008:

Outstanding Long-Term Debts
As of June 30, 2009 and 2008
($ In Thousands)

	2009			2008		
	Govern-mental Activities	Business-Type Activities	Total	Govern-mental Activities	Business-Type Activities	Total
General obligation bonds issued for:						
Schools	$ 30,462	$ -	$ 30,462	$ 32,697	$ -	$ 32,697
Community center	1,878	-	1,878	1,993	-	1,993
Fire station	2,712	-	2,712	2,878	-	2,878
City hall	1,430	-	1,430	2,115	-	2,115
Open space	614	-	614	716	-	716
Other	2,213		2,213	2,428	-	2,428
Water system improvements	-	12,125	12,125	-	12,820	12,820
Sewer system improvements	-	4,964	4,964	-	2,432	2,432
Note payable issued for:						
Open space	-	-	-	218	-	218
Capital leases and other	2,590	417	3,007	2,368	394	2,762
Total	$ 41,899	$ 17,506	$ 59,405	$ 45,413	$ 15,646	$ 61,059

See Note II.F in the notes to the financial statements for additional information relative to the City's long-term debt.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The following economic factors are reflected in the General Fund adopted budget for the fiscal year 2010:

- The percentage change in real property taxes for fiscal year 2010 was projected to be a decline of one percent as compared to 1.5 percent increase in fiscal year 2008. This was primarily due to a significant reduction in real estate assessments not fully offset by an increase in the tax rate. There will be little additional new construction in the City to offset the continued erosion in the market of existing properties, especially commercial properties.

- Through June 2009, the median sales price of new and existing single family housing units experienced an overall decline over fiscal year 2008 sales prices. The softening of the market is expected to continue for some time.

Per the fiscal year 2010 adopted budget, revenues are $66.8 million, a 1.7 percent decrease over the fiscal year 2009 level (excluding anticipated amounts from issuance of bonds and use of fund balance). A decrease in real property tax revenues accounts for 36 percent of the total General Fund revenue decrease in fiscal year 2010. Revenue from real property taxes will make up 55.8 percent of total revenues, as compared to 55.6 percent in fiscal year 2009. Other taxes account for 54 percent of the decrease in the General

Fund revenue. Except for payments from the Virginia department of transportation for road maintenance, revenue from the Commonwealth is expected to decline 15 percent due to budget reductions on the part of the State

Subsequent to the adoption of the FY2010, budget revenues have been reviewed and will be adjusted downward to reflect anticipated declines in real estate assessments for calendar 2010 of at least 7.5% and declines in other taxes and fees due to continued deterioration in economic conditions. The decline in revenues will be offset by reductions in expenditures of approximately $1.5 million and proposed defunding of capital projects of approximately $5.5 million.

Debt service payments will decrease approximately $165 thousand, a decrease of 3.11 percent, in FY2010 from FY2009 due to retirement of outstanding bonds.

Although the City's pension fund experienced smaller losses in asset values than the national average, these losses are significant. As a result, the City's obligation to fund the pension trust fund is projected to increase over the next several years. Absent a major recovery in the financial markets, the basic plan will increase from 7% of covered payroll in FY2010 to over 20% by FY2013 and the Police plan will increase from 15% to approximately 37% of covered payroll. Contributions to the Virginia Retirement System, which covers Constitutional Officers and the majority of School Division employees, are subject to action by the General Assembly. These contributions are expected to increase over the next several years, however the exact amounts are not known at this time.

Pressures on the City budget due to the uncertainties of State aid and the additional resources required to maintain a safe community will continue to be a challenge.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide the citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional information, contact the City of Falls Church, Division of Finance, 300 Park Avenue, Falls Church, VA 22046.

Respectfully submitted,

John H. Tuohy, CPA
General Manager, Chief Financial Officer

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FINANCIAL SECTION

BASIC FINANCIAL STATEMENTS

The Mary Riley Stiles Public Library
The library opened its doors at its present location in 1958. It houses a collection of over 100,000 titles including books, compact discs, audio and video cassettes, and a local history collection.

EXHIBIT I

CITY OF FALLS CHURCH, VIRGINIA
STATEMENT OF NET ASSETS
As of June 30, 2009

	Primary Government			Component Units		
	Governmental Activities	Business-Type Activities	Total	School Board	Economic Development	Total Component Units
ASSETS						
Cash and cash equivalents	$ 11,636,603	$ 20,433,117	$ 32,069,720	$ 3,272,460	$ 172,820	$ 3,445,280
Investments	-	2,805,227	2,805,227	-	-	-
Receivables, net	25,428,155	6,357,615	31,785,770	69,165	-	69,165
Internal balances	2,054,641	(2,054,641)	-	-	-	-
Due from fiduciary funds	-	-	-	109,237		109,237
Due from primary government	-	-	-	3,889,424	-	3,889,424
Due from other governmental units	808,838	-	808,838	368,470	-	368,470
Prepaids	21,144	-	21,144	274,593	-	274,593
Inventories	182,648	385,247	567,895	-	-	-
Temporarily restricted cash and cash equivalents	350,776	-	350,776	-	-	-
Deferred OPEB charges	354,827	196,313	551,140	407,161	-	407,161
Deferred bond issuance cost, net	84,272	92,589	176,861	-	-	-
Capital assets:						
Non-depreciable	9,358,784	6,865,056	16,223,840	1,273,354	517,255	1,790,609
Depreciable, net of accumulated depreciation	57,629,749	49,977,347	107,607,096	2,073,573	-	2,073,573
Total capital assets, net	66,988,533	56,842,403	123,830,936	3,346,927	517,255	3,864,182
Total Assets	107,910,437	85,057,870	192,968,307	11,737,437	690,075	12,427,512
LIABILITIES						
Accounts payable and accrued expenses	2,783,735	5,585,873	8,369,608	5,230,465	-	5,230,465
Accrued interest payable	642,254	195,859	838,113	-	-	-
Due to primary government	-	-	-	-	19,333	19,333
Due to component units	3,870,091	-	3,870,091	-	-	-
Due to fiduciary funds	382,956	-	382,956	-	-	-
Unearned revenue	20,726,342	-	20,726,342	-	-	-
Customer deposits	1,112,736	-	1,112,736	-	-	-
Noncurrent liabilities:						
Portion due or payable within one year	5,040,163	1,240,326	6,280,489	576,680	-	576,680
Due in more than one year	36,859,119	16,265,483	53,124,602	637,585	-	637,585
Total Liabilities	71,417,396	23,287,541	94,704,937	6,444,730	19,333	6,464,063
NET ASSETS						
Invested in capital assets, net of related debt	27,502,320	54,441,063	81,943,383	3,134,729	517,255	3,651,984
Unrestricted	8,990,721	7,329,266	16,319,987	2,157,978	153,487	2,311,465
Total Net Assets	$ 36,493,041	$ 61,770,329	$ 98,263,370	$ 5,292,707	$ 670,742	$ 5,963,449

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

EXHIBIT II

CITY OF FALLS CHURCH, VIRGINIA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2009

		Program Revenue			Net (Expense) Revenue and Changes in Net Assets					
					Primary Government			Component Units		
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Governmental Activities**	**Business-Type Activities**	**Total**	**School Board**	**Economic Development Authority**	**Total Component Units**
Primary Government:										
Governmental activities:										
General government	$ 5,160,721	$ 110,649	$ 371,444	$ -	$ (4,678,628)		$ (4,678,628)			
Judicial administration	1,535,844	1,039,920	215,673	-	(280,251)		(280,251)			
Public safety	8,860,226	510,075	450,777	-	(7,899,374)		(7,899,374)			
Public works	5,669,536	258,259	873,352	1,156	(4,536,769)		(4,536,769)			
Health and welfare	2,371,068	110	281,127	-	(2,089,831)		(2,089,831)			
Education and payment to schools	31,371,993	-	15,692	-	(31,356,301)		(31,356,301)			
Parks, receration, and cultural	4,774,375	1,398,036	275,170	-	(3,101,169)		(3,101,169)			
Community development	2,387,992	41,388	40,315	-	(2,306,289)		(2,306,289)			
Economic development	399,505	-	-	-	(399,505)		(399,505)			
Interest expense	1,661,998	-	1,021,812	-	(640,186)		(640,186)			
Total governmental activities	64,193,258	3,358,437	3,545,362	1,156	(57,288,303)		(57,288,303)			
Business-type activities:										
Water	18,412,489	21,366,915	-	233,178		$ 3,187,604	3,187,604			
Sewer	4,596,335	2,755,257	-	3,477		(1,837,601)	(1,837,601)			
Total business-type activities	23,008,824	24,122,172	-	236,655		1,350,003	1,350,003			
Total Primary Government	$ 87,202,082	$ 27,480,609	$ 3,545,362	$ 237,811	$ (57,288,303)	$ 1,350,003	$ (55,938,300)			
Component Units:										
Education	$ 37,537,624	$ 1,924,668	$ 5,744,925	$ -				$(29,868,031)	$ -	$(29,868,031)
Economic development	97,833	22,530	-	-				-	(75,303)	(75,303)
Total Component Units	$ 37,635,457	$ 1,947,198	$ 5,744,925	$ -				$(29,868,031)	$ (75,303)	$(29,943,334)
General Revenues:										
Taxes:										
Real property					$ 34,828,753	$ -	$ 34,828,753	$ -	$ -	$ -
Personal property					3,539,667	-	3,539,667	-	-	-
Business licenses, based on gross receipts					2,819,183	-	2,819,183	-	-	-
Local sales and use					2,042,219	-	2,042,219	-	-	-
Consumer's utility					2,084,240	-	2,084,240	-	-	-
Motor vehicle decals					226,978	-	226,978	-	-	-
Real estate recordation taxes					446,906	-	446,906	-	-	-
Occupancy, tobacco, and other					3,139,911	-	3,139,911	-	-	-
Grants and contributions not restricted to specific programs					2,020,878	-	2,020,878	-	-	-
Revenue from use of money and property					83,428	356,324	439,752	128,850	16,037	144,887
Payment from primary government					-	-	-	29,638,522	-	29,638,522
Other					56,721	206,680	263,401	32,892	-	32,892
Special item - gain/(loss) on sale of capital asset					(1,562)	(2,544)	(4,106)	(5,192)	-	(5,192)
Transfers:										-
Payments in lieu of taxes					150,000	(150,000)	-	-	-	-
Management fee					2,254,041	(2,254,041)	-	-	-	-
Total General Revenues, Special Items, and Transfers					53,691,363	(1,843,581)	51,847,782	29,795,072	16,037	29,811,109
Change in net assets					(3,596,940)	(493,578)	(4,090,518)	(72,959)	(59,266)	(132,225)
Net Assets - Beginning of Year, As Restated for the School Board					40,089,981	62,263,907	102,353,888	5,365,666	730,008	6,095,674
Net Assets - Ending of Year					$ 36,493,041	$ 61,770,329	$ 98,263,370	$ 5,292,707	$ 670,742	$ 5,963,449

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

EXHIBIT III

CITY OF FALLS CHURCH, VIRGINIA
BALANCE SHEET
GOVERNMENTAL FUNDS
As of June 30, 2009

	General Fund	Capital Improvement Project	Other Governmental Funds (Affordable Dwelling Unit)	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$ 6,955,312	$ 4,263,492	$ 417,799	$ 11,636,603
Receivables, net	23,308,154	-	120,000	23,428,154
Notes receivable	2,000,000	-	-	2,000,000
Receivable from other governmental units	808,838	-	-	808,838
Due from other funds	-	1,990,642	-	1,990,642
Prepaid expenses	21,144	-	-	21,144
Inventories	182,648	-	-	182,648
Restricted assets:				
Cash and cash equivalents	350,776	-	-	350,776
Total Assets	$ 33,626,872	$ 6,254,134	$ 537,799	$ 40,418,805
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	$ 2,466,945	$ 316,789	$ -	$ 2,783,734
Deferred revenue	21,697,306	-	-	21,697,306
Customer deposits	1,112,736	-	-	1,112,736
Due to other funds	4,189,047	-	-	4,189,047
Total liabilities	29,466,034	316,789	-	29,782,823
Fund Balances				
Reserved for:				
Inventories	182,648	-	-	182,648
Encumbrances	1,062,058	1,423,401	-	2,485,459
Prepaid items	21,144	-	-	21,144
Unreserved, reported in non-major:				
General Fund:				
Undesignated	2,894,988	-	-	2,894,988
Capital Projects Fund:				
Designated for construction	-	4,513,944	-	4,513,944
Affordable Dwelling Unit Fund				
Designated for affordable dwelling units	-	-	537,799	537,799
Total fund balances	4,160,838	5,937,345	537,799	10,635,982
Total Liabilities and Fund Balances	$ 33,626,872	$ 6,254,134	$ 537,799	$ 40,418,805

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

EXHIBIT IV

CITY OF FALLS CHURCH, VIRGINIA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
As of June 30, 2009

Total fund balance, governmental funds		$ 10,635,982
Amounts reported for governmental activities in the Statement of Net Assets (Exhibit I) are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental fund financial statements, but are reported in the governmental activities of the Statement of Net Assets:		
Governmental capital assets	100,527,572	
Less accumulated depreciation	(33,539,039)	66,988,533
Some of the City's receivables will not be collected soon enough to pay for the current period's expenditures and, therefore, are reported as deferred revenue in the funds:		
Delinquent property taxes (net of allowances)		970,963
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds		
General obligation bonds payable	(39,309,481)	
Premium, discounts and refundings, net of accumulated amortization	(840,129)	
Deferred amount on refunding, net of accumulated amortization	340,619	
Compensated absences	(2,057,359)	
Capital leases payable	(32,932)	(41,899,282)
Interest on long-term liabilities is not accrued in the governmental funds, but is recognized as an expenditure when due.		(642,254)
Deferred OPEB charges reported in governmental activities use current financial resources and therefore are reported as expenditures in the governmental fund financial statements but are reported as an asset in the governmental activities of the Statement of Net Assets.		354,827
Certain costs associated with the sale of bonds use current financial resources and therefore are reported as expenditures in the governmental fund financial statements but are reported as deferred charges in the governmental activities of the Statement of Net Assets and is amortized over the life of the bond.		84,272
Net Assets of Governmental Activities in the Statement of Net Assets		$ 36,493,041

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

EXHIBIT V

CITY OF FALLS CHURCH, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2009

	General Fund	Capital Improvement Project	Other Governmental Funds (Affordable Dwelling Unit)	Total Governmental Funds
REVENUES				
Property Taxes	$ 38,456,297	$ -	$ -	$ 38,456,297
Other local taxes	10,759,416	-	-	10,759,416
Permit, privilege fees, and regulatory licenses	322,639	-	-	322,639
Fines and forfeitures	481,319	-	-	481,319
Revenue from use of money and property	76,788	-	6,640	83,428
Charges for services	2,387,814	-	-	2,387,814
Miscellaneous	65,129	-	-	65,129
Gifts and contributions	1,077,739	15,692	150,000	1,243,431
Recovered costs	1,429,477	-	-	1,429,477
Intergovernmental:				
Commonwealth	4,013,417	-	-	4,013,417
Federal	304,030	-	-	304,030
Total Revenues	59,374,065	15,692	156,640	59,546,397
EXPENDITURES				
Current:				
General government	5,874,181	-	-	5,874,181
Judicial Administration	1,459,252	-	-	1,459,252
Public safety	8,513,351	-	-	8,513,351
Public works	5,478,550	-	-	5,478,550
Health and welfare	2,371,178	-	-	2,371,178
Education and payments to Schools	29,670,612	-	-	29,670,612
Parks, recreation and culture	4,359,681	-	-	4,359,681
Community development	2,227,411	-	-	2,227,411
Economic development	398,893	-	-	398,893
Capital outlay	844,700	1,553,384	-	2,398,084
Debt service:				
Principal retirement	3,776,678	-	-	3,776,678
Interest and other fiscal charges	1,679,629	-	-	1,679,629
Total Expenditures	66,654,116	1,553,384	-	68,207,500
Deficiency of revenues over expenditures	(7,280,051)	(1,537,692)	156,640	(8,661,103)
OTHER FINANCING SOURCES/(USES)				
Transfer from Enterprise Funds	2,404,041	-	-	2,404,041
Transfers in/(out)	(2,288,480)	2,288,480	-	-
Total Other Financing Sources/(Uses)	115,561	2,288,480	-	2,404,041
Net Change in Fund Balances	(7,164,490)	750,788	156,640	(6,257,062)
Fund Balances at beginning of year	11,325,328	5,186,557	381,159	16,893,044
Fund Balances at end of year	$ 4,160,838	$ 5,937,345	$ 537,799	$ 10,635,982

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

EXHIBIT VI

CITY OF FALLS CHURCH, VIRGINIA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
As of June 30, 2009

Net change in fund balances - total governmental funds		$ (6,257,062)
Amounts reported for Governmental Activities in the Statement of Activities (Exhibit III) are different because:		
Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.		
Expenditures for capital assets	1,996,821	
Less current year depreciation and amortization	(2,819,371)	(822,550)
Governmental funds report outlays for the funding of other post-employement benefit liabilities. Governmental activities recognize an expense for the amortization of prior overpayments in addition to the annual required contribution (ARC) in the governmental activities of the Statement of Changes in Net Assets		(21,349)
Governmental funds report the entire net sales price (proceeds) from sale of an asset as revenue because it provides current financial resources. In contrast, the Statement of Activities reports only the gain on the sale of the assets. Thus, the change in net assets differs from the change in fund balance by the cost of the asset sold.		(26,290)
Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned.		
Decrease in deferred revenue related to taxes		(87,871)
The issuance of long-term debt (e.g., bonds and capital leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term liabilities in the Statement of Net Assets, but these transactions do not affect the Statement of Activities. In addition, certain debt-issue related costs and proceeds provide and use current financial resources to governmental funds, however, only a portion of those are recognized as a component of interest expense every year:		
Current period amortization on premiums and discounts on issuance and refunding of bonds	42,167	
Current period amortization of bond issuance costs	(8,642)	
Current period amortization of deferred amount on refunding	(35,650)	
Principal payments on bonds and notes payable	3,735,799	
Principal payments on capital leases	40,878	3,774,552
Certain 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:		
Change in compensated absence liability	(176,124)	
Change in accrued interest liability	19,754	(156,370)
Change in Net Assets of Governmental Activities in the Statement of Activities		$ (3,596,940)

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

EXHIBIT VII

CITY OF FALLS CHURCH, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2009

	Budgeted Amounts			Variance with Final Budget - Positive
	Original	Final	Actual	(Negative)
REVENUES				
Property Taxes	$ 41,144,936	$ 41,144,936	$ 38,456,297	$ (2,688,639)
Other local taxes	13,670,162	13,670,162	10,759,416	(2,910,746)
Permit, privilege fees, and regulatory licenses	915,624	915,624	322,639	(592,985)
Fines and forfeitures	879,500	879,500	481,319	(398,181)
Revenue from use of money and property	657,800	657,800	76,788	(581,012)
Charges for services	2,027,542	2,277,542	2,387,814	110,272
Miscellaneous	30,000	30,000	65,127	35,127
Gifts and contributions	579,000	696,962	1,077,739	380,777
Recovered costs	1,446,761	1,446,761	1,429,477	(17,284)
Intergovernmental:				
Commonwealth	3,553,919	3,651,794	4,013,417	361,623
Federal	145,160	733,811	304,030	(429,781)
Total Revenues	65,050,404	66,104,892	59,374,063	(6,730,829)
EXPENDITURES				
Current:				
General government	6,312,255	6,219,625	5,874,178	345,447
Judicial Administration	1,593,199	1,611,345	1,459,252	152,093
Public safety	9,431,994	9,742,015	8,513,351	1,228,664
Public works	5,828,163	6,390,615	5,478,550	912,065
Health and welfare	2,551,006	2,543,759	2,371,178	172,581
Education and payments to Schools	30,021,980	29,670,980	29,670,612	368
Parks, recreation and culture	4,301,586	4,689,946	4,359,681	330,265
Community development	2,294,939	2,538,004	2,227,411	310,593
Economic development	422,269	426,701	398,893	27,808
Reserve for contingency	40,000	800,067	-	800,067
Capital outlay	-	296,370	844,700	(548,330)
Debt service:				
Principal retirement	3,653,434	3,653,434	3,776,678	(123,244)
Interest and other fiscal charges	1,661,662	1,661,662	1,679,629	(17,967)
Total Expenditures	68,112,487	70,244,523	66,654,113	3,590,410
Excess (deficiency) of revenues over expenditures	(3,062,083)	(4,139,631)	(7,280,050)	(3,140,419)
OTHER FINANCING SOURCES (USES)				
Transfer from Enterprise Funds	2,844,582	2,844,582	2,404,041	(440,541)
Transfers in/(out)	(8,401,480)	(8,288,480)	(2,288,480)	6,000,000
Proceeds from issuance of bonds	6,000,000	6,000,000	-	(6,000,000)
Total other financing sources and uses	443,102	556,102	115,561	(440,541)
Net change in fund balances	(2,618,981)	(3,583,529)	(7,164,489)	(3,580,960)
Fund balances - beginning	11,325,328	11,325,328	11,325,328	-
Fund balances - ending	$ 8,706,347	$ 7,741,799	$ 4,160,839	$ (3,580,960)

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

EXHIBIT VIII

CITY OF FALLS CHURCH, VIRGINIA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
As of June 30, 2009

	Business-Type Activities - Enterprise Funds		
	Water	Sewer	Total
ASSETS			
Current:			
Cash and cash equivalents	$ 14,493,411	$ 5,939,706	$ 20,433,117
Investments, at Fair Value	2,805,227	-	2,805,227
Receivables, net:			
Billed and other	1,554,353	415,262	1,969,615
Unbilled	3,800,000	588,000	4,388,000
Inventories	380,889	4,358	385,247
Total current assets	23,033,880	6,947,326	29,981,206
Non-current assets:			
Deferred OPEB charges	177,176	19,137	196,313
Deferred bond issuance cost, net	92,589	-	92,589
Capital assets:			
Non-depreciable	6,865,056	-	6,865,056
Depreciable, net	46,789,123	3,188,224	49,977,347
Total non-current assets	53,923,944	3,207,361	57,131,305
Total Assets	76,957,824	10,154,687	87,112,511
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	4,690,237	895,636	5,585,873
Due to other funds	1,594,218	460,423	2,054,641
Accrued interest payable	145,343	50,516	195,859
Bonds payable	735,000	143,047	878,047
Accrued compensated absences	347,909	14,370	362,279
Total current liabilities	7,512,707	1,563,992	9,076,699
Noncurrent liabilities:			
Bonds payable, net of current amount	11,390,000	4,820,583	16,210,583
Discounts and premiums on bonds payable, net	(27,962)	-	(27,962)
Compensated absences, net of current amount	76,580	6,282	82,862
Total Liabilities	18,951,325	6,390,857	25,342,182
NET ASSETS			
Invested in capital assets, net of related debt	51,252,839	3,188,224	54,441,063
Unrestricted	6,753,660	575,606	7,329,266
Total net assets	$ 58,006,499	$ 3,763,830	$ 61,770,329

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

EXHIBIT IX

CITY OF FALLS CHURCH, VIRGINIA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
For the Year Ended June 30, 2009

	Business-Type Activities - Enterprise Funds		
	Water	Sewer	Total
Operating Revenues:			
Charges for services	$ 19,863,949	$ 2,469,671	$ 22,333,620
Rentals	188,319	-	188,319
Miscellaneous	18,301	60	18,361
Total Operating Revenues	20,070,569	2,469,731	22,540,300
Operating Expenses:			
Source of supply	7,718,846	-	7,718,846
Distribution system	1,930,406	-	1,930,406
Collection and disposal	-	1,489,465	1,489,465
Water connections	551,577	-	551,577
Administration	5,374,008	259,317	5,633,325
Depreciation	1,852,838	78,378	1,931,216
Total Operating Expenses	17,427,675	1,827,160	19,254,835
Operating income (loss)	2,642,894	642,571	3,285,465
NON-OPERATING REVENUES (EXPENSES)			
Availability fees	1,502,966	285,586	1,788,552
Interest and investment revenue	246,984	109,340	356,324
Loss on disposition of capital assets	(2,544)	-	(2,544)
Interest expense	(550,564)	(117,023)	(667,587)
Payments to the Department of Army for the Residuals project	(434,250)	-	(434,250)
Payments to Arlington County for the Sewer Treatment Plant upgrade	-	(2,323,844)	(2,323,844)
Payments to Fairfax County for the Sewer Treatment Plant upgrade	-	(328,308)	(328,308)
Total Non-Operating Expense	762,592	(2,374,249)	(1,611,657)
Income Before Contributions and Transfers	3,405,486	(1,731,678)	1,673,808
Capital contributions	233,178	3,477	236,655
Transfers to General Fund:			
Payments in lieu of taxes	(110,000)	(40,000)	(150,000)
Management fee	(2,254,041)	-	(2,254,041)
Change in net assets	1,274,623	(1,768,201)	(493,578)
Total net assets at beginning of year	56,731,876	5,532,031	62,263,907
Total net assets at end of year	$ 58,006,499	$ 3,763,830	$ 61,770,329

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

CITY OF FALLS CHURCH, VIRGINIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2009

	Business-Type Activities - Enterprise Funds		
	Water	Sewer	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	$ 19,395,940	$ 2,443,737	$ 21,839,677
Payments to suppliers	(10,501,826)	(1,205,934)	(11,707,760)
Payments to employees	(4,217,976)	(245,770)	(4,463,746)
Payments for interfund services used	(182,028)	(16,754)	(198,782)
Net Cash Provided by Operating Activities	4,494,110	975,279	5,469,389
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES			
Issuance of noncapital loan	-	2,668,431	2,668,431
Payments of principal on noncapital loan	(434,614)	(137,211)	(571,825)
Payments of interest on noncapital loan	(446,632)	(78,970)	(525,602)
Payments in lieu of taxes	(110,000)	(40,000)	(150,000)
Management fee transfer to General Fund	(2,926,174)	-	(2,926,174)
Payments to the Department of Army for the Residuals project	(1,133,738)	-	(1,133,738)
Payments to Arlington County for the Sewer Treatment Plant upgrade	-	(4,820,410)	(4,820,410)
Payments to Fairfax County for the Sewer Treatment Plant upgrade	-	(328,308)	(328,308)
Net Cash Used in NonCapital and Related Financing Activities	(5,051,157)	(2,736,468)	(7,787,625)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Receipts from customers for availability fees	1,502,966	285,586	1,788,552
Acquisition and construction of capital assets	(4,189,346)	(585,149)	(4,774,495)
Payments of principal on construction and acquisition loan	(260,386)	-	(260,386)
Payments of interest on construction and acquisition loan	(103,596)	-	(103,596)
Net Cash Used In Capital and Related Financing Activities	(3,050,362)	(299,563)	(3,349,925)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments	(2,807,619)	-	(2,807,619)
Proceeds from sale of investments	3,500,000	-	3,500,000
Interest and dividends received	290,352	109,340	399,692
Net Cash Provided by Investing Activities	982,733	109,340	1,092,073
Net Decrease in Cash and Cash Equivalents	(2,624,676)	(1,951,412)	(4,576,088)
Cash and Cash Equivalents, Beginning of Year	17,118,087	7,891,118	25,009,205
Cash and Cash Equivalents, End of Year	$ 14,493,411	$ 5,939,706	$ 20,433,117
Reconciliation of Operating Income to Net Cash Used in Operating Activities:			
Operating income (loss)	$ 2,642,894	$ 642,571	3,285,465
Adjustments to reconcile operating income (loss) to net cash provided by operating activities			
Depreciation expense	1,852,838	78,378	1,931,216
Bad debt expense	185,000	22,000	207,000
Changes in operating assets and liabilities:			
(Increase)/decrease in:			
Accounts receivable	(752,225)	(27,097)	(779,322)
Inventory	(45,207)	205	(45,002)
Deferred OPEB Charges	3,382	(1,871)	1,511
Increase/(decrease) in:			
Accounts payable and accrued liabilities	(1,739,291)	(204,886)	(1,944,177)
Accrued compensated absences	17,364	3,223	20,587
Due to other funds	2,329,355	462,756	2,792,111
Total adjustments	1,851,216	332,708	2,183,924
Net Cash Provided by Operating Activities	$ 4,494,110	$ 975,279	$ 5,469,389
Supplemental Schedule of Noncash Investing, Capital and Financing Activities:			
Contributions of capital assets	$ 233,178	$ 3,477	$ 236,655
Gain or (loss) on disposal of capital assets	$ (2,544)	$ -	$ (2,544)
Decrease in fair value of investments	$ (2,392)	$ -	$ (2,392)

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

EXHIBIT XI

CITY OF FALLS CHURCH, VIRGINIA
STATEMENT OF FIDUCIARY NET ASSETS
As of June 30, 2009

	Post-Employment Trust Funds	Agency Funds
ASSETS		
Cash and cash equivalents	$ 2,799,405	$ 2,561,909
Investments:		
Domestic equity securities	25,299,500	-
Domestic fixed income securities	19,669,264	-
International equity securities	12,556,658	-
Real estate	3,059,496	-
Other	128,035	-
Total investments	60,712,953	-
Contributions receivable:		
Employer	1,181,301	-
Interest and dividend receivable	67,588	-
Other receivables	-	1,320,017
Due from general fund	-	1,477,724
Total Assets	64,761,247	5,359,650
LIABILITIES		
Accounts payable	2,702	-
Due to general fund	518,881	685,125
Due to other governments	-	4,674,525
Total Liabilities	521,583	$ 5,359,650
NET ASSETS		
Held in trust for pension benefits	62,060,259	
Held in trust for other post-employment benefits	2,179,405	
Total Net Assets	$ 64,239,664	

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

EXHIBIT XII

CITY OF FALLS CHURCH, VIRGINIA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
POST-EMPLOYMENT TRUST FUNDS
For the Year Ended June 30, 2009

ADDITIONS	
Employer contributions	$ 2,263,148
Investment earnings:	
Interest	306,384
Dividends	643,178
Net decrease in the fair value of investments	(11,773,836)
Total investment earnings	(10,824,274)
Less investment expense	(239,452)
Net investment earnings	(11,063,726)
Total Additions	(8,800,578)
DEDUCTIONS	
Benefits	3,101,718
Administration	100,794
Total Deductions	3,202,512
Change in Net Assets	(12,003,090)
Net Assets at Beginning of Year	76,242,754
Net Assets at End of Year	$ 64,239,664

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Falls Church, Virginia (the City), is a municipal corporation incorporated as an independent city in 1948 under laws of the Commonwealth of Virginia, and is not part of any county. The City operates under a Council-Manager form of government and provides municipal services such as general administration, police, fire, street maintenance, sanitation, health and social services, recreation, library, planning and community development. Those services are either provided directly by the City or through contracts with the Counties of Arlington and Fairfax, Virginia. The City has its own water system that also serves a part of Fairfax County and a sewer system that only serves the City. Through one of its component units, the City of Falls Church School Board, the City provides elementary and secondary education to city residents.

A. Reporting Entity

The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. The discretely presented component units are reported in a separate column in the government-wide financial statements (see Note II.B below for discussion) to emphasize that they are legally separate from the City and not a part of the primary government.

Blended component units. Blended component units, although legally separate entities, are in substance part of the government's operations. Characteristics of blended component units are having substantially the same members of its governing body as the primary government, and/or created to provide services directly to or for the primary government. The City has no blended component units.

Discretely presented component units. Discretely presented component units are legally separate entities for which the elected officials of the primary government are financially accountable, the entity's governing body is not substantially the same as that of the primary government, and the entities do not provide services solely to or for the benefit of the primary government.

The following organizations are reported as discretely presented component units. None of these component units publish their own financial reports.

The City of Falls Church Public School Board (the "School Board") is responsible for elementary and secondary education within the City's jurisdiction. The members of the School Board are elected. The School Board is fiscally dependent upon the City because the City's Council approves the School Board's budget and provides a substantial portion of the School Board's funds for operations.

The Falls Church Economic Development Authority (EDA) was created by City Council to promote economic development within the City. The City Council appoints all members of the EDA board. The EDA is fiscally accountable to the Council, and the City is potentially liable for any operating deficits. The Council must approve all EDA debt issues.

B. Basis of Presentation

Government-wide Financial Statements. The government-wide financial statements (i.e., the statement of nets assets (Exhibit I) and the statement of activities (Exhibit II)) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from its component units.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. 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 or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other revenues not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements. The accounts of the reporting entity are organized on the basis of funds, each of which is considered to be a separate accounting entity. Separate fund financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The emphasis of these financial statements is on major governmental and enterprise funds, which are presented in separate columns. All remaining governmental funds, if any, are aggregated and reported in one column as nonmajor funds.

The following are the major funds of the City:

Governmental Funds. The General Fund is the City's primary operating fund. It is used to account for all financial resources except those required to be accounted for in another fund. Another major governmental fund is the Capital Projects Fund. This fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by the proprietary funds).

Proprietary Funds. The Water Fund and the Sewer Fund are the two enterprise funds of the City. These funds are used to account for the financing, construction, and operations of the City's water and sewer systems.

The City also reports the following fiduciary funds:

Post-Employment Trust Funds. These funds are used to account for the activities of the City's two defined benefit pension plans, the Basic Pension Plan and the Police Pension Plan, which cover all regular and police employees of the City, respectively, as well as the City's and School Board's other post-retirement benefit trust funds, which provides for health and life insurance coverage for the City's and School Board's retirees.

Agency Funds. These funds are used to account for assets held by the City in a trustee capacity or as an agent for the Fairfax County Water Authority and the Northern Virginia Criminal Justice Academy. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of operations.

C. Measurement Focus and Basis of Accounting

The City prepares its financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP) applicable to governmental entities.

1. Government-wide, Proprietary, and Fiduciary Fund Financial Statements

The government-wide, proprietary and fiduciary fund financial statements for the pension trust funds are reported using the economic resources measurement focus and the accrual basis of accounting, except that the fiduciary fund financial statements for the agency funds do not have a measurement focus. Under the economic resources measurement focus and the accrual basis of accounting, revenues are generally recognized when earned and expenses are recognized at the time a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been satisfied. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as they are needed.

Amounts reported as program revenues in the government-wide financial statements include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than

program revenues. Likewise, general revenues include all taxes. The City charges all costs except interest on long-term obligations and depreciation to the appropriate function at the time such costs are incurred. Depreciation has been allocated to each function. Interest on long-term obligations is shown as a separate line item in the government-wide financial statements.

Proprietary 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 water and sewer funds are charges to customers for sales and services. The water fund also includes as operating revenue, the availability fees charged to new customers. Operating expenses 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.

For the pension trust funds, both member and employer contributions to each plan are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

For the other post-employment trust funds, employer contributions are recognized in the period in which the contributions are due. Benefits are recognized when due and payable in accordance with the terms of the plan.

The City follows private-sector standards of accounting and financial reporting issued prior to December 1, 1989, in the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the guidance of the Governmental Accounting Standards Board (GASB). Governments also have the option of applying subsequent private-sector guidance for their business-type activities and Proprietary Funds, subject to this same limitation. The City has elected not to apply this option.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's water and sewer functions and various other functions of the government. Elimination of these charges would distort the costs and program revenues reported for the various functions concerned.

2. Governmental Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues from the use of money and from intergovernmental reimbursement grants are recorded as earned. Other revenues are considered to be available when they are collectible within the current period or within 60 days thereafter. The primary revenues susceptible to accrual include property, business licenses, and other local taxes and intergovernmental revenues. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the individual programs are used as guidance. Expenditures generally are recorded when a liability is incurred, as under the accrual basis of accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recognized only when payment is due. General capital asset acquisitions are reported as capital outlays in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

D. Assets, Liabilities, and Net Assets or Equity

1. Cash and Cash Equivalents

For purposes of the statement of cash flows, the City's cash and cash equivalents include certificates of deposit, Local Government Investment Pool assets, overnight repurchase agreements, short-term U.S. Government obligations and other highly liquid investments which are readily convertible to known amounts of cash and mature within three months of the date acquired by the City.

The City maintains cash and cash equivalents for all funds in a single pooled account, except for certain cash and investments required to be maintained in separate accounts in order to comply with provisions of grants and other agreements. The component units also invest in the pooled cash account. As of June 30, 2009, the pooled cash and cash equivalents have been allocated between the City and the respective component units based upon their respective ownership percentages. Interest earned, less an administrative charge, is generally allocated to the respective funds and component units based on each fund's or component unit's equity in the pooled account except when City Council authorizes the allocation of the fund's interest income into the General Fund.

City cash receipt and disbursement transactions are initiated in the General Fund. Amounts applicable to the other funds and component units are transferred thereto through interfund receivable and payable accounts.

2. Investments

Money market investments that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost, which approximates fair value. Other investments are recorded at fair value. Investment purchases and sales are recorded as of the trade date. Investment income is allocated to each fund based on each fund's equity in the pooled account except when City Council authorizes the allocation of the fund's interest income into the General Fund.

3. Receivables and Payables

Activities within the 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". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide statement of net assets as "internal balances".

All trade and property taxes receivables, including those for the water and sewer funds, are shown net of an allowance for estimated uncollectible amounts. Unbilled water and sewer service bills are estimated at fiscal year end.

Accounts payable and accrued liabilities include amounts due to vendors and employees for goods and services received as of June 30, 2009.

4. Inventories and Prepaid Items

All inventories are valued at the lower of cost (using the first in, first out method) or market. Inventories of both governmental and proprietary funds are recorded as expenditures when consumed rather than when purchased.

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.

5. Restricted Assets

Certain proceeds of the City's bonds are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. These assets are restricted for the purchase of land and public safety equipment.

6. Capital Assets

Capital assets, which include land, buildings, improvements, machinery and equipment, library collections, and infrastructure assets (e.g., roads, sidewalks, water and sewer systems, and similar items), and intangible assets (e.g., software, easements, etc.) that individually cost $5,000 or more, with useful lives greater than one year are reported in the proprietary funds and applicable governmental or business-type activities columns in the government-wide financial statements. Such assets are

recorded at historical cost or estimated historical cost if purchased or constructed and actual costs are not known. Donated capital assets are recorded at estimated fair value at the date of donation. Capital assets are depreciated/amortized over their estimated useful lives using the straight-line method. Capital assets that have an indefinite useful life is not depreciated nor amortized. The estimated useful lives are as follows:

Capital Assets	Useful Lives
Infrastructure	20-50 years
Water system	20-40 years
Sewer system	20-40 years
Buildings	50 years
Improvements, other than buildings	20 years
Machinery and Equipment	5-20 years
Library collections	5 years
Software	3 years

The costs of normal maintenance and repairs that do not add to the value of the assets, materially extend their useful lives, nor increase the efficiency and effectiveness of the asset, are not capitalized. Major outlays for capital assets and improvements are initially capitalized as construction in progress and are transferred to buildings and improvements when the assets are substantially complete and placed in service.

Leases that meet the criteria for capitalization are capitalized in the Statement of Net Assets for the governmental activities and the component units. Related amortization is included in depreciation expense in the Statement of Activities.

7. Compensated Absences

All reporting entity employees earn annual leave and sick leave based on a prescribed formula. In addition, employees may accrue compensatory leave for hours worked in excess of their scheduled hours. Upon termination of employment, permanent City employees are entitled to payment of 100% of unused annual leave, generally 25% of all unused sick leave, and all of their compensatory leave not to exceed 40 hours for certain employees or 100 hours for other employees. School Board employees are paid up to 40 days of their annual leave and all sick leave at the rate of $3.75 per hour.

A liability for these amounts is calculated using the employee's pay rate as of June 30, 2009, and is reported in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. Such amounts are included in accounts payable and accrued liabilities shown in the City's and the School Board's governmental fund financial statements.

The liabilities for compensated absences are liquidated by the General Fund and the Water and Sewer Funds for City employees and by the School Operating, Community Services, and Food Service Funds for School Board employees.

8. Long-term Obligations

In the government-wide and proprietary funds financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary funds statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing

uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

9. Net Assets

Net assets are comprised of three categories: (1) net assets invested in capital assets, net of related debt; (2) restricted net assets; and (3) unrestricted net assets. The first category represents the portion of net assets that is associated with non-liquid, capital assets, less the associated outstanding debt. Restricted net assets reflect the assets whose use is restricted by outside parties or legal constraints. Net assets, which are neither restricted nor invested in capital assets, are reported as unrestricted net assets. The City had no restricted net assets as of June 30, 2009.

The City issues general obligation bonds to finance the construction of school facilities for the School Board because the School Board does not have borrowing or taxing authority. The City reports the outstanding obligations as a liability in its financial statements since the debt is issued and backed by the full faith and credit of the City. Pursuant to legislation passed by the Commonwealth of Virginia and accounting guidance provided by the Auditor of Public Accounts (APA) of the Commonwealth of Virginia, the capital assets acquired by such bond proceeds are reported as capital assets of the City in its government-wide financial statements until such time as the outstanding indebtedness is retired. Upon retirement of outstanding bonds, the net book value of such capital assets will be transferred to and reported in the School Board's government-wide financial statements.

10. Designations of General Fund Unreserved Fund Balances and Enterprise Fund Net Assets

Designations of fund balance represent management's plans that are subject to change.

At June 30, 2009, management has designated up to approximately $25.3 million of the Water Fund unrestricted net assets to provide for future increased capacity as needed. Such net assets are primarily comprised of accumulated availability fees received from Water Fund customers.

City Council also designated up to approximately $2.5 million of the Sewer Fund unrestricted net assets for future increased capacity. These net assets consist of accumulated availability fees received from Sewer Fund customers.

E. Recovered Costs

Reimbursements from another government are recorded as recovered costs. Likewise, reimbursements from the Water and Sewer funds for services provided by the General Fund are reported as recovered costs in the governmental fund financial statements, and have been eliminated in the preparation of the government-wide financial statements. The total amount eliminated is approximately $1.18 million for fiscal year 2009.

F. Intergovernmental Agreements

During 2009, the City had agreements with several governmental units to provide certain governmental services to the City. They are detailed below:

1. County of Fairfax

The City, the County of Fairfax (the County), and the City of Fairfax comprise the Fairfax-Falls Church Community Services Board (CSB), established under State mandate in 1969, to provide mental health, mental retardation and drug and alcohol abuse treatment services to residents of the three jurisdictions. The CSB uses the County as its fiscal agent. Payments to CSB are recorded as expenses in the government-wide financial statements and as expenditures in the General Fund financial statements. During 2009, the City paid CSB approximately $645 thousand.

The City also makes payments to the County for the full cost of the local portion of public assistance payments and for the use of special County health facilities by the City's residents. During 2009, the City paid the County approximately $730 thousand for these services. Such payments are recorded as expenses in the government-wide financial statements and as expenditures in the General Fund.

The City also uses the County's landfills. For these services, the City paid the County approximately $161 thousand in 2009. These payments are recorded as expenses in the government-wide financial statements and as expenditures in the General Fund.

The City also has an agreement with the County to share in the cost of its sewage treatment facilities. During 2009, the City paid the County approximately $1.17 million for sewage treatment costs. This cost is recorded as an expense in the Enterprise Funds. $328 thousand of this cost is the City's share of major upgrades to the treatment facilities in order for the facilities to be in compliance with new standards issued by the United States Environmental Protection Agency.

The City has an agreement with the County to bill for sewer services on their behalf to the County's sewer customers. The City remitted $11.3 million in sewer revenue receipts to the County during FY2009. For this service, the City received $601 thousand in compensation from the County.

2. County of Arlington

The City contracts its fire and rescue, and judicial services, to Arlington County, Virginia. During 2009, the City paid Arlington County approximately $1.68 million for fire and rescue services. The City paid Arlington County approximately $730 thousand for judicial services in 2009.

The City also receives payment from Arlington County for Arlington County's share of the cost of operating a girls' home facility. Payments received during 2009 amounted to approximately $509 thousand and are recorded as revenues in the General Fund financial statements as well as the City's government-wide financial statements.

The City also entered into an agreement with Arlington County to share in the cost of its sewage treatment facilities. During 2009, the City paid Arlington County approximately $2.70 million. $2.32 million of this cost is the City's share of major upgrades to the treatment facilities in order for the facilities to be in compliance with new standards issued by the United States Environmental Protection Agency.

3. United States Department of Army Corp. of Engineers (Department of Army)

The City has an agreement with the Department of Army to purchase water and to share water treatment facility capital costs. For the fiscal year ended June 30, 2009, the City paid approximately $4.97 million to the Department of Army for water, which is recorded as an expense in the enterprise Funds. The City paid approximately $636 thousand towards the water treatment facility costs. In addition, during FY2008, the City paid approximately $434 thousand to the Department of Army for its share of the upgrades to the water treatment facility costs. These payments are remitted into an interest-bearing bank account in the City's name from which the Department of Army draws down. A corresponding liability is recorded in the enterprise Funds for the remaining balance less accumulated interest earnings. As of June 30, 2009, the remaining balance was approximately $2.78 million and the liability was approximately $1.94 million.

4. Northern Virginia Criminal Justice Training Academy (NVCJA)

Along with other local jurisdictions, the City entered into an agreement to assist in financing the operations and debt service of NVCJA. NVCJA was established to provide training to local law enforcement officers. The City appoints members of the governing body of NVCJA, however, it does not retain an ongoing financial interest in NVCJA. The City paid NVCJA

approximately $55 thousand for its share of the operating and debt service costs for the fiscal year ended June 30, 2009. These are recorded as expenditures in the General Fund.

G. Joint Ventures

1. Northern Virginia Transportation Commission (NVTC)

The NVTC is a joint venture among the cities of Alexandria, Fairfax, and Falls Church and the counties of Arlington, Fairfax, and Loudoun. It was established to improve the transportation systems composed of transit facilities, public highways, and other modes of transportation. The Commonwealth of Virginia has authorized a 2% fuel tax to be used for transportation systems through NVTC. While each jurisdiction effectively controls NVTC's use of motor fuel tax proceeds from that jurisdiction, they do not have an explicit measurable equity interest in NVTC. Information regarding NVTC is provided in NVTC's separate, published financial statements, which are available to the general public from its offices at 4350 North Fairfax Drive, Suite 720, Arlington, VA 20243.

2. Washington Metropolitan Area Transit Authority (WMATA)

The City participates in a joint venture with other local jurisdictions to share in the cost of a regional transportation system. The City does not maintain an equity interest in WMATA. The City is required to make certain contributions annually to WMATA pursuant to the Interjurisdictional Funding Agreement for Bus Service and the Fifth Interim Capital Contributions Agreement, which were executed in fiscal years 1999 and 1992, respectively. During the fiscal year ended June 30, 2009, the City's required contributions amounted to approximately $2.67 million, $2.07 million of which was paid through the City's participation in the NVTC and the remaining $602 thousand was paid out of the City's General Fund. The City anticipates its annual required contribution in fiscal year 2009 to be consistent with fiscal year 2009. Complete financial statements of WMATA may be obtained from WMATA, 600 5th Street, NW, Washington, DC 20001.

H. 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 certain reported amounts and disclosures. For the year ended June 30, 2009 the Water fund and Sewer fund estimated unbilled receivables in the amount of $3.8 million and $588 thousand, respectively, for the period March 2009 through June 30, 2009. Accordingly, actual results could differ from those estimates.

I. Prior Period Adjustment

The beginning net assets of the School Board Fund, a component unit, have been increased by $302,000 due to the effects of the actuarial valuation having been understated and the liability having been overstated in the previous year ending June 30, 2008. This was the result of the recalculation of the School Board's required annual contribution (ARC) for its OPEB obligation for FY2008. The School Board's beginning net assets increased from $5.06 million to $5.36 million. The recalculation of the School Board's ARC was a result of changes implemented by the School Board in its OPEB plan in November 2006. Beginning net assets in the government-wide Statement of Activities for Component Units has been restated to reflect what would have been the net asset balance at June 30, 2008. The School Board's FY2008 ARC decreased from $712 thousand to $410 thousand, resulting in a deferred OPEB asset of $302,000 as of June 30, 2008.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

Formal budgetary integration is employed as a management control device during the year. Budgets for all governmental funds of the primary government and component units are adopted by the City Council on an annual basis consistent with GAAP with the exception of capital leases and refundings. The Council adopts project length budgets for the capital projects funds.

The following procedures are used by the City in establishing the budgetary data reflected in the financial statements:

a. On a date fixed by the Council, the City Manager submits to the Council budgets for the general operation of the City government for the fiscal year commencing July 1.

b. Public hearings are conducted to obtain citizen comments.

c. The budget is legally enacted through passage of an appropriation ordinance. If, for any reason, the Council fails to adopt the appropriation ordinance prior to July 1, the previous fiscal year's budget remains in effect on a month-to-month basis until the Council adopts the budgets.

d. The appropriation ordinance places legal restrictions on expenditures at the fund level. During the course of the fiscal year, the Council may revise the appropriation for each fund through an ordinance. The Council may also revise the appropriations for each department through a resolution. The City Manager is authorized to transfer unencumbered balances within departments only.

e. The action of the Council on the school budget relates to the total budget only and the School Board has the authority to expend at its discretion the sum appropriated for its use, provided that if it receives an appropriation greater or less than its original request, it must revise its estimates of expenditures and adjust appropriations accordingly. The School Board has the power to order transfers from one item of appropriation to another during the course of the fiscal year.

f. Unencumbered appropriations lapse on June 30 for all City units except for those of the Capital Projects Fund, which are carried into the following year on a continuing appropriation basis. Encumbrance accounting is employed in governmental funds and proprietary funds. Encumbrances outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the expenses have not yet been incurred; rather, the commitments are automatically reappropriated and honored during the subsequent year.

g. Original and final budgeted amounts are shown; amendments were not significant in relation to the original budget except for the amendments related to school construction and open space acquisition. Budget amendments may be approved by the City Council subsequent to adoption of the original budget throughout the year.

B. Excess of Expenditures Over Appropriations

For the fiscal year ended June 30, 2009, expenditures exceeded appropriations for capital outlay by $548 thousand and for debt service by $141 thousand, which are considered to be departments (the legal level of budgetary control). The excess in capital outlay was due to the recognition of the purchase cost of land which was placed on deposit in FY2008. The excess in debt service was due to the payment of principal and interest on a loan issued to acquire public safety equipment. The debt service for this loan was budgeted under Public Safety.

III. DETAILED NOTES ON ALL FUNDS

A. Cash, Cash Equivalents and Investments

1. Deposits

As of June 30, 2009, all of the reporting entity's deposits were covered by federal depository insurance or collateralized in accordance with the Virginia Security for Public Deposits Act (Act). The Act provides for the pooling of collateral pledged with the Treasurer of Virginia to secure public deposits as a class. No specific collateral can be identified as security for one public depositor and public depositors are prohibited from holding collateral in their name as security for deposits. The State Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying local governments of compliance by banks and savings and loan associations. A multiple financial institution collateral pool that provides for additional assessments is similar to depository insurance. If any member financial institution fails, the entire collateral pool becomes available to satisfy the claims of governmental entities. If the value of the pool's collateral were inadequate to cover the loss, additional amounts would be assessed on a pro rata basis to the members of the pool. Therefore, funds deposited in accordance with the requirements of the Act are considered to be fully insured.

The following is a summary of the reporting entity's public deposits and petty cash as of June 30, 2009.

	Carrying Value	Bank Balance
Deposits:		
Primary government	$ 13,928,985	$ 15,138,158
Component units	246,756	288,427
Total deposits	14,175,741	15,426,585
Petty Cash:		
Primary government	3,838	-
Component units	4,300	-
Total petty cash	8,138	-
Total Deposits and Petty Cash	$ 14,183,879	$ 15,426,585

The differences between carrying values and bank balances generally result from outstanding checks and deposits in transit as of June 30, 2009.

2. Investments

Primary Government:

Investment Policy. In accordance with the Code of Virginia and other applicable law, including regulations, the City's investment policy (Policy) permits investments in U.S. Government obligations, obligations of the Commonwealth of Virginia or political subdivisions thereof, prime quality commercial paper, and certain corporate notes, bankers acceptances, repurchase agreements, negotiable certificates of deposit, bank deposit notes, mutual funds that invest exclusively in securities specifically permitted under the Policy, the State Treasurer's State Non-Arbitrage Program (SNAP, a pooled investment fund) and the State Treasurer's Local Government Investment Pool (the Virginia LGIP, a 2a-7 like pool). Both SNAP and LGIP are not registered with the SEC but are overseen by the Treasurer of Virginia and the State treasury Board. The fair value of the City's position in the pools is the same as the value of the pool shares.

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

Although State Statute does not impose credit standards on repurchase agreement counterparties, bankers' acceptances or money market mutual funds, the City has established stringent credit standards for these investments to minimize portfolio risk.

As of June 30, 2009, 80% of the portfolio was invested in the Virginia LGIP, 9% was invested in overnight repurchase agreements collateralized with U.S. Treasury or agency obligations, and 1% was invested in money market accounts. Virginia LGIP is a 2A-7 like investment pools with "AAA" rating. Collateral for the repurchase agreements is U.S. Treasury obligations and thus are not rated. The remaining 10% of the portfolio was invested in obligations of the U.S. Government or agencies.

Concentration of Credit Risk. The Policy establishes limitations on portfolio composition by issuer in order to control concentration of credit risk. No more than 5% of the City's portfolio will be invested in the commercial paper of any single issuer. The Policy establishes limitations on the holdings on non-U.S. Government obligations. The maximum percentage of the portfolio (book value at the date of acquisition) permitted for commercial paper 35% of the portfolio.

Interest Rate Risk: 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 1 year from the date of purchase, with no more than 10% with maturities of more than six months from date of purchase. Reserve funds for the Water and Sewer Enterprise Funds may be invested in securities with longer maturities. Proceeds from the sale of bonds must be invested in Virginia SNAP.

As of June 30, 2009, the carrying values and maturity of the City's investments were as follows:

Investment Type	Fair Value	Maturing in Less Than One Year
Primary Government:		
Money market funds - Virginia LGIP	$ 15,147,576	$ 15,147,576
Money market funds	436,159	436,159
Overnight repurchase agreements	2,779,000	2,779,000
Commercial paper	624,462	624,462
US Treasury bills	1,299,493	1,299,493
US Treasury notes	1,006,210	1,006,210
	21,292,900	21,292,900
Component Unit - School Board:		
Money market funds - Virginia LGIP	3,021,404	3,021,404
	3,021,404	3,021,404
Total Investments	$ 24,314,304	$ 24,314,304

The following table shows a list of commercial paper held and their ratings:

Description	Fair Value	Credit Rating		
		S&P	Moody's	Fitch
American Express Intl Comm Paper Dtd 6/12/09 0% 9/30/09	$ 124,824		P1	F1
General Electric Co Comm Paper Dtd 6/12/09 0% 9/30/09	124,916	A1+	P1	
ING Funding LLC Comm Paper 4/08/09 Dtd 0% 8/31/09	124,898	A1+	P1	
JP Morgan Chase Bank Comm Paper Dtd 4/30/09 0% 8/31/09	124,886	A1+	P1	F1+
Societe General N Amer Comm Paper Dtd 5/7/09 0% 7/31/09	124,938	A1	P1	F1+
	$ 624,462			

Custodial Credit Risk. The Policy requires that all investment securities purchased by the City be held by the City or by a third-party custodial agent who may not otherwise be counterparty to the investment transaction. As of June 30, 2009, all of the City's investments are held in a bank's trust department in the City's name. All cash of the City is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et. seq. of the Code of Virginia or covered by federal depository insurance.

Post-Employment Funds

As of June 30, 2009, the City's post-employment funds had the following investments:

Investment Type	Fair Value
Held by Trustees - Post-Employment Funds:	
Money market funds	$ 2,799,404
Domestic equities	25,299,500
Domestic fixed income	19,669,264
International equities	12,556,659
Real estate securities	3,059,495
Other	128,035
Total Investments	$ 63,512,357

Pension Funds

Investment Policy: In accordance with the Code of Virginia and other applicable law, including City Council resolutions, the Pension Fund's investment policy (Policy) permits investments in domestic fixed income securities, domestic and international equities and real estate investment trusts. The authority and responsibility for the administration, management and operation of the city retirement plans are vested in the Retirement Board as described in the City Ordinance # 1097. Investments of the Pension Fund are disclosed as "held by trustee" in the table above.

Concentration of Credit Risk. The Policy establishes limitations on portfolio composition by issuer and by investment type in order to control concentration of credit risk. It is the responsibility of the Pension Board to rebalance the portfolio. The following table shows concentration of credit risk as allowed by the investment policy, as adopted June 2004, and actual concentration as of June 30, 2009:

	Minimum	Maximum	Actual as of June 30, 2009
Domestic equities	47%	63%	41%
Domestic fixed income	25%	35%	32%
International equities	7%	15%	21%
Real estate	3%	8%	6%

Market Risk: Investments of the pension fund are held for the long term and may be subject to short-term fluctuations in fair value due to market conditions and changes in interest rates. Foreign currency risk, a subset of market risk, is controlled for by limiting exposure to international equities to no more than 15% of the pension assets.

The performance of specific investment types in the portfolio will periodically result in actual balances above or below the limitations set by policy. International equities exceeded the policy limits at June 30. This was largely the result of some of the domestic equity managers including international equities in their portfolios as of June 30, 2009.

Other Post-Employment Benefits (OPEB) Fund

Investment Policy: In accordance with the Code of Virginia and other applicable law, including City Council resolutions, the OPEB Fund's investment policy (Policy) permits investments in domestic fixed income securities, domestic and international equities and real estate investment trusts. The authority and responsibility for the administration, management and operation of the city OPEB trust fund is vested in the Finance Board as described in the City Resolution TR7-14. Investments of the OPEB Fund are disclosed as "held by trustee" in the table above.

Concentration of Credit Risk. The Policy establishes limitations on portfolio composition by issuer and by investment type in order to control concentration of credit risk. It is the responsibility of the Finance Board to direct the funds manager to rebalance the portfolio. The following table shows concentration of credit risk as allowed by the investment policy, as adopted October 2007, and actual concentration as of June 30, 2009:

	Minimum	Maximum	Actual as of June 30, 2009
Domestic equities	47%	63%	51%
Domestic fixed income	25%	35%	33%
International equities	7%	15%	13%
Real estate	3%	8%	3%

Market Risk: Investments of the OPEB fund are held for the long term and may be subject to short-term fluctuations in fair value due to market conditions and changes in interest rates. Foreign currency risk, a subset of market risk, is controlled for by limiting exposure to international equities to no more than 15% of the fund assets.

B. Receivables

Receivables and allowances for uncollectible receivables of the primary government as of June 30, 2009, consist of the following:

	General Fund	Water Fund	Sewer Fund	Total	Fiduciary Funds	Total Primary Government
Receivables:						
Accounts - Billed	$ 1,338,404	$ 2,248,139	$ 477,262	$ 4,063,805	$ 1,320,017	$ 5,383,822
Accounts - Unbilled	80,000	3,800,000	588,000	4,468,000	-	4,468,000
Other	294,002	-	-	294,002	-	294,002
Accrued interest	-	15,214	-	15,214	67,588	82,802
Contributions receivable	-	-	-	-	1,181,301	1,181,301
Notes receivable	2,000,000			2,000,000	-	2,000,000
Property taxes:						
Delinquent	1,774,627	-	-	1,774,627	-	1,774,627
Not yet due	20,435,976	-	-	20,435,976	-	20,435,976
Due from other governments	808,838	-	-	808,838		808,838
Total receivables	26,731,847	6,063,353	1,065,262	33,860,462	2,568,906	36,429,368
Allowances for uncollectibles:						
Accounts	201,855	709,000	62,000	972,855	-	972,855
Property taxes:						
Delinquent	362,400	-	-	362,400	-	362,400
Not yet due	50,600	-	-	50,600	-	50,600
Total allowances for uncollectibles	614,855	709,000	62,000	1,385,855	-	1,385,855
Total Net Receivables	$ 26,116,992	$ 5,354,353	$ 1,003,262	$ 32,474,607	$ 2,568,906	$ 35,043,513

Delinquent property taxes receivable from taxpayers in the General Fund as of June 30, 2009, consist of the following:

Year of Levy	Real Estate	Personal Property	Total
2009	$ 683,955	$ -	$ 683,955
2008	307,871	96,231	404,102
2007	141,943	51,604	193,547
2006	80,749	31,477	112,226
2005	47,526	27,404	74,930
Prior years	92,559	206,803	299,362
Total delinquent taxes	1,354,603	413,519	1,768,122
Allowances for Uncollectibles	-	(362,400)	(362,400)
Net Delinquent Tax Receivables	$ 1,354,603	$ 51,119	$ 1,405,722

The City's real estate tax is levied at a rate enacted by City Council on the assessed value of property located in the City as determined by the City's real estate assessor as of January 1 of each year. Properties are assessed at 100% of fair market value of all land and improvements. Real property taxes are levied when the budget is adopted and collected in two installations due on June 5 and December 5. A lien attaches to the property at the time the real estate taxes are levied at January 1. For purposes of reporting, Code Section 58.1-3922 states that taxes are not reported as delinquent until after the last installment is due. Based on collection history of real property taxes, the City has not provided for an allowance for uncollectibles.

Personal property taxes on vehicle and business property are levied as of January 1 of each year, based on their estimated fair market value, and are due on October 5. The allowance of $413,000 is based on prior collections.

The City reports real estate and personal property taxes (net of allowances) assessed for calendar year 2009 as receivables because the City has an enforceable legal claim to these resources at June 30, 2009; however, some of these resources, which amount to approximately $18.28 million for real property and approximately $3.17 million for personal property, will not be available to the City until fiscal year 2010 and are therefore recognized as deferred revenue. A detailed breakdown of the components of deferred revenue at June 30, 2009 can be found at note III E.

On December 19, 2008, the City entered into an agreement to provide a loan to City Center South Housing, LLC for $2.00 million. The loan is non-interest-bearing and is due one year from the date of issue. The loan is secured by second trusts on three parcels of commercial real estate. As of the issuance of this report, we have reasonable expectation that this note will be repaid in full and therefore, have not calculated an allowance of uncollectible amount on this receivable. The loan is reported in the Balance Sheet of the Governmental Funds as "Notes receivable".

The component unit School Board has an accounts receivable balance as of June 30, 2009 of $69,165. Based on prior years' collection history, no allowance is deemed necessary for these receivables.

C. Interfund Transfers and Balances

Transfers are made from the general fund to the capital projects fund to provide funding for capital projects. Transfers from the water fund to the general fund are for payments in lieu of taxes and for management fee. Transfers from the sewer fund to the general fund are for payments in lieu of taxes. Interfund transfers for the year ended June 30, 2009, are as follows:

	Transfer In:	
Transfer out:	**General Fund**	**Capital Projects Fund**
General Fund	$ -	$ 2,288,480
Water Fund	2,364,041	-
Sewer Fund	40,000	-
	$ 2,404,041	$ 2,288,480

The City's cash receipt and disbursement transactions are initiated in the General Fund. Amounts applicable to the other funds are transferred thereto through interfund receivable and payable accounts. Interfund receivables and payables typically result when funds overdraw their share of the pooled cash. All amounts are expected to be paid within one year. The following table shows what comprises the interfund balances as of June 30, 2009:

Receivable Fund	Amount	Payable Fund	Amount
General Fund	$ 2,464,285	Post-Retirement Funds	$ 409,644
		Water Fund	1,594,218
		Sewer Fund	460,423
Capital Project Fund	1,990,642	General Fund	1,990,642
Component Unit - School Board	3,998,661	General Fund	3,889,424
		Post-Retirement Funds	109,237
General Fund	19,333	Component Unit - Nonmajor	19,333
Agency Funds	792,599	General Fund	792,599
	$ 9,265,520		$ 9,265,520

D. Capital Assets

Capital assets activity for the primary government for the year ended June 30, 2009 , is as follows:

	Balances June 30, 2008	Increases	Decreases	Balances June 30, 2009
Primary Government				
Governmental Activities:				
Capital assets not being depreciated:				
Land	$ 8,088,688	$ 705,596	$ -	$ 8,794,284
Construction in Progess	75,221	489,279	-	564,500
Total capital assets not being depreciated	8,163,909	1,194,875	-	9,358,784
Capital assets being depreciated:				
Buildings and system	63,057,746	308,983	-	63,366,729
Machinery and equipment	10,326,844	266,100	328,019	10,264,925
Improvements other than buildings	4,780,452	36,100	-	4,816,552
Infrastructure	9,242,950	-	-	9,242,950
Intangible	1,393,416	23,528	-	1,416,944
Library collections	2,033,265	194,971	167,548	2,060,688
Total capital assets being depreciated	90,834,673	829,682	495,567	91,168,788
Less accumulated depreciation for:				
Buildings and system	14,135,135	1,409,580	-	15,544,715
Machinery and equipment	6,927,470	740,978	301,730	7,366,718
Improvements other than buildings	1,735,968	265,756	-	2,001,724
Infrastructure	5,498,038	178,905	-	5,676,943
Intangible	1,340,694	28,854	-	1,369,548
Library collections	1,551,641	195,298	167,548	1,579,391
Total accumulated depreciation	31,188,946	2,819,371	469,278	33,539,039
Total capital assets being depreciated, net	59,645,727	(1,989,689)	26,289	57,629,749
Total capital assets, net - Governmental Activities	67,809,636	(794,814)	-	66,988,533

	Balances June 30, 2008	Increases	Decreases	Balances June 30, 2009
Primary Government (continued):				
Business-Type Activities:				
Water				
Capital assets not being depreciated:				
Land	$ 2,594,882	$ -	$ -	$ 2,594,882
Construction in Progess	2,187,036	2,400,110	316,972	4,270,174
Total capital assets not being depreciated	4,781,918	2,400,110	316,972	6,865,056
Capital assets being depreciated:				
Buildings and system	82,135,779	2,200,566	12,723	84,323,622
Machinery and equipment	1,390,976	146,502	18,196	1,519,282
Improvements other than buildings	61,926	11,950	-	73,876
Intangible	31,301	5,500	-	36,801
Total capital assets being depreciated	83,619,982	2,364,518	30,919	85,953,581
Less accumulated depreciation for:				
Buildings and system	36,345,365	1,760,304	10,179	38,095,490
Machinery and equipment	958,149	85,731	18,195	1,025,685
Improvements other than buildings	5,179	6,803	-	11,982
Intangible	31,301	-	-	31,301
Total accumulated depreciation	37,339,994	1,852,838	28,374	39,164,458
Total capital assets being depreciated, net	46,279,988	511,680	2,545	46,789,123
Total capital assets, net - Water	51,061,906	2,911,790	319,517	53,654,179
Sewer				
Capital assets being depreciated:				
Buildings and system	4,290,067	572,418	-	4,862,485
Machinery and equipment	154,595	6,310	-	160,905
Intangible	0	9,900	-	9,900
Total capital assets being depreciated	4,444,662	588,628	-	5,033,290
Less accumulated depreciation for:				
Buildings and system	1,651,944	68,253	-	1,720,197
Machinery and equipment	114,744	9,300	-	124,044
Intangible	0	825	-	825
Total accumulated depreciation	1,766,688	78,378	-	1,845,066
Total capital assets being depreciated, net	2,677,974	510,250	-	3,188,224
Total capital assets, net - Sewer	2,677,974	510,250	-	3,188,224
Total capital assets, net - Business-Type Activities	53,739,880	3,422,040	319,517	56,842,403
Total capital assets, net - Primary Government	$ 121,549,516	$ 2,627,226	$ 319,517	$ 123,857,225

Capital assets activity for component units for the year ended June 30, 2009 , is as follows:

	Balances June 30, 2008	Increases	Decreases	Balances June 30, 2009
School Board:				
Capital assets not being depreciated:				
Land	$ 1,273,354	$ -	$ -	$ 1,273,354
Total capital assets not being depreciated	1,273,354	-	-	1,273,354
Capital assets being depreciated:				
Buildings and system	1,202,996	56,600	-	1,259,596
Machinery and equipment	2,106,225	288,691	125,548	2,269,368
Improvements other than buildings	10,532	-	-	10,532
Library collections	625,451	69,954	46,340	649,065
Intangible	7,996	-	-	7,996
Leasehold improvements	-	21,080	-	21,080
Total capital assets being depreciated	3,953,200	436,325	171,888	4,217,637
Less accumulated depreciation for:				
Buildings and system	196,736	39,559	-	236,295
Machinery and equipment	1,280,963	226,985	72,918	1,435,030
Improvements other than buildings	176	702	-	878
Library collections	420,188	89,666	46,339	463,515
Intangible	6,218	1,777	-	7,995
Leasehold improvements	-	351		351
Total accumulated depreciation	1,904,281	359,040	119,257	2,144,064
Total capital assets being depreciated, net	2,048,919	77,285	52,631	2,073,573
Total capital assets, net - School Board	3,322,273	77,285	-	3,346,927
Nonmajor Component Unit:				
Capital assets not being depreciated:				
Land	517,255	-	-	517,255
Total capital assets not being depreciated	517,255	-	-	517,255
Total capital assets - Nonmajor Component Units	$ 517,255	$ -	$ -	$ 517,255

Depreciation expense for the year ended June 30, 2009, charged to the functions of the primary government and component units is as follows:

	Governmental Activities
Primary Government:	
Governmental Activities:	
General government administration	$ 183,971
Judicial administration	37,968
Public safety	331,472
Public works	465,304
Health and welfare	3,817
Education	1,309,474
Parks, recreation, and cultural	473,279
Community development	13,751
Economic development	335
Total depreciation expense - Governmental Activities	2,819,371
Business-Type Activities	
Water	1,852,838
Sewer	78,378
Total depreciation expense - Business-Type Activities	1,931,216
Total depreciation expense - Primary Government	$ 4,750,587
Component Units:	
School Board	$ 359,040
Total depreciation expense - Component Units	$ 359,040

E. Deferred Revenue

Governmental activities and funds defer revenue recognition in connection with resources that have been received, but not yet earned. Governmental funds also report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. As of June 30, 2009, the following comprise the deferred revenue reported in the governmental activities and funds:

	Governmental Activities	Governmental Funds
Unavailable:		
Delinquent property taxes	$ -	$ 870,965
Property taxes not yet due	20,485,376	20,585,375
Unearned	240,966	240,966
Total Deferred Revenue	$ 20,726,342	$ 21,697,306

F. Long-term Obligations

The following is a summary of changes in the government-wide long-term obligations of the reporting entity for the year ended June 30, 2009:

	Balance June 30, 2008	Additions	Reductions	Balance June 30, 2009	Due Within One Year
Primary Government					
Governmental activities:					
General obligation bonds payable	$ 42,827,780	$ -	$ 3,518,299	$ 39,309,481	$ 3,551,241
Amortized premiums and discounts on bond issuance	882,296	-	42,167	840,129	-
Amortized deferred refunding amount	(376,269)	-	(35,650)	(340,619)	-
Note payable	217,500	-	217,500	-	-
Compensated absences	1,881,235	1,673,524	1,497,400	2,057,359	1,465,328
Obligations under capital leases	73,810	-	40,878	32,932	23,594
Total long-term debt - Governmental activities	45,506,352	1,673,524	5,280,594	41,899,282	5,040,163
Business-type activities:					
Water					
General obligation bonds payable	12,820,000	-	695,000	12,125,000	735,000
Amortized discounts and premiums on bonds payable, net	(30,644)	-	(2,682)	(27,962)	-
Compensated absences	407,125	414,090	396,726	424,489	347,909
Total long-term debt - Water Fund	13,196,481	414,090	1,089,044	12,521,527	1,082,909
Sewer					
General obligation bonds payable	2,432,409	2,668,431	137,210	4,963,630	143,047
Compensated absences	17,429	25,041	21,818	20,652	14,370
Total long-term debt - Sewer Fund	2,449,838	2,693,472	159,028	4,984,282	157,417
Total long-term debt - Business-type activities	15,646,319	3,107,562	1,248,072	17,505,809	1,240,326
Total long-term debt - Primary Government	61,152,671	4,781,086	6,528,666	59,405,091	6,280,489
Component Units					
School Board:					
Compensated absences	942,752	650,207	570,165	1,022,794	491,222
Obligations under capital leases	262,320	90,443	161,292	191,471	85,458
Total long-term debt - School Board	1,205,072	740,650	731,457	1,214,265	576,680
Total long-term debt - Component Units	1,205,072	740,650	731,457	1,214,265	576,680
Total long-term debt	$ 62,357,743	$ 5,521,736	$ 7,260,123	$ 60,619,356	$ 6,857,169

1. General Obligation Bonds

General obligation bonds have been issued to provide funding for long-term capital improvements. In addition, they have been issued to refund outstanding general obligation bonds when market conditions enabled the City to achieve significant reductions in its debt service payments. Such bonds are direct obligations of the City, and the full faith and credit of the City are pledged as security. The City is required to submit to public referendum for authority to issue general obligation bonds. At June 30, 2009, all authorized general obligation bonds have been issued. The following are the general obligation bonds that were outstanding as of June 30, 2009:

Bond Description	Principal Balance
Governmental Activites:	
$9,000,000 General Improvement bonds issued June 1, 2000; variable amounts maturing annually with interest payable semi-annually; final payment due on December 15, 2020; interest at various rates. This bond was partially advanced refunded in March 2007.	$ 805,000
$2,445,000 School Construction bonds issued May 2, 1996 by VPSA; interest at various rates; variable amounts maturing through January 15, 2017.	910,000
$32,340,000 School Construction & refunding bonds issued March 18, 2004; interest at various rates; variable amounts maturing through April 1, 2024.	25,180,000
$1,023,000 General Obligation bonds issued January 21, 2005; interest at 3.32% principal amounts maturing annually in equal installments through April 1, 2011.	613,800
$4,808,034 Refunding bonds issued January 21, 2005 to replace 1995 General Obligation bonds; interest at 2.90%; variable amounts maturing through April 1, 2011.	1,702,579
$1,935,000 School Construction bonds, issued May 11, 2006 by VPSA; interest at various rates; variable amounts maturing through July 15, 2026.	1,735,000
$6,260,000 Refunding bonds issued March 8, 2007 to partially advance refund 2000 General Obligation bonds; interest at 4.00%; variable amounts maturing through August 1, 2021.	6,150,000
$2,000,000 General Obligation bonds issued March 28, 2008; interest at 3.66%; variable amounts maturing through February 1, 2023.	1,866,666
$428,800 General Obligation bonds issued March 20, 2008 through the Virginia Resources Authority (VRA); interest at 2.26%; variable principal amounts maturing annually through March 15, 2013.	346,436
Total Governmental Activities	39,309,481
Business-type Activities:	
Water	
$5,500,000 General Obligation bonds issued November 1, 2006 for Water Fund construction and improvement costs; interest rate at 3.89%; variable principal amounts maturing through March 1, 2021.	4,150,000
$8,220,000 General Obligations bonds issued December 1, 2007 through the VRA; interest at various rates; variable principal amounts maturing annually through October 1, 2027.	7,975,000
Total Water	12,125,000
Sewer	
$3,275,000 Line of Credit issued on June 23, 2005 to the VRA; interest rate at 3%; variable principal amounts maturing annually through July 1, 2025.	3,002,816
$4,100,000 Line of Credit issued on May 13, 2009 to the VRA; interest rate at 3.35%; variable principal amounts maturing semiannually through September 1, 2029.	1,960,814
Total Sewer	4,963,630
Total Business-type Activities	17,088,630
Total General Obligation Bonds Payable	$ 56,398,111

Annual debt service requirements to maturity for the long-term obligations serviced by the City as of June 30, 2009 are summarized in the following table:

Fiscal Year Ending	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2010	$ 3,551,240	$ 1,555,139	$ 5,106,379	$ 878,047	$ 661,091	$ 1,539,138
2011	3,667,359	1,433,777	5,101,136	1,044,334	714,799	1,759,133
2012	2,463,091	1,300,198	3,763,289	1,063,921	676,502	1,740,423
2013	2,984,858	1,171,780	4,156,638	1,083,817	637,268	1,721,085
2014	3,015,633	1,030,130	4,045,763	1,109,031	596,968	1,705,999
2015-2019	10,833,967	3,678,095	14,512,062	5,165,223	2,368,706	7,533,929
2020-2025	10,768,333	1,467,184	12,235,517	4,819,560	1,390,086	6,209,646
2026-2028	2,025,000	56,740	2,081,740	3,922,232	395,444	4,317,676
2029-2030	-	-	-	141,653	2,373	144,026
Total	$ 39,309,481	$ 11,693,043	$ 51,002,524	$ 19,227,818	$ 7,443,237	$ 26,671,055

The total debt service requirement for principal for business-type activities differs from the bond principal balances shown in the previous table because Virginia Resources Authority (VRA) requires the payment of principal for the Sewer fund line of credit using the amortization of the full line of credit amount of $4,100,000, whereas the principal balance as of June 30, 2009 was $1,960,814. The City entered issued this credit on May 13, 2009 to fund its share of the construction cost of the Arlington Sewage Treatment Plant. The bond's final maturity is September 1, 2029.

As of June 30, 2009, the City's legal debt limit is approximately $350 million and its debt margin is approximately $293.9 million.

2. Obligations Under Capital Leases

The City and School Board lease equipment, vehicles and buses under various capital leases expiring at various dates through 2014. All leases are non-cancelable except that they are contingent upon City Council appropriating funds for each year's payment.

The assets acquired through capital leases are as follows:

	Primary Government	Component Unit
	Governmental Activities	School Board
Asset:		
Machinery and equipment	$ 642,675	$ 863,846
Less: accumulated depreciation	(614,892)	(565,497)
Net	$ 27,783	$ 298,349

The future minimum lease payments and net present value of these minimum lease payments as of June 30, 2009 are as follows:

Fiscal Year Ending June 30	Primary Government Governmental Activities	Component Unit School Board
2010	$ 25,249	$ 98,588
2011	9,177	57,738
2012	525	18,308
2013	-	20,664
2014	-	17,853
Total minimum lease payments	34,951	213,151
Less: amount representing interest	(2,019)	(21,680)
Present value of minimum lease payments	$ 32,932	$ 191,471

G. Long-term Commitments

1. Operating Lease Commitments

The City and School Board lease office facilities and other equipment under various long-term lease agreements. Total costs for such leases were approximately $92 thousand to the City and approximately $221 thousand to the School Board for the fiscal year ended June 30, 2009. The future minimum lease payments for these leases are shown below:

Fiscal Year Ending June 30	Primary Government Governmental Activities	Component Unit School Board
2010	99,172	234,835
2011	93,854	243,876
2012	82,903	253,265
2013	58,787	263,016
2014	61,050	273,142
2015-2020	345,445	1,522,277
Total	$ 741,211	$ 2,790,411

In October 2008, the City entered into a lease agreement to rent office space for a term of 10 years for $4,281 per month. The lease began in July 2009. Similarly, in October 2007, the School Board entered into a lease agreement to rent office space for 10 years for $19,549 per month which began in June 2009. Both leases include a annual increase of 3.85%. The minimum lease payments for both leases are included in the schedule above.

2. Long-term Construction and Improvement Contracts

The City has the following active construction and improvement commitments as of June 30, 2009:

Project	Spent-to-Date	Remaining Commitment
Governmental Activities:		
Broad Street Streetscape	$ 805,765	$ 69,625
Kent Street Drainage	112,831	8,950
Pearson's Branch Streambank Stabilization	35,347	17,703
Washington Street Streetscape Study	188,247	118,418
Total Governmental Activities	1,142,190	214,696
Business-type Activities:		
Water		
Arlington Boulevard Water Main Replacement	1,504,742	1,600,741
Chesterbrook Pump Station	79,992	397,000
McLean Pump Station	25,499	18,784
Seven Corners Improvement	430,663	23,514
Arlington Special Pump Station	164,792	-
Scada Water Security Improvements	1,551,581	82,044
Pump Station Control Center	12,801	44,817
Various water main replacement projects	827,320	418,251
Total water	4,597,390	2,585,151
Sewer		
Arlington Wastewater Plant Upgrade	6,215,289	600,227
Fairfax Wastewater Plant Upgrade - Phase I	656,616	-
Falls Church Sewer Rehabilitation	1,257,044	129,013
Total sewer	8,128,949	729,240
Total Business-type Activities	12,726,339	3,314,391
Total	$ 13,868,529	$ 3,529,087

H. Management Fee

During the fiscal year ended June 30, 2009, the Water Fund transferred approximately $2.25 million to the General Fund for management fee based on a calculation of 10% of operating income and 100% of investment earnings. This is a transfer of excess operating funds, which, per the City Charter Section 13.02, can then be reappropriated by City Council for General Fund expenditures.

IV. RETIREMENT PLANS

Full time, salaried employees of the City and School Board participate in one of three retirement plans, the Virginia Retirement System (VRS), the City's Basic Pension Plan, and the City's Police Pension Plan.

A. Virginia Retirement System

1. Plan Description

The City and the School Board contribute to the VRS, a cost-sharing multiple-employer public employee (for School Board employees) and an agent multiple-employer public employee (for constitutional offices) defined pension plans administered by the Commonwealth of Virginia for its political subdivisions. All full time salaried employees of constitutional offices within the City (i.e., employees of the office of the Commissioner of Revenue, the office of the Treasurer and the Sheriff's office), as well as qualifying (working at least 80% of full time) teachers and other professionals from the School Board participate in the VRS.

Benefits vest after five years of creditable service. Employees are eligible for an unreduced retirement benefit at age 65 with five years of service (age 60 with five years of service for participating law enforcement officers and firefighters) or at age 50 with 30 years of service for participating employees (age 50 with 25 years of service for participating law enforcement officers and firefighters) payable monthly for life in an amount equal to 1.70% of their average final compensation (AFC) for each year of credited service (1.85% for eligible law enforcement officers and firefighters). Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for an annual cost-of-living adjustment (COLA) beginning in their second year of retirement. The COLA is limited to 5.00% per year. AFC is defined as the highest consecutive 36 months of reported compensation. Participating law enforcement officers and firefighters may receive a monthly benefit supplement if they retire prior to age 65. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginian (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 that report is available on their web site at http://www.varetire.org/Pdf/Publications/2007annurept.pdf or may be obtained by writing to the System at P.O. Box 2500, Richmond, VA 23218-2500.

2. Funding Policy

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5% of their annual salary to the VRS. The City and School Board have assumed this 5% member contribution for their respective employees. In addition, the City and the School Board are required to contribute the remaining amounts necessary to fund their 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 the School Board's contribution rate, which includes the member contribution rate, for the fiscal year ended 2009 were 5.00% and 14.89% of annual covered payroll, respectively.

3. Annual Pension Costs

The City's and School Board's annual pension cost and contributions made during fiscal year, 2009 was approximately $55 thousand and $2.78 million, respectively, which were equal to the City's and School Board's required and actual contributions. These include the contributions made by the City and the School Board on behalf of their respective employees.

The following table shows the required annual pension costs and the percentage contributed for the City and School Board employees for the last three years:

	City			School Board		
Fiscal Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2009	$ 55,025	100%	$ -	2,777,820	100%	-
2008	52,520	100%	-	2,927,348	100%	-
2007	45,142	100%	-	2,579,106	100%	-

The required contribution was determined as part of the June 30, 2005 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at June 30, 2007 included (a) 7.50% investment rate of return, (b) projected salary increases ranging from 3.75% to 5.60% per year, and (c) 2.50% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 2.50%. Liabilities were determined under the Entry-Age Normal actuarial cost method. The actuarial value of the City's and School Board'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.

4. Funded Status and Funding Progress

The funded status of the plan as of the most recent actuarial valuation date is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b-a]/c)
6/30/2007	$ 3,351,201	$ 2,293,733	$ (1,057,468)	146.10%	$ 944,963	-111.91%

B. Basic and Police Pension Plans

1. Plan Description

The City's Basic Pension Plan is a cost sharing multiple-employer defined benefit pension plan, covering all permanent employees of the City who are scheduled to work twenty hours or more per week, except police officers who are covered under the Police Pension Plan. School Board employees who work less than 80% of full time and are not eligible to participate in VRS, but meet the City pension plan's requirements, are eligible for the City's Basic Pension plan.

The Police Pension Plan is a single-employer defined benefit pension plan covering the City's police officers that work on a full-time basis.

Both Plans are authorized by the City Council, and are administered by the City. Benefit provisions are established and amended by City resolutions. Participants are 100% vested after five years of participation.

Member and employee contributions to the Plans are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due in accordance with the terms of the Plans.

Upon retirement, a participant in either of 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 eligibility, the participant's accumulated contributions are paid to the participant's designated beneficiaries in a lump sum. If a participant were vested

and eligible for early or regular retirement at time of death, the designated beneficiary would receive a monthly retirement allowance.

The Plans issue publicly available financial reports that include the applicable financial statements and required supplementary information. A copy of that report may be obtained at the City office.

The City's membership in the Basic and Police Pension Plans as of July 1, 2009, the date of the most recent valuation, were as follows:

	Basic	Police
Retirees and beneficiaries	158	25
Terminated vested members	53	4
Active members	328	32
Total	539	61

2. Summary of Significant Accounting Policies

The financial statements of the Basic and Police Pension Plans are prepared using the accrual basis of accounting. Plan contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. All plan investments are reported at fair value. Securities traded on a national exchange are valued at the last reported sales price on June 30, 2009. Securities without an established market are reported at estimated fair value.

3. Funding Policy

The City Council establishes and may amend the contribution requirements of both plans. The City is required to contribute at an actuarially-determined rate. For fiscal year 2009, the contributions rate was 4.61% of annual covered payroll for the Basic Pension Plan and 0% for the Police Pension Plan. Effective July 1, 2002, the City Council amended both plans so that employees are no longer required to contribute. In 2001, the plan was amended to allow permanent employees who were formerly temporary employees who worked more than 20 hours per week to buy back that period for which they were not eligible due to their temporary status. The rate of contribution by these employees is 5% of current salary for each month they are buying back. Administrative costs are borne by the assets of the plans.

On July 28, 2008 the City Council approved an amendment to the plans to allow employees to purchase up to four years credit for service with other governmental employers; Federal, State or local. The contribution for the purchase of credit is to be actuarially determined in order to make such purchase financially neutral to the pension funds.

4. Annual Pension Cost

Annual pension cost and contributions made during fiscal year 2009 was approximately $1.08 million and $21 thousand for Basic and Police Pension Plans, respectively, which were equal to the required and actual contributions.

The following table shows the required annual pension costs and the percentage contributed for the last three years:

Fiscal Year Ended June 30	Basic			Police		
	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2009	$ 1,077,121	100.00%	$ -	$ 20,622	100.00%	$ -
2008	707,446	100.00%	-	-	0.00%	-
2007	445,087	100.00%	-	22,810	100.00%	-

The following are the relevant actuarial information for the Basic and Police Pension Plans as of July 1, 2007, the valuation date which the annual pension costs are based on:

	Basic	Police
Contribution rate:		
City	6.64%	0.87%
Plan members	0%	0%
Annual pension cost	1,077,121	20,622
Contributions made	1,077,121	20,622
Actuarial valuation date	July 1, 2007	July 1, 2007
Actuarial cost method	Entry age normal	Entry age normal
Amortization method	Level dollar amount (open)	Level dollar amount (open)
Amortization period	10 years	10 years
Asset valuation method	5-year Smoothed Method	5-year Smoothed Method
Actuarial assumptions:		
Investment rate of return	8%	8%
Projected salary increases	5%	5%
Includes inflation at	3%	3%
Cost of living adjustments	1.5%	1.5%

5. Funded Status and Funding Progress

The funded status of the Basic plan as of July 1, 2007 is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b-a]/c)
7/1/2007	$ 57,668,589	$ 50,875,366	$ (6,793,223)	113.35%	$ 14,049,009	-48.35%

The funded status of the Police plan as of the July 1, 2007 is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b-a]/c)
7/1/2007	$ 16,381,058	$ 13,351,111	$ (3,029,947)	122.69%	$ 1,919,611	-157.84%

The required schedule of funding progress immediately 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.

V. OTHER POSTEMPLOYMENT BENEFITS

The City provides post-retirement health care insurance benefits for employees who are eligible for retirement benefits and who retire from the City under City Council resolution number 82-20. There is no provision for deferral of benefits for employees who separate from City employment without retiring. In FY2008 the City chose to implement Governmental Accounting Standards Board Statements 43 (Financial Reporting for Postemployment Benefit Plans Other than Pension Plans) and 45 (Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions). An irrevocable trust fund was established July 1, 2007 for purposes of accumulating and accounting for assets necessary to fund the City's future obligations for other post employment benefits.

A. Summary of Significant Accounting Policies

Financial statements are prepared on the accrual basis of accounting. Employer contributions to the plan are recognized when due and the City has made a formal commitment to provide the contributions. Benefits are recognized when due and payable in accordance with the terms of the plan. All plan investments are reported at fair value. Securities traded on a national exchange are valued at the last reported sales price on June 30, 2009. Securities without an established market are reported at estimated fair value.

B. Plan Descriptions and Contribution Information

The City's OPEB plan is a multi-employer defined benefit post-employment healthcare plan that covers retired City employees, including the School Division. The City pays up to one-half of the health insurance premiums for General Government employees. The School Board pays up to forty percent of the health insurance premiums of School Board employees depending on years of service and/or date of hire.

Membership in the plan consisted of the following at June 30, 2008, the date of the latest actuarial valuation:

	City	School Board
Retirees and beneficiaries	80	55
Active members	254	362
Total	334	417

C. Funded Status and Funding Progress

Contribution requirements for City employees and the City are established by City Council. Contribution requirements for School Board employees and the School Board are established by the School Board. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually.

The City's and the School Board's OPEB cost (expense) is 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 the level of funding that, if paid on an on-going basis, is projected to cover the 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 and the School Board's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in their net OPEB asset.

	City	School Board
Annual Required Contribution (ARC)	$ 716,000	$ 409,000
Interest on prior year OPEB asset	(46,000)	(24,000)
Adjustment to the ARC	29,000	15,000
Net OPEB Cost	699,000	400,000
Contributions made	676,140	505,161
Increase (decreease) in net OPEB asset	(22,860)	105,161
Net OPEB asset, beginning of year	574,000	302,000
Net OPEB asset - end of year	$ 551,140	$ 407,161

The City's and School Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plans, and the net OPEB obligation for 2008 (the first year the City was required to contribute) and 2009 were as follows:

	City			School Board		
Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation/ (Asset)	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation/ (Asset)
6/30/2009	$ 699,000	96.73%	$ (551,140)	$ 400,000	1.2629025	$ (407,161)
6/30/2008	714,000	180.39%	(574,000)	410,000	173.66%	(302,000)

The funded status of the plans as of June 30, 2008, the most recent actuarial valuation date, are as follows:

	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b-a]/c)
City	$ 1,013,000	$ 10,417,000	$ 9,404,000	9.72%	$ 11,248,922	83.60%
School Board	$ 610,000	$ 6,632,000	$ 6,022,000	9.20%	$ 14,278,208	42.18%

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 employments, mortality and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedules of funding progress, presented as required supplementary information following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

The accompanying schedules of employer contributions present trend information about the amounts contributed to the plan by the City in comparison to the ARC, an amount that is actuarially determined in accordance with the parameters of GASB Statement 43. The ARC represents the level of funding that, if paid on an ongoing basis, is projected to cover the normal cost for each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

Projections of benefits for financial reporting purposes are based on the substantive plans (the plan as understood by the employer and 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 City and School Board and plan members to that point. The actuarial methods and assumptions used

include techniques 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 Additional information as of the latest actuarial valuation follows:

	City	School Board
Actuarial valuation date	June 30, 2008	June 30, 2008
Actuarial cost method	Entry age normal	Entry age normal
Amortization method	Level percentage of payroll	Level percentage of payroll
Remaining Amortization period	28	28
Asset valuation method	5-year Smoothed method	5-year Smoothed method
Actuarial assumptions:		
Payroll growth rate	5%	5%
Investment rate of return	8%	8%
Healthcare cost trend rate	5%	5%
Initial	10%	10%
Ultimate	5.0%	5.0%

VI. 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; and natural disasters for which the City carries commercial insurance through the Virginia Municipal Liability Pool (VML).

The City is a member of the Virginia Municipal League Self Insurance Association, also under VML, for workers' compensation. This program is administered by a servicing contractor, which furnishes claims review and processing services.

Each Association member jointly and severally agrees to assume, pay and discharge any liability. The City pays Virginia Municipal League Self Insurance Association contributions and assessments based upon classifications and rates into a designated cash reserve fund out of which expenses of the Association and claims awards are to be paid. In the event of a loss deficit and depletion of all available excess insurance, the Association 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 continues to carry commercial insurance for all other risks of losses. Settled claims from these risks have not exceeded commercial coverage in any of the last three fiscal years.

The School Board also carries commercial insurance through Utica Mutual for property, casualty, general liability, automobile coverage. Errors and omissions coverage are provided through the VaRISK 2 pool. Workers' compensation insurance is provided through Wausau insurance. Settled claims from these risks have not exceeded commercial coverage in any of the last three fiscal years.

The total insurance premiums paid by the City and the Schools for the fiscal year ended June 30, 2009 were approximately $627 thousand and $224 thousand respectively.

VII. CONTINGENCIES

The City and School Board receive grant funds, principally from the U.S. government. Expenditures of these funds are subject to audit by the grantor, and the City and School Board are contingently liable to refund amounts received in excess of allowable expenditures. In the opinion of management of the City and School Board, no material refunds will be required as a result of expenditures that may be disallowed by the grantors.

The City is contingently liable with respect to lawsuits and other claims, which arise in the ordinary course of its operation. Although the outcome of these matters is not presently determinable, in the opinion of management of the City and the City's attorney, the resolution of these matters will not have a material, adverse effect on the City's financial condition.

The City is currently involved in litigation with Fairfax Water Authority regarding issues related to service areas and business practices. Fairfax Water Authority is seeking damages in the amount of $21 million. The City's legal counsel does not anticipate the likelihood of an unfavorable outcome.

VIII. SUBSEQUENT EVENTS

On July 8, 2009, the City issued $5.5 million of bond anticipation notes. These are general obligations of the City for various water projects. It is anticipated debt service requirements will be met from the Water Fund.

On August 20, 2009, the City sold property located at 215 S. Lee Street for $522 thousand. The City retained a portion of the property to provide access to an adjacent city park.

IX. FUTURE ACCOUNTING CHANGES

As of June 30, 2009 the Governmental Accounting Standards Board (GASB) had issued the following statements that will be applicable to the City's future financial statements:

- Statement No. 51 – *Accounting and Financial Reporting for Intangible Assets.* Governments own various types of intangible assets including computer software, easements, water rights, etc. This Statement requires governments to capitalize such assets in its statement of net assets. This Statement also provides specific guidance for the recording of these assets, including, when they should be recognized as tangible assets, guidance on when internally-generated computer software should be capitalized, and determining their useful lives for amortization. This statement is effective for the City's financial statements for fiscal year ending June 30, 2010, with retroactive recognition of certain intangible assets purchased after June 30, 1980 required.

- Statement No. 53 - *Accounting and Financial Reporting for Derivative Instruments.* This Statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Derivative instruments are often complex financial arrangements used by governments to manage specific risks or to make investments. A key provision in this Statement is that derivative instruments covered in its scope, with the exception of synthetic guaranteed investment contracts (SGICs) that are fully benefit-responsive, are reported at fair value. This Statement is effective for the City's financial statements for fiscal year ending June 30, 2010.

- Statement No. 54 – *Fund Balance Reporting and Governmental Fund Type Definitions.* This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The initial distinction that is made in reporting fund balance information is identifying amounts that are considered nonspendable, such as fund balance associated with inventories. This Statement also provides for additional classification as restricted, committed, assigned, and unassigned based on the relative strength of the constraints that control how specific amounts can be spent. The definitions of the general fund, special revenue fund type, capital projects fund type, debt service fund type, and permanent fund type are clarified by the provisions in this Statement. This Statement is effective for the City's financial statements for fiscal year ending June 30, 2011.

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FINANCIAL SECTION

REQUIRED SUPPLEMENTARY INFORMATION

WebGIS overhead view of the City Hall

CITY OF FALLS CHURCH, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION (In Thousands)

A. SCHEDULE OF FUNDING PROGRESS

1. Virginia Retirement System (VRS) (Agent Multiple-Employer Plan)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Excess Funded) AAL (c) = (b) - (a)	Funded Ratio (a) / (b)	Annual Covered Payroll (d)	UAAL as a Percent of Covered Payroll (c) / (d)	UAAL as a Percent of Covered Payroll (c) / (d)
6/30/2007	$ 3,351	$ 2,294	$ (1,057)	146.1%	$ 945	(111.9%)	(130.6%)
6/30/2006	3,029	2,251	(778)	134.6%	880	(88.4%)	(152.2%)
6/30/2005	2,864	2,039	(825)	140.5%	724	(114.0%)	(123.3%)

2. Basic Pension Plan

Actuarial Valuation Date	For Fiscal Year Ending	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Excess Funded) AAL (c) = (b) - (a)	Funded Ratio (a) / (b)	Annual Covered Payroll (d)	UAAL as a Percent of Covered Payroll (c) / (d)
7/1/2009	6/30/2011	$ 61,647	$ 60,662	$ (985)	101.6%	$ 15,594	(6.3%)
7/1/2008	6/30/2010	61,233	54,914	(6,319)	111.5%	14,767	(42.8%)
7/1/2007	6/30/2009	57,669	50,875	(6,794)	113.4%	14,049	(48.4%)

3. Police Pension Plan

Actuarial Valuation Date	For Fiscal Year Ending	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Excess Funded) AAL (c) = (b) - (a)	Funded Ratio (a) / (b)	Annual Covered Payroll (d)	UAAL as a Percent of Covered Payroll (c) / (d)
7/1/2009	6/30/2011	$ 17,209	$ 16,546	$ (663)	104.0%	$ 2,316	(28.6%)
7/1/2008	6/30/2010	17,267	15,007	(2,260)	115.1%	2,277	(99.3%)
7/1/2007	6/30/2009	16,381	13,351	(3,030)	122.7%	1,920	(157.8%)

4. Other Post-Employment Benefits Plan - City

Actuarial Valuation Date	For Fiscal Year Ending	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Excess Funded) AAL (c) = (b) - (a)	Funded Ratio (a) / (b)	Annual Covered Payroll (d)	UAAL as a Percent of Covered Payroll (c) / (d)
6/30/2008	6/30/2009	$ 1,013	$ 10,417	$ 9,404	9.7%	$ 11,248	83.6%
6/30/2006	6/30/2008	-	7,548	7,548	0.0%	9,827	76.8%

5. Other Post-Employment Benefits Plan - School Board

Actuarial Valuation Date	For Fiscal Year Ending	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Excess Funded) AAL (c) = (b) - (a)	Funded Ratio (a) / (b)	Annual Covered Payroll (d)	UAAL as a Percent of Covered Payroll (c) / (d)
6/30/2008	6/30/2009	$ 610	$ 6,632	$ 6,022	9.2%	$ 14,278	42.2%
6/30/2006	6/30/2008	-	3,462	3,462	0.0%	12,959	26.7%

See accompanying Independent Auditors' Report.

CITY OF FALLS CHURCH, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION

B. SCHEDULE OF EMPLOYER CONTRIBUTIONS

1. Basic Pension Plan

Plan Year Ended June 30	Annual Required Contribution	% Contributed by Employer
2009	$ 1,077,121	100%
2008	707,446	100%
2007	445,087	100%

2. Police Pension Plan

Plan Year Ended June 30	Annual Required Contribution	% Contributed by Employer
2008	$ 20,622	100%
2008	-	100%
2007	22,810	100%

3. Other Post-Employment Benefits - City

Plan Year Ended June 30	Annual Required Contribution	% Contributed by Employer
2008	$ 716,000	94.00%
2008	714,000	140.25%

4. Other Post-Employment Benefits - School Board

Plan Year Ended June 30	Annual Required Contribution	% Contributed by Employer
2008	$ 409,000	124.00%
2008	410,000	174.00%

C. NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

1. The actuarial assumptions and methods used for the valuation date of July 1, 2009 for the Basic and Police Pension Plans and Other Post-Employment Benefit Plans are disclosed in the Notes to the Financial Statements. The actuarial assumptions and methods used for the valuation date of June 30, 2007 for the VRS are also disclosed in the Notes to the Financial Statements. The actuarial assumptions and methods used for the valuation date of June 30, 2008 for the Other Post-Employment Benefit Plans for the City and School Board are disclosed in the Notes to the Financial Statements.

2. Readers may obtain a copy of the VRS comprehensive annual financial report that includes financial statements and required supplementary information by writing to the VRS at P.P. Box 2500, Richmond, VA 23218-2500. Readers may also obtain a copy of the Basic and Police Pension Plan financial reports that include financial statements and required supplementary information for the plans at the City office.

3. The Other Post-Employment Benefits Plans for the City and the School Board were established in FY2008 and has only two years of available data.

See accompanying Independent Auditors' Report.

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FINANCIAL SECTION

OTHER SUPPLEMENTARY INFORMATION

The **Mary Ellen Henderson Middle School** opened its doors in September 2005, replacing an older middle school. It serves a student population of 450 in grades 5-7.

SCHEDULE 1

CITY OF FALLS CHURCH, VIRGINIA
COMBINING SCHEDULE OF FIDUCIARY NET ASSETS - POST-EMPLOYMENT TRUST FUNDS
As of June 30, 2009

	Basic Plan	Police Plan	Other Post Employment Benefits	School Board Other Post-Employment Benefits	Total
ASSETS					
Cash and cash equivalents	$ 2,123,243	$ 543,932	$ 94,329	$ 37,901	$ 2,799,405
Investments:					
Domestic equity securities	19,186,465	5,481,726	389,285	242,024	25,299,500
Domestic fixed income securities	15,238,159	4,015,920	256,016	159,169	19,669,264
International equity securities	9,664,740	2,728,935	100,500	62,483	12,556,658
Real estate	2,392,334	629,274	23,363	14,525	3,059,496
Other	20,691	107,344	-	-	128,035
Total investments	46,502,389	12,963,199	769,164	478,201	60,712,953
Contributions receivable:					
Employer	-	-	676,140	505,161	1,181,301
Total contributions receivable	-	-	676,140	505,161	1,181,301
Interest and dividend receivable	57,561	9,236	488	303	67,588
Total Assets	48,683,193	13,516,367	1,540,121	1,021,566	64,761,247
LIABILITIES					
Accounts payable	2,219	483	-	-	2,702
Due to general fund	114,413	22,186	273,045	109,237	518,881
Total Liabilities	116,632	22,669	273,045	109,237	521,583
NET ASSETS					
Held in trust for pension benefits	48,566,561	13,493,698	-	-	62,060,259
Held in trust for other post-employment benefits	-	-	1,267,076	912,329	2,179,405
Total Net Assets	$ 48,566,561	$ 13,493,698	$ 1,267,076	$ 912,329	$ 64,239,664

See accompanying independent auditors' report.

SCHEDULE 2

CITY OF FALLS CHURCH, VIRGINIA
COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET ASSETS - POST-EMPLOYMENT TRUST FUNDS
For the Year Ended June 30, 2009

	Basic Plan	Police Plan	Other Post Employment Benefits	School Board Other Post-Employment Benefits	Total
ADDITIONS					
Employer contributions	$ 1,061,746	$ 20,101	$ 676,140	$ 505,161	$ 2,263,148
Investment earnings:					
Interest	172,825	90,771	26,636	16,152	306,384
Dividends	501,570	141,608	-	-	643,178
Net decrease in the fair value of investments	(8,937,839)	(2,561,666)	(169,161)	(105,170)	(11,773,836)
Total investment earnings	(8,263,444)	(2,329,287)	(142,525)	(89,018)	(10,824,274)
Less investment expense	(177,561)	(50,672)	(6,918)	(4,301)	(239,452)
Net investment earnings	(8,441,005)	(2,379,959)	(149,443)	(93,319)	(11,063,726)
Total Additions	(7,379,259)	(2,359,858)	526,697	411,842	(8,800,578)
DEDUCTIONS					
Benefits	2,227,939	491,497	273,045	109,237	3,101,718
Administration	74,203	26,591	-	-	100,794
Total Deductions	2,302,142	518,088	273,045	109,237	3,202,512
Change in Net Assets	(9,681,401)	(2,877,946)	253,652	302,605	(12,003,090)
Net Assets at Beginning of Year	58,247,962	16,371,644	1,013,424	609,724	76,242,754
Net Assets at End of Year	$ 48,566,561	$ 13,493,698	$ 1,267,076	$ 912,329	64,239,664

See accompanying Independent Auditors' Report.

SCHEDULE 3

CITY OF FALLS CHURCH, VIRGINIA
COMBINING STATEMENT OF AGENCY NET ASSETS
As of June 30, 2009

	Fairfax County Water Authority Fund	Northern Virginia Criminal Justice Academy Fund	Total
ASSETS			
Cash and cash equivalents	$ -	2,561,909	$ 2,561,909
Other receivables	1,320,017	-	1,320,017
Due from general fund	1,477,724	-	1,477,724
Total Assets	$ 2,797,741	$ 2,561,909	$ 5,359,650
LIABILITIES			
Due to other governments	$ 2,797,741	$ 1,876,784	$ 4,674,525
Due to general fund	-	685,125	$ 685,125
Total Liabilities	$ 2,797,741	$ 2,561,909	$ 5,359,650

See accompanying Independent Auditors' Report.

SCHEDULE 4

CITY OF FALLS CHURCH, VIRGINIA
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
For the Year Ended June 30, 2009

	Balances July 1, 2008	Additions	Deductions	Balances June 30, 2009
Fairfax County Water Authority Fund				
ASSETS				
Other receivables	1,413,477	$13,689,202	$13,782,662	$ 1,320,017
Due from general fund	1,116,171	13,008,512	12,646,959	1,477,724
Total Assets	$ 2,529,648	$26,697,714	$26,429,621	$ 2,797,741
LIABILITIES				
Due to other governments	$ 2,529,648	$26,697,714	$26,429,621	$ 2,797,741
Total Liabilities	$ 2,529,648	$26,697,714	$26,429,621	$ 2,797,741
Northern Virginia Criminal Justice Academy Fund				
ASSETS				
Cash and cash equivalents	1,787,240	$ 4,207,757	$ 3,433,088	$ 2,561,909
Total Assets	$ 1,787,240	$ 4,207,757	$ 3,433,088	$ 2,561,909
LIABILITIES				
Due to other governments	$ 1,785,055	$ 4,491,517	$ 4,399,788	$ 1,876,784
Due to general fund	2,185	8,607,545	7,924,605	685,125
Total Liabilities	$ 1,787,240	$13,099,062	$12,324,393	$ 2,561,909
Total				
ASSETS				
Cash and cash equivalents	$ 1,787,240	$ 4,207,757	$ 3,433,088	$ 2,561,909
Other receivables	1,413,477	13,689,202	13,782,662	1,320,017
Due from general fund	1,116,171	13,008,512	12,646,959	1,477,724
Total Assets	$ 4,316,888	$30,905,471	$29,862,709	$ 5,359,650
LIABILITIES				
Due to other governments	$ 4,314,703	$31,189,231	$30,829,409	$ 4,674,525
Due to general fund	2,185	8,607,545	7,924,605	685,125
Total Liabilities	$ 4,316,888	$39,796,776	$38,754,014	$ 5,359,650

See accompanying Independent Auditors' Report.

SCHEDULE 5

CITY OF FALLS CHURCH, VIRGINIA
CITY OF FALLS CHURCH PUBLIC SCHOOL BOARD
BALANCE SHEET
GOVERNMENTAL FUNDS
As of June 30, 2009

	Operating Fund	School Community Service Fund	Nonmajor Governmental School Food Service Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$ 2,230,975	$ 758,217	$ 283,268	$ 3,272,460
Accounts receivable	42,541	26,624	-	69,165
Due from primary government	4,023,120	(79,190)	54,731	3,998,661
Due from other governmental units	353,917	-	14,553	368,470
Prepaid expense	274,593	-	-	274,593
Total Assets	$ 6,925,146	$ 705,651	$ 352,552	$ 7,983,349
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	$ 4,974,026	$ 157,519	$ 92,530	$ 5,224,075
Total Liabilities	4,974,026	157,519	92,530	5,224,075
Fund Balances:				
Reserved for:				
Encumbrances	93,569	15,712	-	109,281
Prepaid items	274,593	-	-	274,593
Unreserved:				
Undesignated	1,582,958	532,420	260,022	2,375,400
Total Fund Balances	1,951,120	548,132	260,022	2,759,274
Total Liabilities and Fund Balances	$ 6,925,146	$ 705,651	$ 352,552	$ 7,983,349

See accompanying Independent Auditors' Report.

SCHEDULE 6

CITY OF FALLS CHURCH, VIRGINIA
CITY OF FALLS CHURCH PUBLIC SCHOOL BOARD
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
As of June 30, 2009

Fund balances - total governmental funds		$	2,759,274
Amounts reported for governmental activities in the Statement of Net Assets (Exhibit I) are different because :			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Governmental capital assets	5,490,991		
Less accumulated depreciation	(2,144,064)		3,346,927
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.			
Compensated absences	(1,022,794)		
Capital leases payable	(191,471)		(1,214,265)
Deferred OPEB charges reported in governmental activities use current financial resources and therefore are reported as expenditures in the governmental fund financial statements but are reported as an asset in the governmental activities of the Statement of Net Assets.			407,161
Governmental activities recognize rent expense equally over the term of the lease agreement whereas governmental funds report only the outlays for rent payments as expenditure. The difference is recognized as deferred liability in the governmental activities of the Statement of Net Assets.			(6,390)
Net Assets of Governmental Activities		$	5,292,707

See accompanying Independent Auditors' Report.

SCHEDULE 7

CITY OF FALLS CHURCH, VIRGINIA
CITY OF FALLS CHURCH PUBLIC SCHOOL BOARD
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2009

	Operating Fund	School Community Service Fund	Nonmajor Governmental School Food Service Fund	Total Governmental Funds
REVENUES				
Revenue from use of money and property	$ 50,246	$ 75,089	$ 3,516	$ 128,851
Charges for services	331,835	895,439	681,496	1,908,770
Miscellaneous	14,400	36,578	-	50,978
Intergovernmental:				
Federal	512,693	-	109,951	622,644
Commonwealth	5,112,766	-	7,325	5,120,091
Primary government	29,161,122	477,400	-	29,638,522
Total Revenues	35,183,062	1,484,506	802,288	37,469,856
EXPENDITURES				
Current:				
Education	34,619,245	1,350,089	686,449	36,655,783
Capital outlay	738,555	224,212	2,650	965,417
Debt service:				
Principal	113,854	-	-	113,854
Interest	12,436	-	-	12,436
Total Expenditures	35,484,090	1,574,301	689,099	37,747,490
Excess/(deficiency) of revenues over/(under) expenditures	(301,028)	(89,795)	113,189	(277,634)
Other financing sources/(uses):				
Transfers in/(out)	134,367	(89,800)	(44,567)	-
Proceeds from capital leases	90,443	-	-	90,443
Total Other Financing Sources/(Uses)	224,810	(89,800)	(44,567)	90,443
Net Change in Fund Balances	(76,218)	(179,595)	68,622	(187,191)
Fund Balances at Beginning of Year	2,027,338	727,727	191,400	2,946,465
Fund Balances at End of Year	$ 1,951,120	$ 548,132	$ 260,022	$ 2,759,274

See accompanying Independent Auditors' Report.

SCHEDULE 8

CITY OF FALLS CHURCH, VIRGINIA
CITY OF FALLS CHURCH PUBLIC SCHOOL BOARD
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2009

Net change in fund balances - total governmental funds		$ (187,191)
Amounts reported for governmental activities in the Statement of Activities (Exhibit II) are different because :		
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets.		
Expenditures for capital assets	436,325	
Less current year depreciation	(359,040)	77,285
Governmental funds report the entire net sales price (proceeds) from sale of an asset as revenue because it provides current financial resources. In contrast, the Statement of Activities reports only the gain on the sale of the assets. Thus, the change in net assets differs from the change in fund balance by the cost of the asset sold.		
Gain on disposal of assets		(5,192)
Governmental funds report outlays for the funding of other post-employement benefit liabilities in excess of the annual required contribution (ARC). Governmental activities do not report this as expense, rather it is reported as an asset in the governmental activities of the Statement of Net Assets		105,161
Governmental activities recognize rent expense equally over the term of the lease agreement whereas governmental funds report only the outlays for rent payments as expenditure.		(6,390)
The issuance of long-term debt (e.g.,capital 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. However, issuing debt increases long-term liabilities and the repayment of debt reduces long-term liabilities in the Statement of Net Assets, but these transactions do not affect the Statement of Activities.		
Proceeds from capital leases		(90,443)
Principal payments on capital leases		113,853
Certain 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.		
Change in compensated absence liability		(80,042)
Change in Net Assets of Governmental Activities		$ (72,959)

See accompanying Independent Auditors' Report.

SCHEDULE 9

CITY OF FALLS CHURCH, VIRGINIA
CITY OF FALLS CHURCH PUBLIC SCHOOL BOARD
OPERATING FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -- BUDGET AND ACTUAL
For the Year Ended June 30, 2009

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget - Positive
REVENUES				
Revenue from use of money and property	$ 90,000	$ 90,000	$ 50,246	$ (39,754)
Charges for services	263,500	263,500	331,835	68,335
Miscellaneous	324,000	324,000	14,400	(309,600)
Intergovernmental:				
Commonwealth	5,162,025	5,162,025	5,112,766	(49,259)
Federal	544,075	544,075	512,693	(31,382)
Primary government	30,122,200	30,139,450	29,161,122	(978,328)
Total Revenues	36,505,800	36,523,050	35,183,062	(1,339,988)
EXPENDITURES				
Current:				
Education	35,980,393	35,866,140	34,619,245	1,246,895
Capital outlay	612,207	790,505	738,555	51,950
Debt service:				
Principal	49,500	29,605	113,854	(84,249)
Interest	-	-	12,436	(12,436)
Total Expenditures	36,642,100	36,686,250	35,484,090	1,202,160
Excess/(deficiency) of revenues over/(under) expenditures	(136,300)	(163,200)	(301,028)	(137,828)
Other financing sources/(uses):				
Transfers in/(out)	136,300	136,300	134,367	(1,933)
Proceeds from capital leases	-	-	90,443	90,443
Total Other Financing Sources/(Uses)	136,300	136,300	224,810	88,510
Net Change in Fund Balances	-	(26,900)	(76,218)	(49,318)
Fund Balances at Beginning of Year	2,027,338	2,027,338	2,027,338	-
Fund Balances at End of Year	$ 2,027,338	$ 2,000,438	$ 1,951,120	$ (49,318)

See accompanying Independent Auditors' Report.

SCHEDULE 10

CITY OF FALLS CHURCH, VIRGINIA
CITY OF FALLS CHURCH PUBLIC SCHOOL BOARD
SCHOOL COMMUNITY SERVICE FUND
SCHEDULES OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -- BUDGET AND ACTUAL
For the Year Ended June 30, 2009

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget - Positive
REVENUES				
Revenue from use of money and property	$ 122,500	$ 122,500	$ 75,089	$ (47,411)
Charges for services	1,125,800	1,125,800	895,439	(230,361)
Miscellaneous	80,900	80,900	36,578	(44,322)
Intergovernmental:				
Primary government	477,400	477,400	477,400	-
Total Revenues	1,806,600	1,806,600	1,484,506	(322,094)
EXPENDITURES				
Current:				
Education	1,332,800	1,312,090	1,350,089	(37,999)
Capital Outlay	241,500	262,210	224,212	37,998
Total Expenditures	1,574,300	1,574,300	1,574,301	(1)
Excess of revenues over expenditures	232,300	232,300	(89,795)	(322,095)
Other financing sources/(uses):				
Transfers in/(out)	(89,800)	(89,800)	(89,800)	-
Total Other Financing Sources/(Uses)	(89,800)	(89,800)	(89,800)	-
Net Change in Fund Balances	142,500	142,500	(179,595)	(322,095)
Fund Balances at Beginning of Year	727,727	727,727	727,727	-
Fund Balances at End of Year	$ 870,227	$ 870,227	$ 548,132	$ (322,095)

See accompanying Independent Auditors' Report.

SCHEDULE 11

CITY OF FALLS CHURCH, VIRGINIA
CITY OF FALLS CHURCH PUBLIC SCHOOL BOARD
STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS
As of June 30, 2009

	Thomas Jefferson Elementary	Mt. Daniel Elementary	Mary Ellen Henderson Middle School	George Mason High School	Total
ASSETS					
Cash and cash equivalents	$ 17,116	$ 26,063	$ 30,296	$ 229,196	$ 302,671
Total Assets	$ 17,116	$ 26,063	$ 30,296	$ 229,196	$ 302,671
LIABILITIES					
Amounts held for others	$ 17,116	$ 26,063	$ 30,296	$ 229,196	$ 302,671
Total Liabilities	$ 17,116	$ 26,063	$ 30,296	$ 229,196	$ 302,671

See accompanying Independent Auditors' Report.

SCHEDULE 12

CITY OF FALLS CHURCH, VIRGINIA
CITY OF FALLS CHURCH PUBLIC SCHOOL BOARD
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
For the Year Ended June 30, 2009

	Balances July 1, 2008	Additions	Deductions	Balances June 30, 2009
THOMAS JEFFERSON ELEMENTARY				
Assets				
Cash and cash equivalents	$ 17,116	$ 33,004	$ 33,004	$ 17,116
Total Assets	$ 17,116	$ 33,004	$ 33,004	$ 17,116
Liabilities				
Amounts held for others	$ 17,116	$ 33,004	$ 33,004	$ 17,116
Total Liabilities	$ 17,116	$ 33,004	$ 33,004	$ 17,116
MT. DANIEL ELEMENTARY				
Assets				
Cash and cash equivalents	$ 21,972	$ 29,718	$ 25,627	$ 26,063
Total Assets	$ 21,972	$ 29,718	$ 25,627	$ 26,063
Liabilities				
Amounts held for others	$ 21,972	$ 29,718	$ 25,627	$ 26,063
Total Liabilities	$ 21,972	$ 29,718	$ 25,627	$ 26,063
MARY ELLEN HENDERSON MIDDLE SCHOOL				
Assets				
Cash and cash equivalents	$ 23,926	$ 106,897	$ 100,527	$ 30,296
Total Assets	$ 23,926	$ 106,897	$ 100,527	$ 30,296
Liabilities				
Amounts held for others	$ 23,926	$ 106,897	$ 100,527	$ 30,296
Total Liabilities	$ 23,926	$ 106,897	$ 100,527	$ 30,296
GEORGE MASON HIGH SCHOOL				
Assets				
Cash and cash equivalents	$ 212,537	$ 478,888	$ 462,229	$ 229,196
Total Assets	$ 212,537	$ 478,888	$ 462,229	$ 229,196
Liabilities				
Amounts held for others	$ 212,537	$ 478,888	$ 462,229	$ 229,196
Total Liabilities	$ 212,537	$ 478,888	$ 462,229	$ 229,196
TOTAL				
Assets				
Cash and cash equivalents	$ 275,551	$ 648,507	$ 621,387	$ 302,671
Total Assets	$ 275,551	$ 648,507	$ 621,387	$ 302,671
Liabilities				
Amounts held for others	$ 275,551	$ 648,507	$ 621,387	$ 302,671
Total Liabilities	$ 275,551	$ 648,507	$ 621,387	$ 302,671

See accompanying Independent Auditors' Report.

SCHEDULE 13

CITY OF FALLS CHURCH, VIRGINIA
BALANCE SHEET
NON-MAJOR COMPONENT UNITS
As of June 30, 2009

	Economic Development Authority
ASSETS	
Cash and cash equivalents	$ 172,820
Total Assets	$ 172,820
LIABILITIES AND FUND BALANCES	
Liabilities:	
Due to primary government	$ 19,333
Total Liabilities	19,333
Fund Balances:	
Unreserved and undesignated	153,487
Total Fund Balances	153,487
Total Liabilities and Fund Balances	$ 172,820
Amounts reported for non-major component units in the statement of net assets (Exhibit I) are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.	
Capital assets	517,255
Net Assets of Non-Major Component Units	690,075

See accompanying Independent Auditors' Report.

SCHEDULE 14

CITY OF FALLS CHURCH, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NON-MAJOR COMPONENT UNITS
For the Year Ended June 30, 2009

	Economic Development Authority
REVENUES	
Revenue from use of money and property	$ 16,037
Miscellaneous	22,530
Total Revenues	38,567
EXPENDITURES	
Current:	
Economic development	97,833
Total Expenditures	97,833
Excess/(deficiency) of revenues over expenditures	(59,266)
Net Change in Fund Balances	(59,266)
Fund Balances at Beginning of Year	212,753
Fund Balances at End of Year	$ 153,487
Net change in fund balances - total governmental funds	$ (59,266)
Change in Net Assets of Governmental Activities	$ (59,266)

See accompanying Independent Auditors' Report.

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CITY OF FALLS CHURCH, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR JUNE 30, 2009

STATISTICAL SECTION
(UNAUDITED)

George is the City of Falls Church, Virginia's clean diesel bus that provides local transit service to and from the Washington Metro Transit Authority Metrorail stations and throughout the City.

This section of the City's Comprehensive Annual Financial Report (CAFR) presents additional information to provide readers with context to better understand the information contained in the foregoing financial statements, note disclosures, and required supplementary information.

Financial Trends (Tables 1-4)

These tables contain financial trend information of up to 10 years to help readers understand how the City's financial performance and status have changed over time.

Revenue Capacity (Tables 5-8)

These tables contain information that will assist readers assess the City's most significant source of local revenue, real estate and personal property taxes.

Debt Capacity (Tables 9-11)

These schedules provide 10 years of information to help readers assess the City's levels of outstanding debt and its ability to issue additional debt in the future.

Demographic and Economic Information (Tables 12-13)

These tables present available demographic and economic indicators to help readers understand the environment within which the City's financial activities operate.

Operating Information (Tables 14-16)

These schedules contain information to help readers understand how the information provided in the City's CAFR relates to the services it provides and the activities it performs.

TABLE 1

CITY OF FALLS CHURCH, VIRGINIA
Net Assets by Component
Last Seven Fiscal Years*
(Accrual Basis of Accounting)

	Fiscal Year						
	2003	2004	2005	2006	2007	2008	2009
Governmental activities							
Invested in capital assets, net of related debt	$ 10,457,691	$ 16,988,211	$ 19,354,251	$ 18,918,420	$ 23,379,076	$ 25,612,690	$ 27,502,320
Unrestricted	16,655,649	13,159,880	15,126,942	19,001,599	16,859,105	14,477,291	8,990,721
Total Governmental Activities Net Assets	27,113,340	30,148,091	34,481,193	37,920,019	40,238,181	40,089,981	36,493,041
Business-type activities							
Invested in capital assets, net of related debt	44,398,730	47,421,241	49,170,424	50,534,282	50,471,649	51,078,151	54,441,063
Unrestricted	32,160,088	23,376,153	22,433,855	21,757,554	26,947,631	11,185,756	7,329,266
Total Business-type Activities Net Assets	76,558,818	70,797,394	71,604,279	72,291,836	77,419,280	62,263,907	61,770,329
Primary government							
Invested in capital assets, net of related debt	54,856,421	64,409,452	68,524,675	69,452,702	73,850,725	76,690,841	81,943,383
Unrestricted	48,815,737	36,536,033	37,560,797	40,759,153	43,806,736	25,663,047	16,319,987
Total Primary Government Net Assets	$ 103,672,158	$ 100,945,485	$ 106,085,472	$ 110,211,855	$ 117,657,461	$ 102,353,888	$ 98,263,370

*Note: The City of Falls Church implemented GASB 34 for fiscal years ended June 30, 2003 and later.

TABLE 2

CITY OF FALLS CHURCH, VIRGINIA
Changes in Net Assets
Last Seven Fiscal Years*
(Accrual Basis of Accounting)

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
Expenses						
Governmental Activities						
General government administration	$ 3,533,147	$ 3,883,989	$ 3,935,683	$ 4,129,020	$ 4,786,763	$ 5,482,600
Judicial administration	1,011,397	1,065,276	1,156,203	1,245,977	1,291,039	1,398,558
Public safety	6,794,693	6,638,269	7,017,277	6,995,489	7,982,071	8,195,664
Public works	4,747,665	4,150,055	4,127,607	6,332,313	5,288,565	6,489,819
Health and welfare	2,666,535	2,784,179	2,740,167	3,018,356	3,316,750	2,626,378
Education and payments to Schools	20,248,502	21,177,645	23,400,685	26,379,915	29,072,459	30,878,770
Parks, recreation, and cultural	2,759,046	2,989,439	3,158,648	3,306,719	3,598,289	3,862,621
Community development	823,760	841,264	1,163,151	1,132,733	1,700,846	2,231,172
Economic development	429,107	290,087	294,554	373,963	359,538	385,564
Interest expense	1,397,595	1,589,430	2,220,727	1,661,368	1,746,086	1,713,885
Total Governmental Activities Expenses	44,411,447	45,409,633	49,214,702	54,575,853	59,142,406	63,265,031
Business-Type Activities						
Water	15,253,871	14,442,756	14,878,376	16,289,183	17,195,584	31,372,591
Sewer	1,952,604	2,586,301	2,028,151	2,088,637	2,781,966	5,381,002
Total Business-Type Activities Expenses	17,206,475	17,029,057	16,906,527	18,377,820	19,977,550	36,753,593
Total Primary Government	$ 61,617,922	$ 62,438,690	$ 66,121,229	$ 72,953,673	$ 79,119,956	$ 100,018,624
Program Revenes						
Governmental Activities						
Charges for services:						
Parks, recreation, and cultural	$ 654,627	$ 677,807	$ 718,591	$ 806,936	$ 851,479	$ 890,329
Judicial Administration	302,394	670,874	672,226	704,344	702,289	985,851
Public safety	1,001,830	1,007,262	1,414,384	773,476	970,613	606,394
Other	315,589	348,563	403,120	362,644	376,376	478,329
Operating grants and contributions	2,705,665	3,045,368	2,806,914	3,099,444	3,661,138	3,538,063
Capital grants and contributions	749,450	-	-	-	138,488	100,534
Total Governmental Activities Program Revenues	5,729,555	5,749,874	6,015,235	5,746,844	6,700,383	6,599,500
Business-Type Activities						
Charges for services:						
Water	13,588,498	13,317,162	17,150,392	18,936,968	22,321,609	20,289,970
Sewer	1,724,179	2,009,726	2,731,556	2,581,621	3,602,944	2,504,749
Operating grants and contributions	-	115,000	-	-	24,122,172	-
Capital grants and contributions	537,310	130,691	1,907,477	1,532,935	839,993	479,911
Total Business-Type Activities Program Revenues	15,849,987	15,572,579	21,789,425	23,051,524	50,886,718	23,274,630
Total Primary Government Program Revenues	$ 21,579,542	$ 21,322,453	$ 27,804,660	$ 28,798,368	$ 57,587,101	$ 29,874,130
Net (Expense)/Revenue						
Governmental Activities	$ (38,681,892)	$ (39,659,759)	$ (43,199,467)	$ (48,829,009)	$ (52,442,023)	$ (56,665,531)
Business-Type Activities	(1,356,488)	(1,456,478)	4,882,898	4,673,704	30,909,168	(13,478,963)
Total primary government net (expense)/revenue	$ (40,038,380)	$ (41,116,237)	$ (38,316,569)	$ (44,155,305)	$ (21,532,855)	$ (70,144,494)

*Note: The City of Falls Church implemented GASB 34 for fiscal years ended June 30, 2003 and later.

TABLE 2 (Continued)

CITY OF FALLS CHURCH, VIRGINIA
Changes in Net Assets
Net Assets by Component
(Accrual Basis of Accounting)

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
General Revenues and Other Changes in Net Assets						
Governmental Activities						
Taxes:						
Real property	$ 20,298,536	$ 22,736,340	$ 26,248,419	$ 29,624,514	$ 32,844,128	$ 33,878,025
Personal property	2,501,478	2,700,860	3,137,750	3,327,582	3,303,768	3,287,380
Business licenses, based on gross receipts	2,343,068	2,296,618	2,913,022	2,936,648	3,053,349	3,138,550
Local sales & use	3,292,718	3,492,983	3,828,328	4,263,902	4,222,823	3,962,354
Consumer's utility	1,451,863	1,655,968	1,645,515	1,595,837	2,018,214	2,143,666
Motor vehicle decals	233,543	200,940	223,394	202,229	216,892	208,790
Real estate recordation taxes	137,924	203,335	232,243	213,868	301,751	712,026
Occupacy, tobacco, and other	2,242,346	2,305,965	2,454,441	3,150,953	2,754,408	3,468,099
Grants and contributions not restricted to specific programs	1,894,552	2,211,120	1,495,015	1,535,838	1,983,445	2,038,599
Revenue from use of money and property	252,369	122,565	546,512	569,561	855,866	466,667
Other	383,515	141,942	43,674	71,029	150,420	132,001
Special item - gain on sale of capital assets	-	-	-	-	-	5,000
Transfers	4,713,374	4,625,874	4,764,256	4,775,874	3,055,121	3,076,174
Total Governmental Activities	39,745,286	42,694,510	47,532,569	52,267,835	54,760,185	56,517,331
Business-Type Activities						
Revenue from use of money and property	701,016	377,777	650,041	759,782	1,361,932	1,393,656
Other	34,571	30,651	38,202	29,945	33,637	9,981
Special item - loss on sale of capital assets	-	-	-	-	-	(3,873)
Transfers	(4,713,374)	(4,713,374)	(4,764,256)	(4,775,874)	(3,055,121)	(3,076,174)
Total Business-Type Activities	(3,977,787)	(4,304,946)	(4,076,013)	(3,986,147)	(1,659,552)	(1,676,410)
Total Primary Government	$ 35,767,499	$ 38,389,564	$ 43,456,556	$ 48,281,688	$ 53,100,633	$ 54,840,921
Change in Net Assets						
Governmental Activities	$ 1,063,394	$ 3,034,751	$ 4,333,102	$ 3,438,826	$ 2,318,162	$ (148,200)
Business-Type Activities	(5,334,275)	(5,761,424)	806,885	687,557	29,249,616	(15,155,373)
Total Primary Government	$ (4,270,881)	$ (2,726,673)	$ 5,139,987	$ 4,126,383	$ 31,567,778	$ (15,303,573)

*Note: The City of Falls Church implemented GASB 34 for fiscal years ended June 30, 2003 and later.

TABLE 3

CITY OF FALLS CHURCH, VIRGINIA
Fund Balances of Governmental Funds
Last Ten Years
(Modified Accrual Basis of Accounting)

	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General Fund										
Reserved	$ 97,272	$ 527,125	$ 1,041,572	$ 795,149	$ 1,397,945	$ 1,161,401	$ 1,024,193	$ 1,531,626	$ 1,494,647	$ 1,265,850
Unreserved	12,913,771	12,166,840	14,667,845	16,057,559	11,821,263	12,631,956	15,129,189	12,666,003	9,830,681	2,894,988
Total General Fund	$ 13,011,043	$ 12,693,965	$ 15,709,417	$ 16,852,708	$ 13,219,208	$13,793,357	$ 16,153,382	$ 14,197,629	$ 11,325,328	$ 4,160,838
All Other Governmental Funds										
Reserved	912,075	108,664	7,500	151,496	20,034,668	5,151,445	2,281,152	2,281,152	543,425	1,423,401
Unreserved, reported in:										
Capital Projects Fund	4,027,570	1,336,082	940,900	150,342	4,918,860	4,530,899	1,375,326	1,375,326	4,643,132	4,513,944
Affordable Dwelling Units Fund	-	-	-	-	-	414,219	431,941	504,325	381,159	537,799
Total All Other Governmental Funds	$ 4,939,645	$ 1,444,746	$ 948,400	$ 301,838	$ 24,953,528	$10,096,563	$ 4,088,419	$ 4,160,803	$ 5,567,716	$ 6,475,144

TABLE 4

CITY OF FALLS CHURCH, VIRGINIA
Information About Changes in Fund Balances - Governmental Funds
Last Ten Years
(Modified Accrual Basis of Accounting)

	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Revenues										
General property taxes	$ 17,299,289	$ 17,894,364	$ 21,530,436	$ 22,502,555	$ 24,985,137	$ 28,777,104	$ 33,248,625	$ 35,601,262	$ 37,603,499	$ 38,456,297
Other local taxes	9,127,990	9,838,262	9,638,805	9,568,442	10,130,055	11,284,301	12,350,831	12,554,667	13,621,231	10,759,416
Permit, privilege fees, and regulatory licenses	207,222	268,479	311,447	415,000	361,371	479,042	442,556	757,587	440,771	322,639
Fines and forfeitures	267,043	303,416	487,510	763,707	996,688	1,302,463	649,377	344,063	482,961	481,319
Revenue from use of money and property	911,772	1,202,819	493,160	252,369	122,565	546,512	569,561	855,866	466,667	83,428
Charges for services	788,336	683,563	847,489	1,191,629	1,265,181	1,292,015	1,423,258	1,655,668	1,869,435	2,387,814
Miscellaneous	2,522,413	480,042	1,081,535	440,694	111,457	148,820	62,800	591,414	108,705	65,129
Gifts and contributions	-	-	-	-	-	-	-	-	1,342,652	1,243,431
Recovered costs	44,456	99,573	46,014	1,976,842	2,184,999	2,236,692	2,012,726	1,469,148	1,341,695	1,429,477
Intergovernmental:										
Commonwealth	3,347,692	3,277,357	4,148,580	3,763,634	4,142,091	3,018,725	4,633,990	4,025,954	4,143,211	4,013,417
Federal	658,037	980,451	1,369,064	1,582,673	1,083,137	851,358	1,001,162	1,105,665	207,090	304,030
Total Revenues	35,174,250	35,028,326	39,954,040	42,457,545	45,382,681	49,937,032	56,394,886	58,961,294	61,627,917	59,546,397
Expenditures										
General government administration	2,930,417	4,197,703	3,709,201	4,786,596	5,193,514	5,251,876	5,722,648	5,674,088	6,058,525	5,874,181
Judicial administration	900,424	873,315	967,955	962,887	1,025,090	1,094,018	1,205,050	1,230,303	1,352,188	1,459,252
Public safety	4,735,878	5,179,796	5,862,306	6,371,972	6,240,752	6,996,497	6,704,083	7,644,603	8,185,464	8,513,351
Public works	3,615,302	3,088,647	2,783,998	4,456,901	4,768,075	4,147,696	5,410,065	4,555,196	5,834,441	5,478,550
Health and welfare	1,778,124	2,754,537	3,130,689	2,664,254	2,760,756	2,719,107	3,021,934	3,143,233	2,608,446	2,371,178
Education and payments to Schools	15,997,671	18,297,381	18,413,377	19,771,459	20,702,332	22,930,601	25,076,471	27,636,683	29,567,369	29,670,612
Parks, recreation, and cultural	2,290,312	2,559,833	2,622,749	2,633,689	2,849,028	2,962,822	3,123,316	3,290,829	3,659,333	4,359,681
Community development	1,675,506	970,075	1,008,178	1,138,518	1,196,845	1,424,396	1,430,897	1,753,211	2,175,626	2,227,411
Economic development	-	-	-	428,264	277,471	292,876	369,331	353,294	378,698	398,893
Capital outlay	4,654,600	2,969,803	736,759	527,228	6,394,602	19,091,875	9,612,382	4,141,088	2,590,974	2,398,084
Debt Service										
Principal	468,816	487,685	1,645,000	1,812,957	1,907,025	2,135,828	3,350,886	3,396,430	3,547,623	3,776,678
Interest and other charges	393,740	645,585	1,583,317	1,419,397	1,456,499	1,956,871	1,905,769	1,826,240	1,710,747	1,679,629
Total Expenditures	39,440,790	42,024,360	42,463,529	46,974,122	54,771,989	71,004,463	66,932,832	64,645,198	67,669,434	68,207,500
Excess of Revenues Over (Under) Expenditures	(4,266,540)	(6,996,034)	(2,509,489)	(4,516,577)	(9,389,308)	(21,067,431)	(10,537,946)	(5,683,904)	(6,041,517)	(8,661,103)
Other Financing Sources (Uses)										
Transfers in	3,029,637	4,576,191	4,878,754	4,713,374	4,713,374	4,764,256	4,775,874	3,055,121	3,076,174	2,404,041
Proceeds from borrowing	5,924,000	-	-	-	25,000,000	1,875,500	1,935,000	-	2,428,800	-
Proceeds from issuance of refunding bonds	-	-	-	-	7,340,000	4,808,034	35,811	6,347,686	-	-
Payment to refund bonds	-	-	-	-	(8,258,750)	(4,660,000)	-	(6,181,352)	-	-
Premium on bond sale	-	-	-	-	1,170,146	-	70,192	44,215	-	-
Premium paid to refund bonds	-	-	-	-	-	(42,425)	-	-	-	-
Original issue discount	-	-	-	-	-	-	-	(24,351)	-	-
Proceeds from capital leases	-	-	149,841	299,932	442,728	39,250	72,950	-	6,550	-
Total Other Financing Sources (Uses)	8,953,637	4,576,191	5,028,595	5,013,306	30,407,498	6,784,615	6,889,827	3,241,319	5,511,524	2,404,041
Special Item										
Contributions to OPEB Trust Fund in excess of ARC	-	-	-	-	-	-	-	-	(376,176)	-
Net Change in Fund Balance	$ 4,687,097	$(2,419,843)	$ 2,519,106	$ 496,729	$ 21,018,190	$ (14,282,816)	$ (3,648,119)	$ (2,442,585)	$ (906,169)	$ (6,257,062)
Debt Service as a Percentage of Non-Capital Expenditures	2.19%	2.91%	7.87%	6.97%	7.11%	8.00%	9.13%	8.57%	8.09%	8.24%

TABLE 5

CITY OF FALLS CHURCH, VIRGINIA
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year Ended June 30,	Real Property (1)		Personal Property (2)		Total Taxable Assessed Value	Total Direct Tax Rate (3)	Estimated Actual Taxable Value (4)	Assessed Value as a Percentage of Actual Value
	Residential	Commercial	Motor Vehicles	Other				
2000	$ 871,304,350	$ 334,219,178	$ 70,221,787	$ 17,566,513	$ 1,293,311,828	$ 1.35	$ 1,293,311,828	100%
2001	975,113,253	369,511,987	76,970,590	26,637,414	1,448,233,244	1.37	1,448,233,244	100%
2002	1,161,241,023	400,343,444	86,520,783	25,220,770	1,673,326,020	1.37	1,673,326,020	100%
2003	1,328,308,558	439,902,572	67,395,046	43,633,100	1,879,239,276	1.34	1,879,239,276	100%
2004	1,567,336,942	531,362,520	107,947,427	29,484,619	2,236,131,508	1.31	2,236,131,508	100%
2005	1,919,327,908	597,294,900	96,525,026	27,654,180	2,640,802,014	1.23	2,640,802,014	100%
2006	2,237,877,000	695,254,574	98,754,264	28,887,704	3,060,773,542	1.17	3,060,773,542	100%
2007	2,416,612,400	843,540,824	92,006,545	32,870,681	3,385,030,450	1.15	3,385,030,450	100%
2008	2,450,402,450	896,737,950	84,474,526	35,890,466	3,467,505,392	1.15	3,467,505,392	100%
2009	2,370,165,500	859,139,200	89,133,212	29,936,779	3,348,374,691	1.18	3,348,374,691	100%

Notes:
(1) Source: Falls Church Office of Real Estate Assessment. Amounts are reported net of exempt property.
(2) Source: Falls Church Treasurer's Office. Amounts are reported net of exempt property.
(3) Total Direct Tax Rate is calculated using the weighted average method. Rates are per $100 of valuation.
(4) Virginia code requires assessment at full market value.

TABLE 6

CITY OF FALLS CHURCH, VIRGINIA
Information About Revenue Rates
Last Ten Fiscal Years

Fiscal Year Ended June 30,	Real Property (1st half of the Fiscal Year)	Real Property (2nd Half of the Fiscal Year)	Personal Property	Total Direct Tax Rate (1)
2000	$ 1.11	$ 1.10	$ 4.71	1.35
2001	1.10	1.13	4.71	1.37
2002	1.13	1.13	4.71	1.37
2003	1.13	1.13	4.71	1.34
2004	1.13	1.08	4.71	1.31
2005	1.08	1.03	4.71	1.23
2006	1.03	1.01	4.71	1.17
2007	1.01	1.01	4.71	1.15
2008	1.01	1.03	4.71	1.15
2009	1.03	1.07	4.71	1.18

Notes:
(1) Total Direct Tax Rate is calculated using the weighted average method. Rates are per $100 of valuation.

TABLE 7

CITY OF FALLS CHURCH, VIRGINIA
Principal Real Property Taxpayers
Current Calendar Year and Nine Calendar Years Ago

	2009			2000		
Taxpayer	**Taxable Assessed Value**	**Rank**	**Percentage of Total Taxable Assessed Value**	**Taxable Assessed Value**	**Rank**	**Percentage of Total Taxable Assessed Value**
TMW Pearson Square LLC	$ 86,922,100	1	2.66%			
Spectrum Condominium	78,849,600	2	2.41%			
Falls Church Country Club (Apartments)	72,423,000	3	2.21%	$ 41,000,000	1	3.41%
Eden Center, Inc.	57,384,300	4	1.75%	27,960,000	2	2.32%
James E. Koons	26,987,000	5	0.82%	12,785,800	5	1.06%
Federal Realty Investment Trust	23,389,200	6	0.71%	11,765,000	6	0.98%
West Falls Parcel, Inc	23,053,200	7	0.70%	9,250,000	8	0.77%
Kaiser Foundation Health Plan, Inc.	22,048,500	8	0.67%	15,060,000	3	1.25%
B Franklin Kahn, et al	21,878,200	9	0.67%	12,870,000	4	1.07%
Aimco Merrill House, LLC	21,571,100	10	0.66%	9,350,000	7	0.78%
Noland Co. Inc.				7,616,000	9	0.63%
Lee Square				7,030,000	10	0.58%
Totals	$ 434,506,200		13.26%	$ 154,686,800		12.85%

Source: Fall Church Office of Real Estate Assessment. Values as of January 1.

TABLE 8

CITY OF FALLS CHURCH, VIRGINIA
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year Ended June 30	Total Tax Levy for 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
2000	$ 17,104,687	NA	NA	NA	$ 17,099,048	99.97%
2001	18,488,130	NA	NA	NA	18,481,616	99.96%
2002	20,499,240	NA	NA	NA	20,473,506	99.87%
2003	22,970,901	NA	NA	NA	22,943,689	99.88%
2004	25,483,080	$ 23,705,292	93.02%	$ 1,712,823	25,418,115	99.75%
2005	28,701,076	27,539,424	95.95%	1,089,835	28,629,259	99.75%
2006	32,597,587	31,271,297	95.93%	1,235,539	32,506,836	99.72%
2007	35,896,612	34,449,695	95.97%	1,308,301	35,757,996	99.61%
2008	37,170,569	36,183,444	97.34%	728,474	36,911,918	99.30%
2009	37,872,873	37,062,585	97.86%	-	37,062,585	97.86%

Notes: Property tax levies and collections include real estate taxes and personal property taxes, and excludes Commonwealth of Virginia Personal Property Tax Relief Act (PPTRA) reimbursement.
NA - Not available. The City implemented a new tax system in FY2003 and the information required for the accurate presentation of these data is not available.

TABLE 9

CITY OF FALLS CHURCH, VIRGINIA
Ratio of Outstanding Debt by Type
Last Ten Fiscal Years

	Governmental Activities			Business-Type Activities			
Fiscal Year	General Obligation Bonds	Capital Leases	Note Payable	General Obligation Bonds	Total Primary Government	Percentage of Personal Income (1)	Per Capita
2000	$ 30,214,999	$ -	$ -	$ -	$ 30,214,999	0.06%	$ 2,912
2001	28,825,000	-	-	-	28,825,000	0.05%	2,644
2002	27,180,000	-	-	-	27,180,000	0.05%	2,471
2003	25,495,000	321,817	-	-	25,816,817	0.05%	2,347
2004	47,950,000	597,519	-	-	48,547,519	0.08%	4,580
2005	47,171,034	450,942	852,500	7,000	48,481,476	0.08%	4,431
2006	46,160,418	317,326	652,500	6,894	47,137,138	0.07%	4,252
2007	43,644,216	152,147	435,000	5,056,759	49,288,122	0.07%	4,395
2008	42,827,780	73,810	217,500	15,252,410	58,371,500	NA	5,121
2009	39,309,481	32,932	-	17,088,630	56,431,043	NA	4,951

(1) Based on personal income for Fairfax, Fairfax City and Falls Church shown on Table 12.
NA - Not available. There is no census data available for personal income.

TABLE 10

CITY OF FALLS CHURCH, VIRGINIA
Ratio of General Bonded Debt Outstanding
Last Ten Fiscal Years

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Funds	Total	Percentage of Estimated Actual Taxable Value of Property	Per Capita
2000	$ 30,214,999	$ 18,038	$ 30,196,961	2.33%	2,910
2001	28,825,000	127,280	28,697,720	1.98%	2,633
2002	27,180,000	-	27,180,000	1.62%	2,471
2003	25,495,000	-	25,495,000	1.36%	2,318
2004	47,950,000	-	47,950,000	2.14%	4,524
2005	47,171,034	-	47,171,034	1.79%	4,311
2006	46,160,418	-	46,160,418	1.51%	4,164
2007	48,700,975	-	48,700,975	1.44%	4,343
2008	58,080,190	-	58,080,190	1.67%	5,095
2009	56,398,111	-	56,398,111	1.68%	4,948

The increase in General Obligation Bonds in FY2004 is due to the issuance of a $25 million bond for the construction of a new middle school.

TABLE 11

CITY OF FALLS CHURCH, VIRGINIA
Legal Debt Margin Information
Last Ten Fiscal Years

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Debt limit	$ 122,399,675	$ 140,472,390	$ 179,996,377	$ 182,071,680	$ 232,021,812	$ 271,054,630	$ 339,609,980	$ 356,527,840	$ 356,527,840	$ 350,285,160
Total net debt applicable to limit	30,214,999	28,825,000	27,180,000	25,495,000	47,950,000	47,171,034	46,160,418	48,700,975	58,080,190	56,398,111
Legal debt margin	$ 92,184,676	$ 111,647,390	$ 152,816,377	$ 156,576,680	$ 184,071,812	$ 223,883,596	$ 293,449,562	$ 307,826,865	$ 298,447,650	$ 293,887,049
Total net debt applicable to the limit as a percentage of debt limit	25%	21%	15%	14%	21%	17%	14%	14%	16%	16%

Legal Debt Margin Calculation for Fiscal Year 2009

Assessed value	$ 3,273,112,200
Add back exempt real property	229,739,400
Total assessed value	3,502,851,600
Debt limit (10% of total assessed value)	350,285,160
Debt applicable to limit:	
General obligation bonds	56,398,111
Total net debt applicable to limit	56,398,111
Legal debt margin	$ 293,887,049

TABLE 12

CITY OF FALLS CHURCH, VIRGINIA
Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	Population (1)	Personal Income (2)	Per Capita Personal Income (3)	Median Age (4)	School Enrollment (5)	Unemployment Rate (6)
2000	10,377	$ 50,393,190	$ 50,036	NA	1,675	1.1
2001	10,900	52,889,102	51,938	NA	1,721	2.6
2002	11,000	53,790,886	52,512	NA	1,749	2.9
2003	11,000	55,636,102	54,117	NA	1,817	2.5
2004	10,600	59,429,981	57,547	NA	1,846	2.9
2005	10,942	64,214,621	61,837	40.1	1,848	3.4
2006	11,085	67,128,015	64,698	NA	1,845	3.0
2007	11,214	70,509,000	67,909	NA	1,870	3.0
2008	11,399	NA	NA	NA	1,905	4.4
2009	11,399	NA	NA	NA	1,941	7.7

(1) Source: Weldon Cooper Center for Public Service; numbers are estimates as of July 1; July 1, 2007 is a provisional estimate; year 2000 is based on U.S. Census estimate as of April 1, 2000. Note that 2008 uses the 2007 provisional estimate.

(2) Source: US Department of Commerce, Bureau of Economic Analysis for Fairfax, Fairfax City & Falls Church in thousands of dollars

(3) Source: US Department of Commerce, Bureau of Economic Analysis. Per Capita Rate for Fairfax, Fairfax City and Falls Church.
(4) Source: Weldon Cooper Center for Public Service; numbers are estimates as of July 1.
(5) Source: City of Falls Church Public School Board
(6) Source: Virginia Employment Commission, includes portions of Fairfax County
NA - Not available.

There is no data available for Education Level in Years of Formal Schooling.

TABLE 13

CITY OF FALLS CHURCH, VIRGINIA
Principal Employers
Current and Nine Years Ago

	2009			2006		
Employer	Employees (1)	Rank	Percentage of Total City Employment (2)	Employees	Rank	Percentage of Total City Employment
Falls Church City Schools	386	1	3.39%	375	1	3.95%
Falls Church City Government	284	2	2.49%	261	3	2.75%
Kaiser Permanante	260	3	2.28%	375	2	3.95%
Tax Analysts	184	4	1.61%	150	5	1.58%
Koon's Ford & Nissan	175	5	1.54%	196	4	2.06%
BG Healthcare Services	150	6	1.32%			
Giant Food Store	145	7	1.27%	67	9	0.71%
Care Options	100	8	0.88%			
Don Beyer Volvo	92	9	0.81%	104	6	1.09%
Home Instead Senior Care	82	10	0.72%			
United States Postal Service				97	7	1.02%
Knowlogy				85	8	0.89%
Center for Multicultural Human Services				58	10	0.61%
Total	1,858		16.31%	1,768		18.61%

1. Source: City of Falls Church Office of Economic Development
2. Total employement estimate of 11,400 from Falls Church Planning Division
3. There is no employment data available from 1999. 2006 is the first year when this data was available.

TABLE 14

CITY OF FALLS CHURCH, VIRGINIA
Full-Time Equivalent City Government Employees by Function
Last Ten Fiscal Years

Function	Full-Time Equivalent Employees as of June 30									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General government administration	NA	NA	34.75	34.75	34.75	34.75	37.75	37.75	38.25	38.87
Judicial administration	NA	NA	12.60	13.10	13.10	12.60	11.60	17.01	17.01	17.01
Public safety	NA	NA	56.00	57.00	57.40	57.00	58.40	51.60	53.35	53.60
Public works	NA	NA	28.16	27.41	28.41	28.41	28.96	31.58	32.58	34.08
Health and welfare	NA	NA	10.12	8.84	9.09	9.09	8.00	9.75	8.85	8.85
Parks, recreation, and cultural	NA	NA	44.51	43.97	43.97	42.09	44.69	34.48	36.35	36.35
Community development	NA	NA	9.75	9.75	9.75	12.75	12.75	13.75	13.75	13.81
Economic development	NA	NA	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Water	NA	NA	51.61	51.44	53.34	52.04	52.04	52.32	52.32	52.27
Sewer	NA	NA	3.70	3.70	3.75	4.05	4.10	4.10	4.10	4.15
	NA	NA	254.20	252.96	256.56	255.78	261.29	255.34	259.56	261.99

Notes:
Source: Adopted Budget for City of Falls Church.
NA - Not available.

TABLE 15

CITY OF FALLS CHURCH, VIRGINIA
Operating Indicators by Function
Last Ten Fiscal Years

Function	Fiscal Year 2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General government administration										
Communications										
Number of Media Releases	22	72	72	77	78	122	94	109	94	90
Number of Periodical Publications	NA	NA	NA	5	4	6	9	10	10	10
eFOCUS Newsletter Subscribers	NA	NA	NA	NA	NA	NA	1,628	1,580	1,454	1,267
Judicial Administration										
Court Services										
Aurora House Recidivism (%)	NA	NA	NA	0%	0%	14%	10%	25%	16%	29%
Aurora House Program Completion (%)	NA	NA	NA	82%	88%	90%	62%	50%	83%	78%
Court Services Juvenile Recidivism (%)	NA	NA	NA	9%	4%	8%	14%	13%	9%	22%
Court Services Adult Recidivism (%)	NA	NA	NA	0%	15%	7%	22%	80%	15%	33%
Public safety										
Police										
Part I Crimes (1)	456	463	452	405	428	370	370	365	384	NA
Calls for Service	22,797	22,319	19,798	18,223	22,317	25,347	25,171	26,554	27,924	NA
Accidents	309	296	298	295	282	278	257	230	217	NA
Traffic Enforcement	5,554	5,251	5,156	4,966	5,739	4,102	3,664	6,507	9,033	NA
DWI Arrests	84	72	45	40	40	64	52	62	68	NA
Inspections										
Plan Review	NA	NA	NA	NA	371	490	490	552	577	442
Stop Work Orders	NA	NA	NA	NA	19	21	21	11	16	8
Public works										
Refuse collected (Tons)	NA	2,488	2,536	2,883	2,981	2,799	2,845	2,711	2,704	2,415
Recycling Collected (Tons)	NA	2,963	2,921	2,994	3,257	3,261	2,728	3,618	4,544	3,690
Street resurfacing (Miles)	NA		1	2	1	2	2	2	2	1.87
Health and welfare										
Housing & Human Services										
Information/Referral Contacts	1,525	1,618	2,766	3,137	2,287	2,375	1,786	2,674	2,555	2,882
Senior Center lunch meals served	2,303	2,661	2,725	2,504	2,789	3,028	2,360	1,760	1,824	1,588
Education										
Student membership	1,675	1,721	1,749	1,817	1,846	1,848	1,845	1,873	1,906	1,941
Parks, recreation, and cultural										
Parks& Recreation										
Special Events (2)	11	11	11	51	135	127	133	130	132	164
Class participants	NA	NA	NA	NA	2,625	2,750	2,920	2,765	2,140	2307
Room Reservations	NA	NA	NA	6,920	6,280	6,027	6,132	6,150	6,548	6,205
Tennis Reservations	NA	NA	NA	785	890	1,150	1,226	1,460	1,570	1723
Youth Sports Participants	1,416	1,463	1,410	1,746	1,706	1,839	1,932	2,358	2,207	2431
Adult Sports Teams	NA	NA	NA	69	76	61	108	117	102	100
Teen Dance Participants	NA	50	1,257	1,698	1,701	1,699	1,799	2,152	1,875	1260
Teen Center Attendance	NA	NA	1,400	1,820	2,000	4,428	4,851	4,976	4,250	4,000
Summer Camps Offered	NA	84	140	168	168	196	224	186	196	201
Summer Camp Participants	NA	NA	NA	NA	3,289	3,562	3,769	4,073	4,211	4258
Library										
Size of collection (all formats)	122,165	110,599	107,849	119,601	123,127	127,236	130,472	150,709	154,175	159,631
Total circulation of all materials	292,328	317,647	331,663	331,371	318,775	335,912	341,626	346,637	365,861	429,286
Total visits to library (door count)	286,119	212,975	243,743	245,766	222,999	212,322	192,222	202,002	203,743	219,831
Number of registered borrowers	22,896	23,111	22,101	21,375	21,503	22,428	23,003	25,470	25,155	23,357
Number of website visits/yr (3)	15,562	53,821	96,036	104,854	126,771	154,570	164,839	141,932	135,579	166,258
Number of programs/yr	217	247	318	286	295	351	357	312	297	345
Attendance at programs	7,246	7,322	8,950	9,419	10,691	10,976	11,998	11,321	12,773	14,235
Community development										
Planning										
Development Inquiries	NA	NA	NA	NA	NA	NA	6,000	6,200	6,400	9,905
Plans Reviewed	NA	NA	NA	NA	NA	NA	20	49	52	34
Code/ Policy Review	NA	NA	NA	NA	NA	NA	25	18	35	72
Zoning										
Development Inquiries	NA	NA	NA	NA	NA	NA	1,500	2,200	2,000	2,570
Permits/Plans Reviewed	NA	NA	NA	NA	NA	NA	2,000	2,100	1,700	660
Urban Forestry										
Development Inquiries	NA	NA	NA	NA	NA	NA	1,300	1,200	2,400	1,400
Permits/Plans Reviewed	NA	NA	NA	NA	NA	NA	56	75	443	192
Trees Planted/removed/pruned	NA	NA	NA	NA	NA	NA	369	897	859	825
Water										
New connection applications	NA	NA	346	123	216	90	374	90	60	53
Water main breaks	NA	123	95	151	102	102	100	172	112	141

Source: reported by individual departments
Notes:
NA - Not available.
(1) Part I crimes are defined as murder, rape, robbery, aggravated assault, burglary, grand larceny, auto theft, arson.
(2) Beginning in FY2003, special events includes the Senior Center and Cherry Hill Farmhouse.
(3) Website visits includes 5 months in FY2000.

TABLE 16

CITY OF FALLS CHURCH, VIRGINIA
Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	Fiscal Year 2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General government administration										
City Hall	1	1	1	1	1	1	1	1	1	1
Judicial administration (1)										
Court Services										
Aurora House (Facility)	1	1	1	1	1	1	1	1	1	1
Aurora House Passenger Van	1	1	1	1	1	1	1	1	1	1
Court Services Passenger Van	NA	NA	NA	NA	NA	NA	1	1	1	1
Public safety (2)										
Fire Stations (3)	1	1	1	1	1	1	1	1	1	1
Public works										
Streets -Miles/Lane Miles	NA	NA	32	32	32	32	32	32	32	32
Traffic signals	NA	NA	30	30	30	30	30	34	34	29
Streetlights	NA	NA	124	124	124	124	136	136		142
Refuse Trucks	NA	NA	4	4	4	4	4	5	5	5
Education										
School Buildings	3	3	3	3	3	3	4	4	4	4
Parks, recreation, and cultural										
Recreation & Parks										
Community Center	1	1	1	1	1	1	1	1	1	1
Gage House/Senior Center	1	1	1	1	1	1	1	1	1	1
Cherry Hill Farmhouse & Barn	1	1	1	1	1	1	1	1	1	1
Neighborhood Parks	11	11	11	11	11	11	12	13	13	13
Tennis courts	10	10	10	10	10	10	10	10	10	10
Basketball courts	5	5	5	5	5	5	5	5	5	5
Vehicles	3	3	3	3	3	3	5	6	6	6
Library										
Library (Facility)	1	1	1	1	1	1	1	1	1	1
Community development										
Urban Forestry										
Vehicles	-	-	-	-	2	2	2	3	3	3
Water										
Water Mains (Miles)	NA	NA	485	486	489	489	491	496	497	497
Tanks	9	9	9	9	10	10	10	10	10	10
Pumps	11	11	11	11	11	11	11	11	12	12
Fire Hydrants	NA	NA	3,003	3,020	3,017	3,097	3,132	3,169	3,188	3,201
Sewer										
Sanitary Sewer Mains (Miles)	NA	NA	NA	43	NA	43	NA	43	43	43
Sanitary Sewer Manholes	NA	NA	NA	988	NA	998	NA	1,001	1,001	1,001

Notes:
NA - Not available.
(1) The City Hall Serves as the City Court House
(2) The police station is located in City Hall
(3) Fire services are provided by Arlington County under contract

City of Falls Church, Virginia
(703) 248-5100
www.fallschurchva.gov