CITY OF FALLS CHURCH, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2011

CITY OF FALLS CHURCH, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

PREPARED BY THE DIVISION OF FINANCE
RICHARD A. LACONDRE, MPA, CFO/DIRECTOR OF FINANCE
MELISSA ANN C. RYMAN, CPA, DEPUTY DIRECTOR OF FINANCE

Policy of Nondiscrimination on the Basis of Disability

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. Cindy Mester, 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, 2011

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CITY OF FALLS CHURCH, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
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INTRODUCTORY SECTION

November 30, 2011

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, 2011, 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, 2011, 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 Brown, Edwards and Company, 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, 2011 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, MD&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 has benefited from an unprecedented wave of new development and investment that has 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 annually $4.9 million in gross revenue and $2.1 million in net revenue for the city. Commercial space in the Byron, Broadway and Read Building is mostly filled or in transition to new uses.

The Spectrum has continued to make steady progress in the sale of its residential units. About 125 of 189 Spectrum condos are now occupied in a building delivered to the market in early 2008 when regional condo supply greatly exceeded condo demand. The Broadway, Byron, Read Building and Pearson Square are all at full residential occupancy, while commercial occupancy in the five buildings varies.

The Tax Analysts Building, a component of the Pearson Square project on South Maple Avenue, contains 85,000 square feet of office and retail space that is 95% occupied. It was the largest office building constructed in the city in 20 years when it was delivered to market in 2008. Tax Analysts, a nonprofit publisher of printed and online material, owns its headquarters building and is one of the city's largest employers.

Commercial space in the mostly residential Pearson Square building next door is anchored by Falls Church ArtSpace and Edwards Jones, with approvals pending for Body Dynamics, a physical therapy and wellness center, for much of the remaining space. Pearson Square is owned by Transwestern Corporation and contains 230 residential condo rental units.

In addition to residential condos, the Spectrum contains 32,000 square feet of condo office, and 32,000 square feet of retail space. Mad Fox Brewery and For Eyes anchor the building's retail space, which still remains about two-thirds vacant. Mad Fox, a craft

microbrewer and restaurant, signed a 15-year lease for 8,600 square feet and opened for business in July 2010. It has enjoyed great success and has proved a regional draw. A strong prospect exists to fill additional restaurant space in the Spectrum. Three-quarters of the office condo space in the building has been sold and occupied.

Office Trends

Through the third quarter of 2011 the vacancy rate for office space in the greater Falls Church submarket was 9.7%, according to CoStar and Delta Associates. 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 Falls Church submarket vacancy rate compares favorably with a vacancy rate in the overall Northern Virginia office market of 13.5%.

With respect to office rental rates Transwestern Real Estate Services has this to say as of Q3 of 2011:

> *We expect rent growth to remain stalled in Northern Virginia as a whole until 2012. As the vacancy rate gets closer to the rent equilibrium zone, a zone where rents tend to neither rise nor fall, landlords will be eager to push rents up and limit concessions. However, during 2012 we expect minimal rent growth of 0% to 1.0% in Northern Virginia as a whole. We expect rent growth will not gain greater traction until 2013 and 2014, with gains of 1.5% to 2.5% during 2013 and 2.5% to 3.5% during 2014.*

Retail Trends

Occupancy rates in older properties are still holding strong for retail tenants. As space occasionally becomes available it has quickly backfilled, generally at higher rent. Restaurants have been the source of the greatest demand for space in the city. In the past two years Pizzeria Orso (a gourmet restaurant), Chipotle, Pisano's, Sfizi, Famous Dave's Barbeque, Honeybaked Ham, as well as Mad Fox and others have opened in Falls Church, bolstering the city's meals tax revenue. The former Syms store on the city's east end has been leased by 24-Hour Fitness, which is investing in a substantial building renovation in advance of a business launch in 2012. Spacebar, a small nightclub owned by and modeled after Arlington's popular Galaxy Hut, will open by year-end 2011 at 709 W. Broad Street.

Pipeline Projects

After several years in a holding pattern due to the recession and a tight credit market, the Hekemian Company has broken ground 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. Delivery of the Northgate is expected in 2013.

A 110-room Hilton Garden Inn hotel was approved by the city in early 2011 for the 700 block of W. Broad Street. Final site plan approvals are being completed so a groundbreaking can occur before year's end. Hotel construction will require about 12 months, with opening anticipated in early 2013.

An infill project called the Flower Building, located in the 800 block of W. Broad Street, was completed in 2009 and is now fully occupied with a mix of commercial tenants. The 44,000-square-foot office and retail building, houses the Falls Church U.S. Postal Service customer center, two restaurants, and numerous office users.

The Akridge Company received approval for "The Gateway" project in January 2011. This mixed-use development project will be located in the 500 block of N. Washington Street, the city's entrance to Arlington County. The development will include 71,000 square feet of new Class A office, 14,000 square feet of retail, and 200 residential units. Like the Northgate next door, the Gateway is designed to be Metro Transit oriented.

In 2011 there has been intense activity by developers seeking land assembly and higher density development opportunities in Falls Church. Prospects have emerged for grocery store, hotel, office and mixed use projects on various sites in the city. The multi-family residential market is strong for new rental products targeted to young professionals as the Washington, DC area continues add jobs and attract a workforce from outside the region. The city is aggressively seeking to capture investment and new development with the right mix of uses to strengthen and broaden its tax base.

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 closure several years ago of a National Wholesale Liquidator's store at the center provides an opportunity for the owner to add more ethnic businesses and expand the power of Eden Center's draw.

BJ's Comes to Town

BJ's Wholesale Club opened its 87,000 square foot Falls Church store in fall 2010. It signed a 20-year lease on an eight-acre light industrial site on Wilson Boulevard. This deal was facilitated by an agreement with the city to share with developer JBG Rosenfeld Retail a portion of taxes generated by the new store over a 12-year period. It was the second largest retail lease signed in the entire Washington, DC region in 2009. Sales and other business tax revenue for the city have increased with BJ's early success in the Falls Church trade area.

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.

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	Richard A. LaCondre, MPA
City Manager	Chief Financial Officer

CITY OF FALLS CHURCH, VIRGINIA

DIRECTORY OF OFFICIALS

AT JUNE 30, 2011

CITY COUNCIL

Nader Baroukh, *Mayor*

David E. Snyder, *Vice Mayor*

Johannah Barry

Robin S. Gardner

Ira Kaylin

Ronald Peppe

Lawrence Webb

CITY OFFICIALS

F. Wyatt Shields, *City Manager*

Cindy L. Mester, *Assistant City Manager*

Richard A. LaCondre, *Acting Chief Financial Officer*

John Foster, *City Attorney*

Kathleen C. Buschow, *City Clerk*

Catherine Kaye, *City Treasurer*

Thomas D. Clinton, *Commissioner of Revenue*

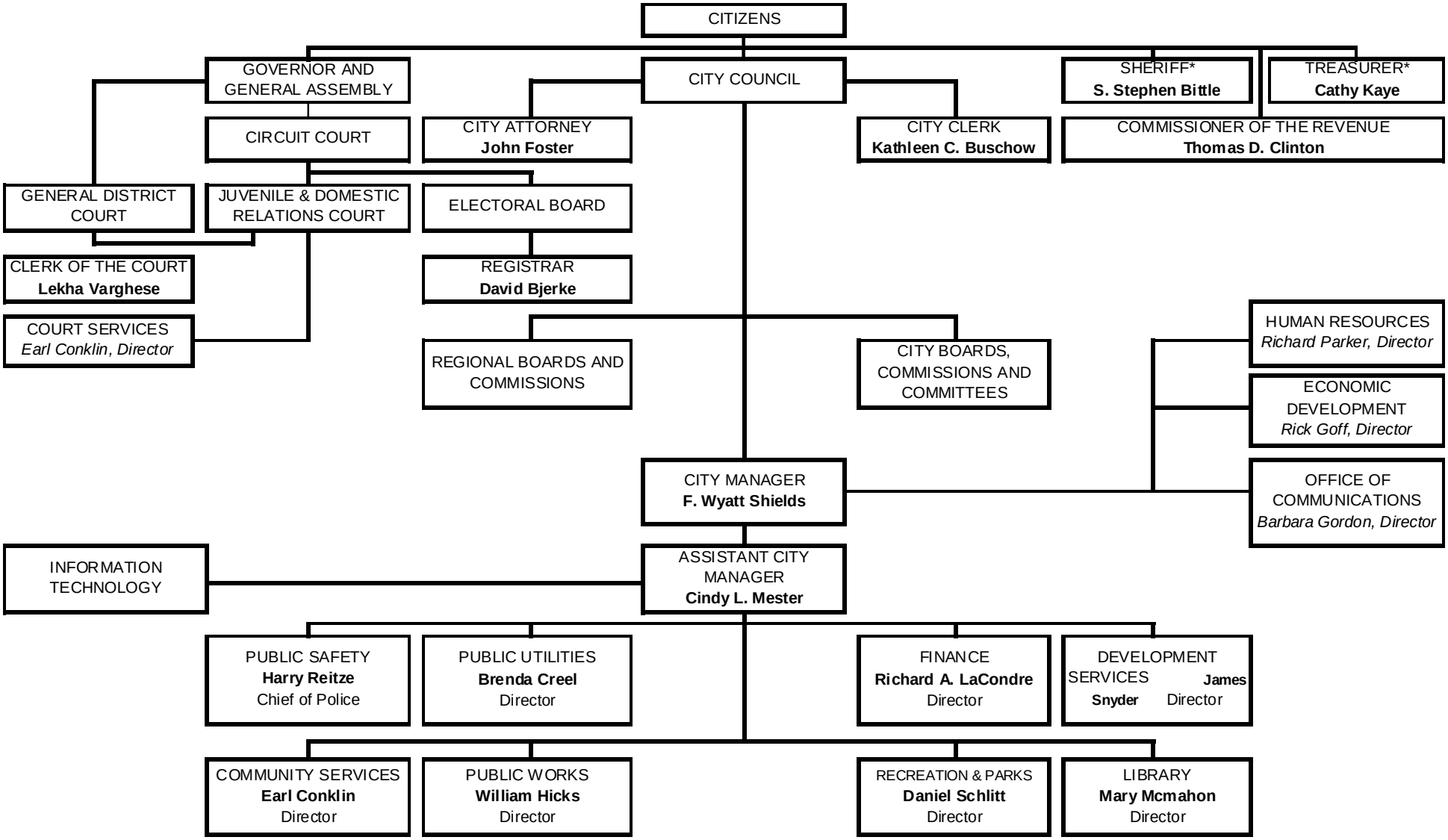
S. Stephen Bittle, *Sheriff*

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

CITY OF FALLS CHURCH, VIRGINIA

ORGANIZATIONAL CHART

AS OF JUNE 30, 2011



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FINANCIAL SECTION

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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

BROWNEDWARDS
certified public accountants

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Falls Church, Virginia (the "City"), as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of 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 *Specifications for Audits of Counties, Cities, and Towns* and *Specifications for Audits of Authorities, Boards, and Commissions* 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, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Falls Church, Virginia, as of June 30, 2011, and the respective changes in financial position and, where applicable, cash flows 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, 2011, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the other required supplementary information as listed on the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia
November 30, 2011

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CITY OF FALLS CHURCH, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR JUNE 30, 2011

FINANCIAL SECTION

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2011.

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 $138.4 million at June 30, 2011. Of this balance, $135.4 million is the Primary Government's and $3.0 million is the component units'.
- For fiscal year 2011, taxes and other revenues of the City's governmental activities amounted to $66.1 million and expenses and transfers amounted to $59.8 million, which resulted in an increase in net assets for the City's governmental activities of $6.3 million.
- Revenues of the City's business-type activities were $27.4 million, and expenses were $19.7 million, which resulted in an increase in net assets for the City's business-type activities of approximately $7.7 million.

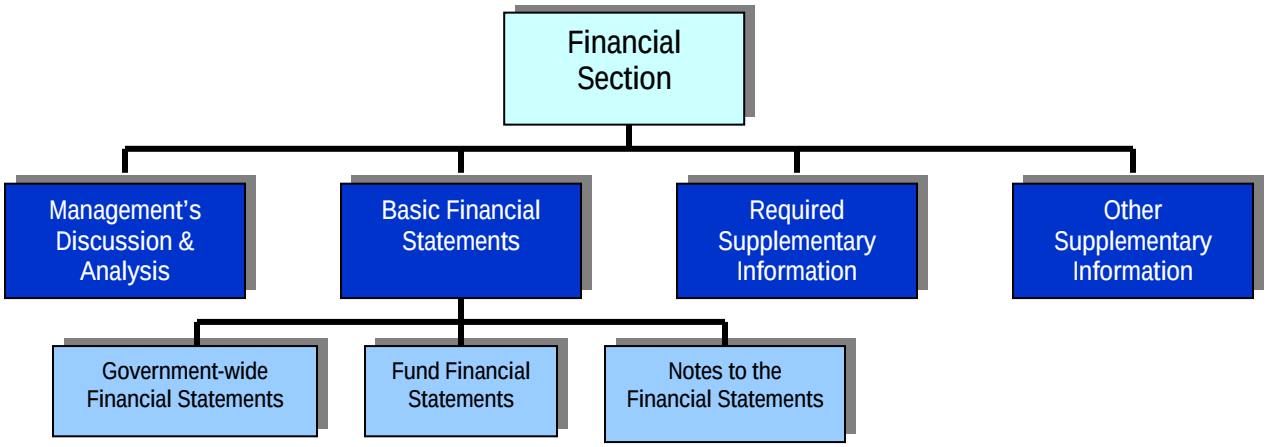
HIGHLIGHTS FOR FUND FINANCIAL STATEMENTS

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 revenues and other financing sources in excess of expenditures and other financing uses of $4.1 million for the fiscal year.
- The City's General Fund reported a fund balance of $7.9 million at June 30, 2011, an increase of $4.1 million from June 30, 2010. The FY2011 budget had programmed a restoration of fund balance of $1.3 million and a use of fund balance for capital investments in the amount of $318 thousand. The City's revenues for taxes came in at $2.0 million higher than expected, in particular for sales, business licenses, bank stock taxes, personal property and real estate taxes.
- The City's Capital Projects Fund reported a decrease in fund balance of $56 thousand, resulting in a balance of $1.0 million at June 30, 2011.
- The City's Water fund reported an increase in net assets of approximately $6.9 million and the City's Sewer fund reported an increase of $773 thousand in 2011. In FY2011, the Water Fund continued to make improvements to the water system and invested $4.4 million towards tank rehabilitation, water main replacements, and contributions to the Department of Army Corps of Engineers to upgrade facilities at the Washington Aqueduct. The Sewer fund also 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, as well as rehabilitate existing sewer mains. In FY2011, those contributions amounted to $778 thousand and $36 thousand to Arlington County and Fairfax County, respectively, and the rehabilitation costs were $291 thousand. The Arlington project is expected to be completed in FY2012, while the Fairfax County project is still several years away from completion.

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, 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 pension 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. Certain restatements have been made to the City's financial statements as of June 30, 2010. Those restatements are discussed further in Note I(one).I(i).

STATEMENT OF NET ASSETS

The following table presents a summary of the net assets of the primary government as of June 30, 2011 and 2010:

Summary of Net Assets
As of June 30, 2011 and 2010
($ In Thousands)

	2011		2010	
	Governmental Activities	Business-Type Activities	Governmental Activities	Business-Type Activities (As Restated*)
Assets:				
Current and other assets	$ 43,448	$ 42,380	$ 37,086	$ 34,997
Capital assets, net	62,812	95,077	64,823	89,515
Total assets	106,260	137,457	101,909	124,512
Liabilities:				
Other liabilities	32,433	4,469	30,956	4,278
Long-term liabilities	34,647	36,759	38,097	31,696
Total liabilities	67,080	41,228	69,053	35,974
Net Assets:				
Invested in capital assets, net of related debt	30,403	67,032	28,759	59,711
Restricted for other projects	153	-	70	-
Unrestricted	8,624	29,197	4,027	28,827
Total net assets	$ 39,180	$ 96,229	$ 32,856	$ 88,538

*Certain assets, liabilities and net assets of the City's Business-Type Activities have been restated as of June 30, 2010. See Note I.I for more information.

Current and other assets for governmental activities increased by $6.4 million primarily due to higher than expected receipts for taxes and under-spending of appropriated funds. Net capital assets for governmental activities decreased by $2.0 million during FY2011 mainly due to depreciation of $2.8 million exceeding new investments of $900 thousand. Current and other assets for business-type activities increased by $7.4 million during FY2011 mainly as a result of higher than expected receipts from commodities and underspending of expenditures. Net capital assets increased by $7.3 million mainly due to investments in improvements to water mains, water tanks, sewer mains, plant upgrades at Washington Aqueduct, and at the Arlington County and Alexandria Sanitation Authority sewer plants, totaling $5.8 million. The City's water system also received contributed assets from developers in the system in the amount of $2.6 million.

Other liabilities for governmental activities increased by $1.5 million due to increase in unearned tax revenue. Unearned taxes increased mainly due to increase in tax rates and assessed values for the real estate tax due on December 5, 2011 and personal property tax due on October 5, 2011. Long-term liabilities for governmental activities decreased by $3.5 million due to the payment of principal on old debt, while business-type activities increased by $5.1 million mainly as a result of bond issuance in June 2011 to finance water and sewer improvements of $5.5 million and a draw down from a line of credit for $870 thousand partially offset by payment of principal on old debt.

During FY2011, the net assets invested in capital assets, net of related debt, increased for the City's governmental activities by $1.6 million and increased for the business-type activities by $7.3 million. The governmental activities' investment in capital investments increased because principal payments on debt and new investment in capital asset exceeded depreciation. The increase for the business-type activities is due to improvements to the City's water and sewer systems, upgrades to treatment plants, and contributions of capital assets from developers.

Unrestricted net assets increased by $4.6 million for governmental activities due to an appropriation by City Council to reserve $1.3 million of FY2011 revenues for net assets, as well as revenues received being higher than expected.

STATEMENT OF ACTIVITIES

The following table summarizes the changes in net assets for the primary government for the years ended June 30, 2011 and 2010:

Summary of Changes in Net Assets
For the Fiscal Years Ended June 30, 2011 and 2010
($ In Thousands)

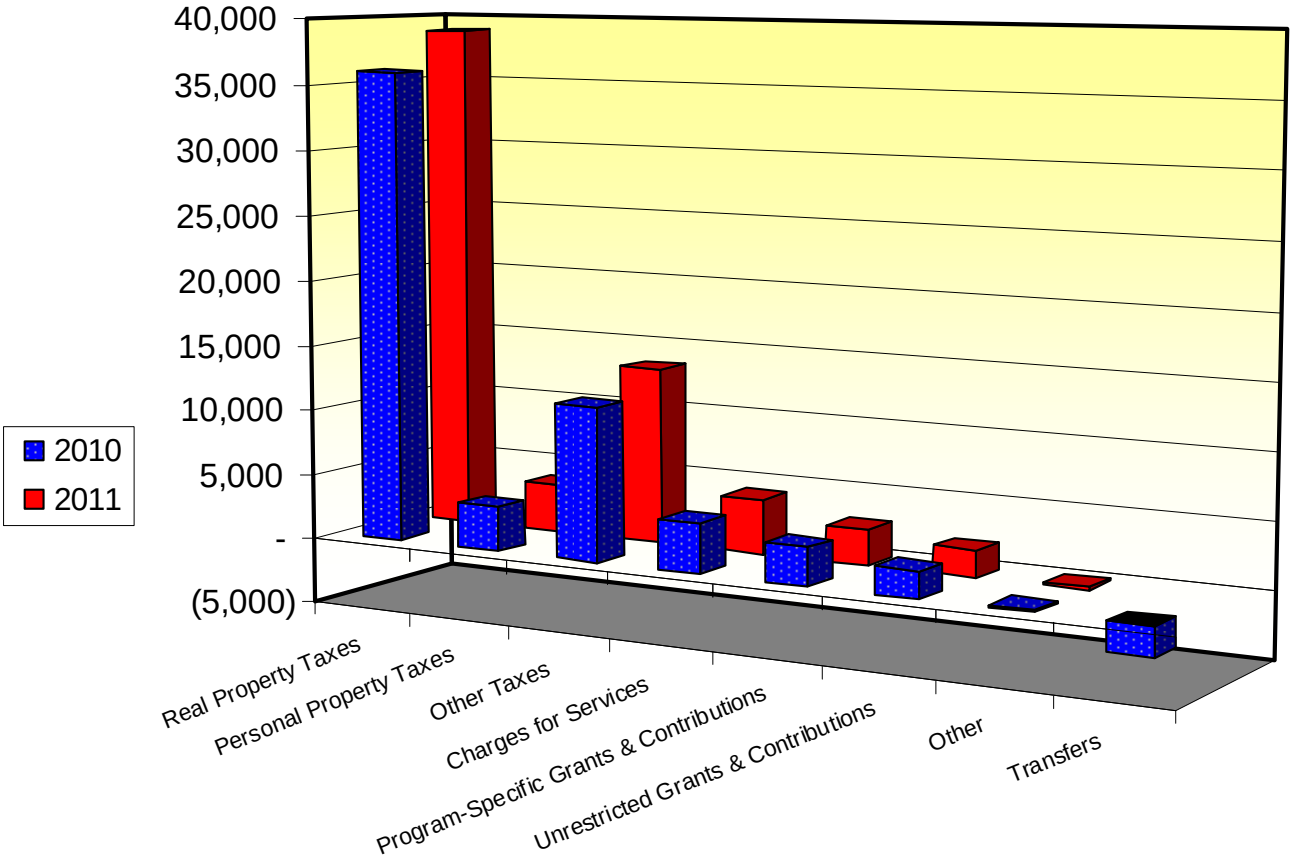
	2011		2010	
	Governmental Activities	Business-Type Activities	Governmental Activities	Business-Type Activities (As Restated)*
Revenues:				
Program revenues:				
Charges for services	$ 4,443	$ 24,354	$ 3,806	$ 22,486
Operating grants & contributions	2,151	-	2,250	-
Capital grants & contributions	560	2,718	593	284
General revenues:				
Real estate taxes	38,879	-	36,000	-
Personal property taxes	3,679	-	3,382	-
Business license taxes, based on gross receipts	3,284	-	2,699	-
Local sales & use taxes	3,620	-	3,035	-
Consumer's utility taxes	2,181	-	2,063	-
Motor vehicle decals	238	-	227	-
Recordation	372	-	369	-
Occupancy, tobacco, & other taxes	3,790	-	3,298	-
Unrestricted grants & contributions	2,021	-	2,021	-
Revenue from use of money and property	75	213	86	250
Other	111	125	72	28
Special item - gain/loss on sale of capital assets	735	-	-	-
Insurance recovery of legal costs, net	-	-	-	1,026
Total revenues	66,139	27,410	59,901	24,074
Expenses:				
General government administration	4,493	-	4,964	-
Judicial administration	1,532	-	1,518	-
Public safety	8,955	-	9,364	-
Public works	5,921	19,090	5,013	18,101
Health and welfare	2,106	-	2,201	-
Education and payments to schools	29,276	-	30,769	-
Parks, recreation, and cultural	4,449	-	4,487	-
Community development	1,440	-	1,435	-
Economic development	322	-	351	-
Interest expense	1,411	538	1,556	487
Total expenses	59,905	19,628	61,658	18,588
Excess/(deficiency) before transfers	6,234	7,782	(1,757)	5,486
Transfers	90	(90)	(2,203)	2,203
Change in net assets	6,324	7,692	(3,960)	7,689
Net assets, beginning of year	32,856	88,538	36,815	80,849
Net assets, end of year	$ 39,180	$ 96,230	$ 32,855	$ 88,538

*The expenditures and net assets of the Business-Type Activities have been restated as of June 30, 2010. See Note I.I for more information.

Governmental Activities

Revenues and transfers for the City's governmental activities were $59.9 million for fiscal year 2011 and $60.6 million for fiscal year 2010. Sources of revenue for fiscal year 2011 and 2010 are comprised of the following items:

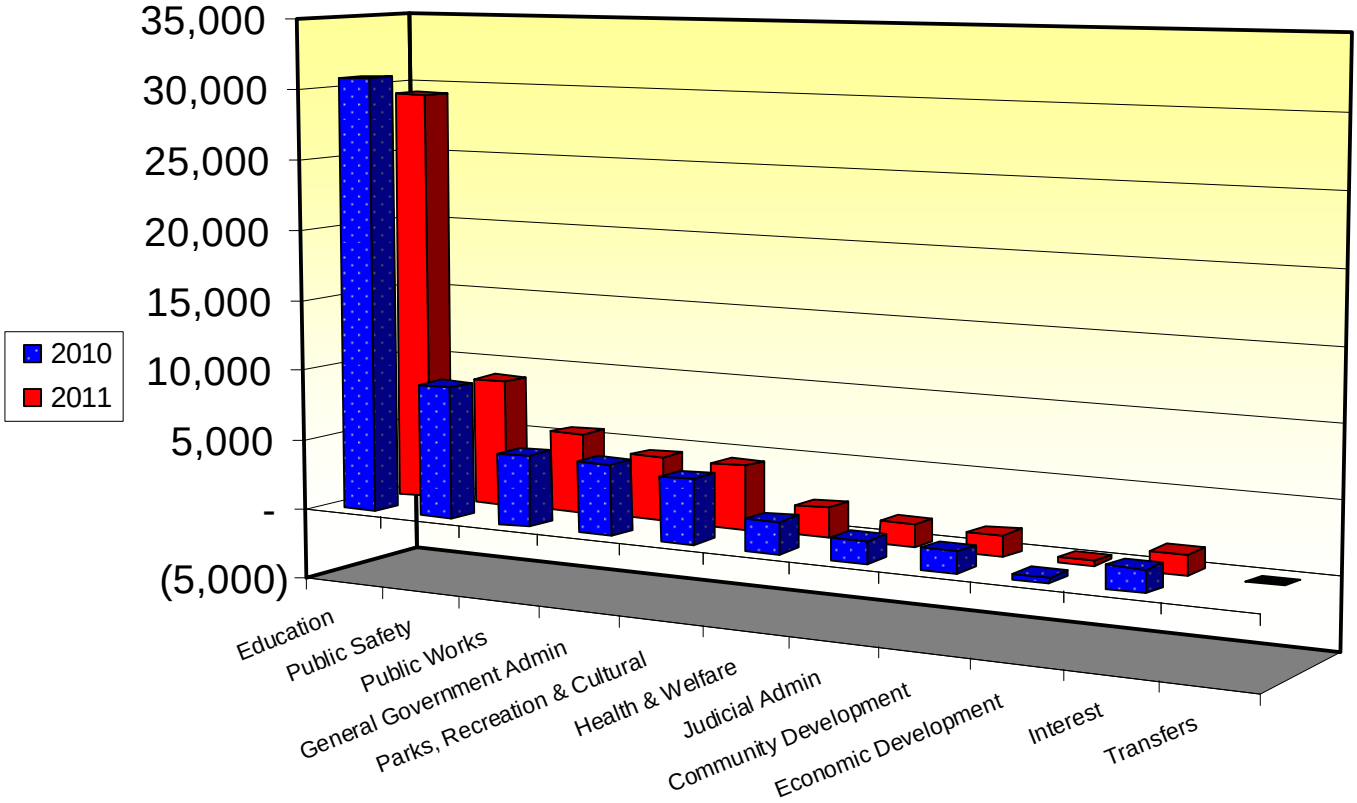
GOVERNMENTAL ACTIVITIES – REVENUES BY SOURCE
FOR THE FISCAL YEARS ENDED JUNE 30, 2011 AND 2010
($ IN THOUSANDS)



Taxes constitute the largest source of City revenues, amounting to $56.0 million for fiscal year 2011 and $51.1 million for fiscal year 2010. Real property taxes ($38.9 million in fiscal year 2011 and $36.0 million in fiscal year 2010) represent over 69% of tax revenues in FY2011 and over 70% in FY2010 .

The cost of all governmental activities in fiscal year 2011 was $59.9 million, and in fiscal year 2010 was $61.7 million. The decrease of $2 million was due to a reduction in the City's transfer to the School Board by $1.5 million and reductions in City staff. Even with the reduction in the transfer to the School Board, education was the City's largest program and highest priority in both fiscal years 2011 and 2010; education expenses totaled $29.3 million in fiscal year 2011 and $30.8 million in fiscal year 2010. Public safety expenses represent the second largest expense in both fiscal years, totaling $9.0 million in fiscal year 2011 and $9.4 million in fiscal year 2010. Public works expenses totaled $5.6 million for fiscal year 2011 and $5.0 million for 2010, representing the third largest expense for the City in both fiscal years.

GOVERNMENTAL ACTIVITIES – EXPENSES BY FUNCTION
FOR THE FISCAL YEARS ENDED JUNE 30, 2011 AND 2010
($ 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, 2011 and 2010
($ In Thousands)

	2011		2010	
Functions/Programs	**Total Cost**	**Net Cost**	**Total Cost**	**Net Cost**
Education and payments to schools	$ 29,276	$ 29,276	$ 30,769	$ 30,686
Public safety	8,955	7,940	9,364	7,820
Public works	5,921	4,324	5,013	3,719
General government administration	4,493	4,166	4,964	4,596
Parks, recreation, and cultural	4,449	2,415	4,487	2,732
Health and welfare	2,106	1,989	2,201	2,088
Other	4,705	2,903	4,860	3,369
Total	$ 59,905	$ 53,013	$ 61,658	$ 55,010

Some of the cost of governmental activities was paid by those who directly benefited from the programs ($4.4 million in 2011 and $3.8 million in 2010) and other governments and organizations that subsidized certain programs with grants and contributions ($2.7 million

in 2011 and $2.8 million in 2010). The remaining net cost services of the $52.7 2011 was subsidized by the taxpayers. In 2010, of the $55.0 million of net cost of services, the amount that the taxpayers paid through City taxes was $51.1 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 recovers its costs primarily through user charges. The Water Fund reported an increase in net assets of $6.9 million for fiscal year 2011 and an increase of $7.2 million for fiscal year 2010. In fiscal year 2011, total revenues and capital contributions of the Water Fund were $24.7 million and total costs were $17.6 million. In fiscal year 2010, total revenues and capital contributions were $23.7 million and total costs and transfers were $16.5 million. Capital contributions in FY2011 were $2.6 million, an increase of $2.3 million over FY2010. There was also an increase of $600 thousand in charges for services primarily due to increase in peak consumption due to dry weather in the summer of 2010.

The Sewer Fund reported an increase in net assets of $773 thousand for fiscal year 2011 and an increase of $538 thousand for fiscal year 2010. In fiscal year 2011, total revenues of the Sewer Fund were $2.8 million as compared to total costs and transfers of $2.0 million. In fiscal year 2010, total revenues of the Sewer Fund were $2.7 million and total costs and transfers were $2.1 million. The Sewer Fund recovers its costs primarily through user charges.

Highlights of the City's business-type activities for fiscal year 2011 are as follows:

- The Water Fund continues to make improvements to the water supply and distribution system by adding new water mains and replacing older ones, renovating water tanks, and contributing to the cost of upgrades at the Washington Aqueduct. The City invested $4.4 million in these endeavors.

- Developers added to the distribution system in the amount of $2.6 million.

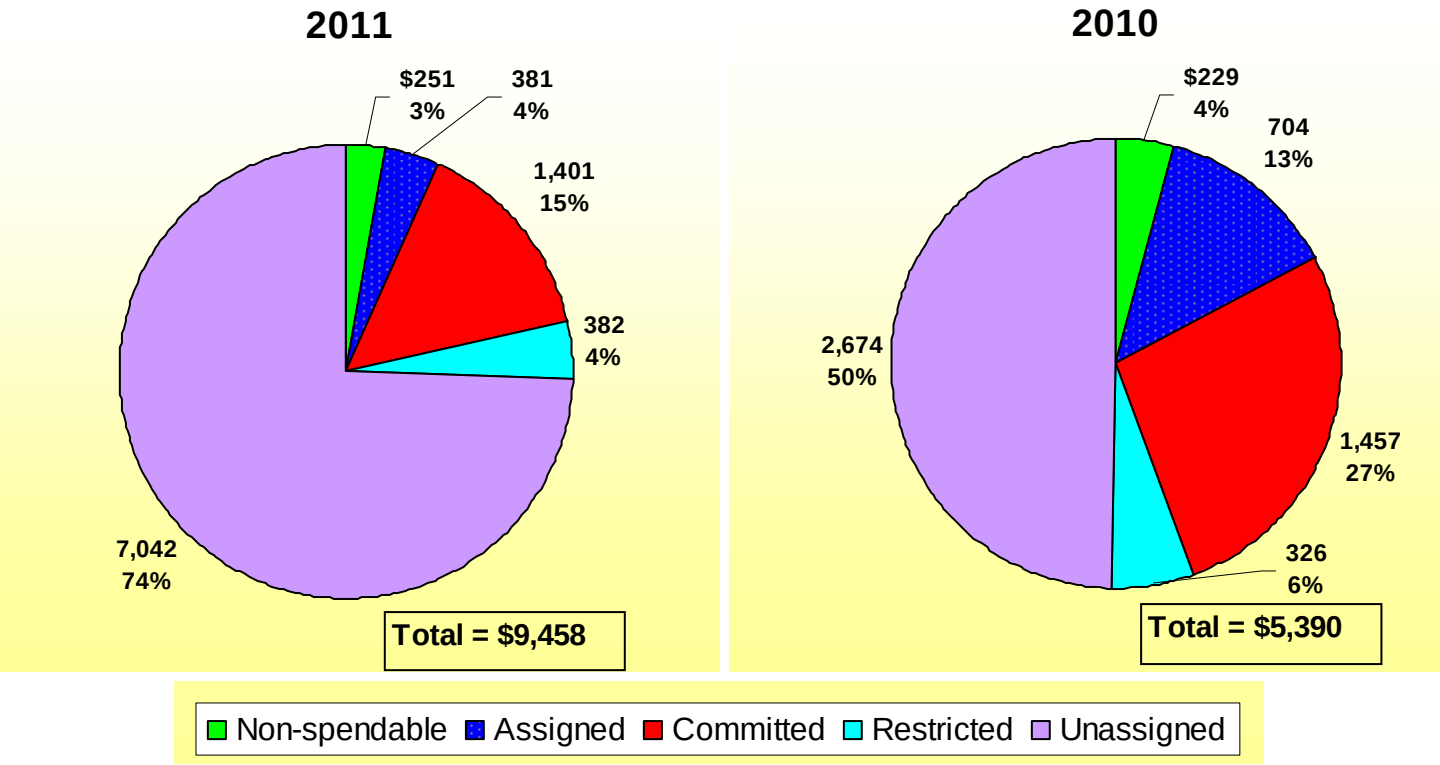
FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

In FY2011, the City implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions.* This affected the City's naming of its fund balances but did not affect the City's unassigned fund balance (formerly unreserved and undesignated fund balance).

The following chart represents the components of City's governmental fund balances as of June 30, 2011 and 2010.

GOVERNMENTAL FUNDS – FUND BALANCES
AS OF JUNE 30, 2011 AND 2010
($ IN THOUSANDS)



*The fund balance as of June 30, 2010 was reclassified in accordance with GASB Statement No. 54 for presentation in the MD&A.

Overall, the fund balance for all governmental funds increased by approximately $4.1 million in FY2011 and decreased by $5.2 million in FY2010. In FY2011, total revenues and other financing sources were $65.3 million and total expenditures and other financing uses were $61.1 million. Total revenues and other financing sources were $62.2 million in FY2010 and expenditures and other financing uses were $67.4 million. Included in FY2010 expenditures was $2.4 million of FY2009 management fee that was ordered to be returned to the Water Fund by the court.

The nonspendable fund balance includes amounts that are not available for spending such as inventory and prepaid expenses. Committed fund balance represents amounts committed by the City Council to capital projects ($996 thousand in FY2011 and $1,052 in FY2010) and to affordable housing ($540 thousand in FY2011 and $539 thousand in FY2010). Assigned fund balance represents amounts that were encumbered for various expenditures other than capital projects. Restricted fund balance represents grants and bond proceeds which have not yet been spent for their specified purpose.

The unassigned fund balance represents resources that are available for appropriation.

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 City Council adopted a target range of 8%-12% for unassigned fund balance, with a requirement to meet the 8% minimum balance within 2 years of falling below it, and to meet the 12% balance within 3 additional years. The City's unassigned fund balance dipped below 8% in FY2009 due to shortfall in revenues. In FY2010, the City experienced another shortfall in revenues and also was required to return FY2009 management fee to the Water Fund, causing the fund balance ration to drop even further to 4.4%, even with a transfer of $4.7 million to the General Fund from the Capital Projects Funds. In FY2011, the City Council adopted a budget that included $1.3 million to restore the unassigned fund balance. In addition to this, revenues exceeded targets for FY2011 and spending also was below budget, adding a total of $4.1 million to the City's unassigned fund balance. The ending unassigned fund balance as of June 30, 2011 of $7.0 million was 10.6% of revenues. In FY2012, the City Council again included in its budget $2.26 million to restore fund balance. It is expected that this will allow the City to meet and exceed its 12% unassigned fund balance requirement by the end of FY2012.

The following shows the fund balances of these funds as of June 30, 2011 and 2010:

Fund Balances - Governmental Funds
As of June 30, 2011 and 2010
($ In Thousands)

	General Fund		Capital Projects Fund		Affordable Dwelling Unit Fund		Total	
	2011	2010	2011	2010	2011	2010	2011	2010
Non-spendable	$ 251	$ 229	$ -	$ -	$ -	$ -	$ 251	$ 229
Assigned	381	704	-	-	-	-	381	704
Committed	-	0	996	1,052	405	405	1,401	1,457
Restricted	247	192	-	-	135	134	382	326
Unassigned	7,042	2,674	-	-	-	-	7,042	2,674
Total	$ 7,921	$ 3,799	$ 996	$ 1,052	$ 540	$ 539	$ 9,457	$ 5,390

The following shows the changes in the individual fund balances for fiscal years 2011 and 2010:

Changes in Fund Balances - Governmental Funds
For the Fiscal Years Ended June 30, 2011 and 2010
($ In Thousands)

	General Fund		Capital Projects Fund		Affordable Dwelling Unit Fund		Total*	
	2011	2010	2011	2010	2011	2010	2011	2010
Revenues and other financing sources	$ 65,258	$ 66,101	$ 294	$ 618	$ 1	$ 1	$ 65,261	$ 61,639
Expenditures and other financing uses	(61,136)	(66,463)	(350)	(5,503)	-	-	(61,924)	(67,406)
Changes in Fund Balances	4,122	(362)	(56)	(4,885)	1	1	3,337	(5,767)
Fund balance at beginning of year	3,799	4,161	1,052	5,937	539	538	5,390	10,636
Fund balance at end of year	$ 7,921	$ 3,799	$ 996	$ 1,052	$ 540	$ 539	$ 8,727	$ 4,869

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

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 $1.7 million or 2.8%. $703 thousand consisted of carryover of commitments for projects that were not started or completed during FY2010. The remaining included grants that were awarded to the City.

The final amended budget revenues and transfers in were more than the original budget by $1.2 million or 1.7%. The change is mostly due to the appropriation of grants received.

Actual revenues and other financing sources were less than final budget amounts by $1.3 million or 2.0%, and actual expenditures and other financing uses were $2.1 million or 3.3% less than final budget amounts. Highlights of the comparison of final budget to actual figures for the fiscal year ended June 30, 2011, include the following:

- Actual total tax revenues were more than budgeted amounts by $2.0 million. The differences are in several different tax revenues – in real estate, personal property, sales, meals, business licenses and bank stock taxes.

- Actual departmental expenditures were less than budgeted amounts by $2.1 million. Public Works was below budget by $1.2 million primarily due to a $587 thousand grant for hybrid vehicles that was not expended in FY2011, and $300k in uncompleted expenditures which are being carried forward into 2012 as encumbrances. Health and Welfare was below budget also largely due to budgeted but unspent grants. In total, for the General Fund, approximately $381 thousand in unliquidated encumbrances are being carried forward into FY2012.

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, 2011 and 2010, amounted to approximately $157.8 million and $154.3 million, respectively, (net of accumulated depreciation and amortization) as summarized in the following table:

Capital Assets
As of June 30, 2011 and 2010
($ In Thousands)

	2011			2010 (As Restated)*		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Land	$ 8,424	$ 2,595	$ 11,019	$ 8,388	$ 2,595	$ 10,983
Construction in progress	351	23,749	24,100	468	21,135	21,603
Buildings and system	63,285	99,911	163,196	63,250	94,174	157,424
Improvements other than buildings	4,817	74	4,891	4,817	74	4,891
Machinery and equipment	10,538	3,585	14,123	10,952	3,511	14,463
Purchased capacity	-	18,067	18,067	-	18,067	18,067
Intangibles	1,479	47	1,526	1,458	47	1,505
Infrastructure	9,754	-	9,754	9,274	-	9,274
Library collections	2,005	-	2,005	2,044	-	2,044
Accumulated depreciation	(37,841)	(52,951)	(90,792)	(35,828)	(50,088)	(85,916)
Total Capital Assets, Net	$ 62,812	$ 95,077	$ 157,889	$ 64,823	$ 89,515	$ 154,338

*Capital assets of the City's Business-Type Activities have been restated as of June 30, 2010. See Note I.I for more information.

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

- Improvements and expansions to the water supply and distribution system for a total of $3.3 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 AAA from Fitch Ratings.

The City's legal limit for outstanding debt is 10% of total assessed real property within the City, which is $3.1 billion in 2011 and 2010. The City's total long-term debt that is applicable to this limit was $65.1 million as of June 30, 2011 and $64.2 million as of June 30, 2010, and 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 General Fund supported debt at 5% of total taxable assessed value of real property. In addition, annual debt service payments must be less than 12% of annual General Fund expenditures. As of June 30, 2011 and 2010, total debt outstanding was 1.0% and 1.2%, respectively, of taxable assessed value of real property. General Fund debt service payments were 8.2% and 7.9% of General Fund expenditures in FY2011 and FY2010, respectively. Both ratios are below the City's debt limit policy of 12% of General Fund expenditures.

In July 2011 the City issued $5.5 million in general obligation debt through the Virginia Resources Authority for projects related to the water system and the sewer system. It is the intent that these bonds be repaid from revenues of the systems.

The following table shows a summary of the City's outstanding debt as of June 30, 2011 and 2010:

Outstanding Long-Term Debts
As of June 30, 2011 and 2010
($ In Thousands)

	2011			2010 (As Restated)*		
	Govern-mental Activities	Business-Type Activities	Total	Govern-mental Activities	Business-Type Activities	Total
General obligation bonds issued for:						
Schools	$ 25,922	$ -	$ 25,922	$ 28,227	$ -	$ 28,227
Community center	1,629	-	1,629	1,758	-	1,758
Fire station	2,354	-	2,354	2,539	-	2,539
City hall	-	-	-	727	-	727
Open space	409	-	409	512	-	512
Other	1,725		1,725	1,919		1,919
Water system improvements	-	18,225	18,225	-	16,775	16,775
Sewer system improvements	-	6,825	6,825	-	5,905	5,905
Revenue bonds issued for:						
Sewer system improvements	-	2,712	2,712	-	2,860	2,860
Note payable issued for:						
Water system improvements	-	4,380	4,380	-	4,767	4,767
Sewer system improvements	-	3,468	3,468	-	3,650	3,650
Capital leases and other	6,058	727	6,785	2,415	599	3,014
Total	$ 38,097	$ 36,337	$ 74,434	$ 38,097	$ 34,556	$ 72,653

*Long-term liabilities of the City's Business-Type Activities have been restated as of June 30, 2010. See Note I.I for more information.

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 2012:

- The percentage change in real property taxes for fiscal year 2011 was projected to be an increase of 2.2% as compared to a 1% increase in fiscal year 2010. .

Per the fiscal year 2012 adopted budget, revenues are $65 million, a 1.5% increase over the fiscal year 2011 level of $64 million. Revenue from real property taxes will make up 60.4% of total revenues, as compared to 59.5% in fiscal year 2011. Other taxes account for 23.9% of General Fund revenue in 2011, slightly less than 24.1% in 2011 .

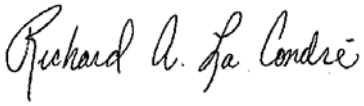
In FY2012, basic plan and police plan required contribution is 16.97% and 27.96% of covered payroll as compared to 11.94% and 15.62% in FY2011. For FY2011, both plans were amended to require employee contribution of 5.0% and 7.0% for the basic plan and police plan. In September 2012, the City Council passed a resolution changing plan benefits effective for employees hired on or after January 1, 2012. Additional information regarding this change can be found on Note IV.B.1. 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 the economy and the necessary expenditures 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,



Richard A. LaCondre, MPA
General Manager, Chief Financial Officer

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CITY OF FALLS CHURCH, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR JUNE 30, 2011

FINANCIAL SECTION

BASIC FINANCIAL STATEMENTS

EXHIBIT I

CITY OF FALLS CHURCH, VIRGINIA
STATEMENT OF NET ASSETS
As of June 30, 2011

	Primary Government			Component Units		
	Governmental Activities	Business-Type Activities	Total	School Board	Economic Development	Total Component Units
ASSETS						
Cash and cash equivalents	$ 14,062,421	$ 27,582,361	$ 41,644,782	$ 3,405,552	$ 114,423	$ 3,519,975
Receivables, net	25,496,484	6,171,810	31,668,294	67,253	-	67,253
Internal balances	1,224,766	(1,224,766)	-	-	-	-
Due from fiduciary funds	-	-	-	120,355	-	120,355
Due from primary government	-	-	-	4,020,290	-	4,020,290
Due from other governmental units	1,642,231	64,973	1,707,204	574,046	-	574,046
Prepaids	36,704	4,549	41,253	150,610	-	150,610
Inventories	214,654	382,205	596,859	-	-	-
Restricted cash and cash equivalents	121,928	8,731,822	8,853,750	-	-	-
Deferred OPEB charges	582,000	394,000	976,000	636,000	-	636,000
Deferred bond issuance cost, net	66,989	273,115	340,104	-	-	-
Capital assets:						
Non-depreciable	8,775,195	26,343,043	35,118,238	1,273,354	517,255	1,790,609
Depreciable, net of accumulated depreciation	54,036,629	68,734,064	122,770,693	1,991,203	-	1,991,203
Total capital assets, net	62,811,824	95,077,107	157,888,931	3,264,557	517,255	3,781,812
Total Assets	106,260,001	137,457,176	243,717,177	12,238,663	631,678	12,870,341
LIABILITIES						
Accounts payable and accrued expenses	2,129,379	2,845,728	4,975,107	4,479,241	4,500	4,483,741
Accrued interest payable	565,682	286,980	852,662	-	-	-
Due to component units	4,020,290	-	4,020,290	-	-	-
Due to fiduciary funds	741,549	-	741,549	-	-	-
Unearned revenue	23,702,494	873,960	24,576,454	6,900	-	6,900
Customer deposits	1,273,578	462,318	1,735,896	-	-	-
Noncurrent liabilities:						
Amounts due to other governments - long term	282,583	-	282,583	-	-	-
Deferred rent	-	7,781	7,781	86,036	-	86,036
Portion due or payable within one year (see Note III.F)	3,663,330	2,006,602	5,669,932	879,540	-	879,540
Due in more than one year (see Note III.F)	30,700,723	34,744,589	65,445,312	4,443,957	-	4,443,957
Total Liabilities	67,079,608	41,227,958	108,307,566	9,895,674	4,500	9,900,174
NET ASSETS						
Invested in capital assets, net of related debt	30,402,986	67,031,493	97,434,479	3,051,594	517,255	3,568,849
Restricted for:						
Other projects	152,686	-	152,686	-	-	-
Unrestricted	8,624,721	29,197,725	37,822,446	(708,605)	109,923	(598,682)
Total Net Assets	$ 39,180,393	$ 96,229,218	$ 135,409,611	$ 2,342,989	$ 627,178	$ 2,970,167

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, 2011

		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	$ 4,493,498	$ 394,514	$ 194,063	$ -	$ (3,904,921)		$ (3,904,921)			
Judicial administration	1,531,960	1,189,447	299,242	-	(43,271)		(43,271)			
Public safety	8,954,827	640,353	370,657	3,324	(7,940,493)		(7,940,493)			
Public works	5,920,960	344,622	965,103	287,100	(4,324,135)		(4,324,135)			
Health and welfare	2,105,699	5,920	110,487	-	(1,989,292)		(1,989,292)			
Education and payment to schools	29,276,052	-	-	-	(29,276,052)		(29,276,052)			
Parks, recreation, and cultural	4,449,481	1,822,851	211,889	-	(2,414,741)		(2,414,741)			
Community development	1,439,852	45,329	39	269,845	(1,124,639)		(1,124,639)			
Economic development	322,405	-	-	-	(322,405)		(322,405)			
Interest expense	1,410,283	-	-	-	(1,410,283)		(1,410,283)			
Total governmental activities	59,905,017	4,443,036	2,151,480	560,269	(52,750,232)		(52,750,232)			
Business-type activities:										
Water	17,690,104	21,710,937	-	2,619,067		$ 6,639,900	6,639,900			
Sewer	1,937,681	2,641,877	-	98,847		803,043	803,043			
Total business-type activities	19,627,785	24,352,814	-	2,717,914		7,442,943	7,442,943			
Total Primary Government	$ 79,532,802	$ 28,795,850	$ 2,151,480	$ 3,278,183	(52,750,232)	7,442,943	(45,307,289)			
Component Units:										
School Board	$ 34,879,099	$ 1,982,982	$ 5,647,021	$ -				$ (27,249,093)	$ -	$ (27,249,093)
Economic Development Authority	33,523	-	-	-				-	(33,523)	(33,523)
Total Component Units	$ 34,912,622	$ 1,982,982	$ 5,647,021	$ -				(27,249,093)	(33,523)	(27,282,616)
General Revenues:										
Taxes:										
Real property					38,879,467	-	38,879,467	-	-	-
Personal property					3,678,885	-	3,678,885	-	-	-
Business licenses, based on gross receipts					3,284,068	-	3,284,068	-	-	-
Local sales and use					3,619,912	-	3,619,912	-	-	-
Consumer's utility					2,180,644	-	2,180,644	-	-	-
Motor vehicle decals					238,177	-	238,177	-	-	-
Real estate recordation taxes					371,514	-	371,514	-	-	-
Occupancy, tobacco, and other					3,789,771	-	3,789,771	-	-	-
Grants and contributions not restricted to specific programs					2,020,878	-	2,020,878	-	-	-
Revenue from use of money and property					75,495	213,217	288,712	104,023	239	104,262
Payment from primary government					-	-	-	27,861,600	-	27,861,600
Other					110,572	125,305	235,877	103,968	21,540	125,508
Gain/(loss) on sale of capital asset					735,367	-	735,367	-	-	-
Transfers:										-
Payments in lieu of taxes					150,000	(150,000)	-	-	-	-
Interest on return of FY2009 Management Fee					(60,396)	60,396	-	-	-	-
Total General Revenues, Special Items, and Transfers					59,074,354	248,918	59,323,272	28,069,591	21,779	28,091,370
Change in net assets					6,324,122	7,691,861	14,015,983	820,498	(11,744)	808,754
Net Assets - Beginning of Year, As Restated*(see Note I.I)*					32,856,271	88,537,357	121,393,628	1,522,491	638,922	2,161,413
Net Assets - Ending of Year					$ 39,180,393	$ 96,229,218	$ 135,409,611	$ 2,342,989	$ 627,178	$ 2,970,167

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, 2011

	General Fund	Capital Improvement Project	Other Governmental Funds (Affordable Dwelling Unit)	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$ 12,753,579	$ 768,651	$ 540,191	$ 14,062,421
Receivables, net	25,496,484	-	-	25,496,484
Receivable from other governmental units	1,301,763	340,468	-	1,642,231
Due from enterprise funds	1,224,766	-	-	1,224,766
Prepaid items	36,704	-	-	36,704
Inventories	214,654	-	-	214,654
Restricted:				
Cash and cash equivalents	121,928	-	-	121,928
Total Assets	$ 41,149,878	$ 1,109,119	$ 540,191	$ 42,799,188
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	$ 2,016,158	$ 113,222	$ -	$ 2,129,380
Deferred revenue	25,177,241	-	-	25,177,241
Customer deposits	1,273,578	-	-	1,273,578
Due to fiduciary funds	741,549	-	-	741,549
Due to component units	4,020,290	-	-	4,020,290
Total liabilities	33,228,816	113,222	-	33,342,038
Fund Balances				
Nonspendable:				
Inventories	214,654	-	-	214,654
Prepaid items	36,704	-	-	36,704
Committed	-	995,897	405,505	1,401,402
Restricted:				
Land Purchase	121,928	-	-	121,928
Grants	125,436	-	-	125,436
Affordable Housing	-	-	134,686	134,686
Assigned:				
Encumbrances	380,682	-	-	380,682
Unassigned	7,041,658	-	-	7,041,658
Total fund balances	7,921,062	995,897	540,191	9,457,150
Total Liabilities and Fund Balances	$ 41,149,878	$ 1,109,119	$ 540,191	$ 42,799,188

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, 2011

Total fund balance, governmental funds		$ 9,457,150
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	100,653,088	
Less accumulated depreciation	(37,841,264)	62,811,824
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)		1,288,748
Other taxes		186,000
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	(32,039,513)	
Premium, discounts and refundings, net of accumulated amortization	(754,122)	
Deferred amount on refunding, net of accumulated amortization	262,869	
Compensated absences	(1,833,287)	
Due to other governments not payable in the current period	(282,583)	(34,646,636)
Interest on long-term liabilities is not accrued in the governmental funds, but is recognized as an expenditure when due		(565,682)
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.		582,000
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 are amortized over the life of the bond.		66,989
Net Assets of Governmental Activities in the Statement of Net Assets		$ 39,180,393

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, 2011

	General Fund	Capital Improvement Project	Other Governmental Funds (Affordable Dwelling Unit)	Total Governmental Funds
REVENUES				
Property taxes	$ 42,146,436	$ -	$ -	$ 42,146,436
Other local taxes	13,379,038	-	-	13,379,038
Permit, privilege fees, and regulatory licenses	404,899	-	-	404,899
Fines and forfeitures	727,990	-	-	727,990
Revenue from use of money and property	74,456	-	1,039	75,495
Charges for services	2,837,487	-	-	2,837,487
Miscellaneous	117,019	-	-	117,019
Gifts and contributions	77,687	-	-	77,687
Recovered costs	461,219	-	-	461,219
Intergovernmental:				
Commonwealth	3,855,857	-	-	3,855,857
Federal	241,271	556,946	-	798,217
Total Revenues	64,323,359	556,946	1,039	64,881,344
EXPENDITURES				
Current:				
General government	4,143,809	-	-	4,143,809
Judicial administration	1,486,558	-	-	1,486,558
Public safety	8,787,149	-	-	8,787,149
Public works	5,325,810	-	-	5,325,810
Health and welfare	2,121,788	-	-	2,121,788
Education and payments to Schools	27,874,069	-	-	27,874,069
Parks, recreation and culture	4,190,243	-	-	4,190,243
Community development	1,416,195	-	-	1,416,195
Economic development	316,857	-	-	316,857
Capital outlay	-	931,504	-	931,504
Debt service:				
Principal retirement	3,649,375	-	-	3,649,375
Interest and other fiscal charges	1,445,377	-	-	1,445,377
Total Expenditures	60,757,230	931,504	-	61,688,734
Excess (deficiency) of revenues over expenditures	3,566,129	(374,558)	1,039	3,192,610
OTHER FINANCING SOURCES/(USES)				
Transfers from Enterprise Funds	150,000	-	-	150,000
Transfers to Enterprise Funds	(60,396)			(60,396)
Transfers in/(out)	(318,250)	318,250	-	-
Proceeds from sale of assets	784,243	-		784,243
Total Other Financing Sources/(Uses)	555,597	318,250	-	873,847
Net Change in Fund Balances	4,121,726	(56,308)	1,039	4,066,457
Fund Balances at beginning of year	3,799,336	1,052,205	539,152	5,390,693
Fund Balances at end of year	$ 7,921,062	$ 995,897	$ 540,191	$ 9,457,150

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

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, 2011

Net change in fund balances - total governmental funds		$ 4,066,457
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	884,959	
Less current year depreciation and amortization	(2,848,423)	(1,963,464)
trust fund. It also reports outlays for implicit subsidies of other post-employment benefit provided to retirees. Governmental activities recognize an expense that is equal to the annual required contribution (ARC) and the amortization of prior underpayments/overpayments in the governmental activities of the Statement of Changes in Net Assets.		(188,000)
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.		(45,757)
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		516,915
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	43,838	
Current period amortization of bond issuance costs	(8,642)	
Current period amortization of deferred amount on refunding	(39,757)	
Principal payments on bonds and notes payable	3,642,435	
Principal payments on capital leases	6,940	3,644,814
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	77,080	
Change in accrued interest liability	39,654	
Change in amounts due to other governments not payable in the current period	176,423	293,157
Change in Net Assets of Governmental Activities in the Statement of Activities		$ 6,324,122

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

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, 2011

	Budgeted Amounts			Variance with Final Budget - Positive
	Original	Final	Actual	(Negative)
REVENUES				
Property taxes	$ 41,456,664	$ 41,456,664	$ 42,146,436	$ 689,772
Other local taxes	12,100,799	12,100,799	13,379,038	1,278,239
Permit, privilege fees, and regulatory licenses	382,410	382,410	404,899	22,489
Fines and forfeitures	877,250	877,250	727,990	(149,260)
Revenue from use of money and property	118,200	118,200	74,456	(43,744)
Charges for services	2,636,084	2,636,084	2,837,487	201,403
Miscellaneous	22,500	30,820	117,019	86,199
Gifts and contributions	-	48,000	77,687	29,687
Recovered costs	448,000	448,000	461,219	13,219
Intergovernmental:				
Commonwealth	3,744,032	3,894,640	3,855,857	(38,783)
Federal	147,409	1,059,483	241,271	(818,212)
Total Revenues	61,933,348	63,052,350	64,323,359	1,271,009
EXPENDITURES				
Current:				
General government	4,153,313	4,182,180	4,143,809	38,371
Judicial administration	1,549,687	1,552,917	1,486,558	66,359
Public safety	8,864,102	9,141,990	8,787,149	354,841
Public works	5,327,423	6,494,841	5,325,810	1,169,031
Health and welfare	2,216,682	2,429,090	2,121,788	307,302
Education and payments to Schools	27,876,895	27,868,358	27,874,069	(5,711)
Parks, recreation and culture	4,118,000	4,174,205	4,190,243	(16,038)
Community development	1,601,769	1,606,209	1,416,195	190,014
Economic development	345,507	345,507	316,857	28,650
Reserve for contingency	7,500	11,900	-	11,900
Debt service:				
Principal retirement	3,652,575	3,652,575	3,649,375	3,200
Interest and other fiscal charges	1,448,645	1,448,645	1,445,377	3,268
Total Expenditures	61,162,098	62,908,417	60,757,230	2,151,187
Excess (deficiency) of revenues over expenditures	771,250	143,933	3,566,129	3,422,196
OTHER FINANCING SOURCES (USES)				
Transfers from/(to) Enterprise Funds	150,000	150,000	150,000	-
Transfers to Enterprise Funds	-	-	(60,396)	(60,396)
Transfers in/(out)	(318,250)	(318,250)	(318,250)	-
Proceeds from sale of capital assets	697,000	697,000	784,243	87,243
Total other financing sources and uses	528,750	528,750	555,597	26,847
Net change in fund balances	1,300,000	672,683	4,121,726	3,449,043
Fund balances - beginning	3,799,336	3,799,336	3,799,336	-
Fund balances - ending	$ 5,099,336	$ 4,472,019	$ 7,921,062	$ 3,449,043

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

CITY OF FALLS CHURCH, VIRGINIA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
As of June 30, 2011

	Business-Type Activities - Enterprise Funds		
	Water	**Sewer**	**Total**
ASSETS			
Current:			
Cash and cash equivalents	$ 23,141,865	$ 4,440,496	$ 27,582,361
Receivables, net:			
Billed and other	1,175,691	76,119	1,251,810
Unbilled	4,290,000	630,000	4,920,000
Due from other governments	-	64,973	64,973
Prepaid expenses	4,549	-	4,549
Inventories	378,653	3,552	382,205
Restricted cash and cash equivalents	5,268,125	3,463,697	8,731,822
Total current assets	34,258,883	8,678,837	42,937,720
Non-current assets:			
Deferred OPEB charges	364,000	30,000	394,000
Deferred bond issuance cost, net	220,908	52,207	273,115
Capital assets:			
Non-depreciable	16,063,962	10,279,081	26,343,043
Depreciable, net	62,234,283	6,499,781	68,734,064
Total non-current assets	78,883,153	16,861,069	95,744,222
Total Assets	113,142,036	25,539,906	138,681,942
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	1,872,885	972,843	2,845,728
Due to other funds	1,126,428	98,338	1,224,766
Accrued interest payable	191,094	95,886	286,980
Unearned revenue	873,960	-	873,960
Customer deposits	413,994	48,324	462,318
Bonds payable	940,000	308,921	1,248,921
Notes payable	281,817	189,591	471,408
Accrued compensated absences	271,486	14,787	286,273
Total current liabilities	5,971,664	1,728,690	7,700,354
Noncurrent liabilities:			
Deferred rent	7,781	-	7,781
Bonds payable, net of current amount	17,285,000	9,228,438	26,513,438
Notes payable, net of current amount	4,092,408	3,278,398	7,370,806
Discounts and premiums on bonds payable, net	400,148	324,638	724,786
Compensated absences, net of current amount	121,676	13,883	135,559
Total Liabilities	27,878,677	14,574,047	42,452,724
NET ASSETS			
Invested in capital assets, net of related debt	60,457,617	6,573,876	67,031,493
Unrestricted	24,805,742	4,391,983	29,197,725
Total Net Assets	$ 85,263,359	$ 10,965,859	$ 96,229,218

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, 2011

	Business-Type Activities - Enterprise Funds		
	Water	**Sewer**	**Total**
Operating Revenues:			
Charges for services	$ 21,088,667	$ 2,594,977	$ 23,683,644
Rent	163,232	-	163,232
Miscellaneous	140,461	-	140,461
Total Operating Revenues	21,392,360	2,594,977	23,987,337
Operating Expenses:			
Source of supply	7,758,867	-	7,758,867
Distribution system	2,313,707	-	2,313,707
Collection and disposal	-	1,230,684	1,230,684
Water connections	215,863	-	215,863
Administration	4,375,185	272,367	4,647,552
Depreciation	2,634,696	288,721	2,923,417
Total Operating Expenses	17,298,318	1,791,772	19,090,090
Operating income	4,094,042	803,205	4,897,247
NON-OPERATING REVENUES (EXPENSES)			
Availability fees	622,270	46,900	669,170
Interest and investment revenue	39,698	10,287	49,985
Loss on disposition of capital assets	(15,156)	-	(15,156)
Interest expense	(391,786)	(145,909)	(537,695)
Total Non-Operating Revenue (Expenses)	255,026	(88,722)	166,304
Income Before Contributions and Transfers	4,349,068	714,483	5,063,551
Capital contributions	2,619,067	98,847	2,717,914
Transfers from/(to) General Fund:			
Payments in lieu of taxes	(110,000)	(40,000)	(150,000)
Interest on return of FY2009 Management fee	60,396	-	60,396
Change in net assets	6,918,531	773,330	7,691,861
Total net assets at beginning of year, *As Restated (see Note I.I)*	78,344,828	10,192,529	88,537,357
Total net assets at end of year	$ 85,263,359	$ 10,965,859	$ 96,229,218

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

EXHIBIT X

CITY OF FALLS CHURCH, VIRGINIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2011

	Business-Type Activities - Enterprise Funds		
	Water	Sewer	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	$ 21,918,309	$ 2,553,204	$ 24,471,513
Payments to suppliers	(8,487,458)	(1,165,830)	(9,653,288)
Payments to employees	(4,392,415)	(239,019)	(4,631,434)
Payments for interfund services used	(1,171,655)	(133,115)	(1,304,770)
Net Cash Provided by Operating Activities	7,866,781	1,015,240	8,882,021
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES			
Payments of principal on noncapital loan	(189,614)	-	(189,614)
Payments of interest on noncapital loan	(60,679)	-	(60,679)
Payments in lieu of taxes	(110,000)	(40,000)	(150,000)
Return of FY2009 management fee from General Fund	2,412,997	-	2,412,997
Net Cash Provided by (Used in) NonCapital and Related Financing Activities	2,052,704	(40,000)	2,012,704
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Receipts from customers for availability fees	1,016,553	108,589	1,125,142
Acquisition and construction of capital assets	(4,733,548)	(2,231,001)	(6,964,549)
Issuance of construction and acquisition loan	2,375,000	3,931,999	6,306,999
Premiums on issuance of debt	248,076	325,655	573,731
Debt issuance cost	(37,933)	(43,281)	(81,214)
Payments of principal on construction and acquisition loan	(1,128,369)	(481,633)	(1,610,002)
Payments of interest on construction and acquisition loan	(340,614)	(146,009)	(486,623)
Net Cash Provided by (Used In) Capital and Related Financing Activities	(2,600,836)	1,464,319	(1,136,517)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends received	39,698	10,287	49,985
Net Cash Provided by Investing Activities	39,698	10,287	49,985
Net Increase in Cash and Cash Equivalents	7,358,348	2,449,846	9,808,194
Cash and Cash Equivalents, Beginning of Year	21,051,642	5,454,347	26,505,989
Cash and Cash Equivalents, End of Year	$ 28,409,990	$ 7,904,193	$ 36,314,183
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating income	$ 4,094,042	$ 803,205	4,897,247
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation expense	2,634,696	288,721	2,923,417
Bad debt expense	(19,990)	11,000	(8,990)
Changes in operating assets and liabilities:			
(Increase)/decrease in:			
Accounts receivable and due from other governments	(355,853)	(107,327)	(463,180)
Inventory	(12,966)	418	(12,548)
Deferred OPEB Charges	(12,000)	1,000	(11,000)
Increase/(decrease) in:			
Accounts payable, accrued liabilities and customer deposits	485,440	20,396	505,836
Unearned revenue	873,960	-	873,960
Deferred rent	7,781	-	7,781
Accrued compensated absences	(26,032)	9,530	(16,502)
Due to other funds	197,703	(11,703)	186,000
Total adjustments	3,772,739	212,035	3,984,774
Net Cash Provided by Operating Activities	$ 7,866,781	$ 1,015,240	$ 8,882,021
Supplemental Schedule of Noncash Investing, Capital and Financing Activities:			
Contributions of capital assets	$ 2,619,067	$ 98,847	$ 2,717,914
Gain or (loss) on disposal of capital assets	$ (15,156)	$ -	$ (15,156)

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, 2011

	Post-Employment Trust Funds	Agency Funds
ASSETS		
Cash and cash equivalents	$ 7,390,811	$ 2,088,891
Investments:		
Domestic equity securities	41,112,441	-
Domestic fixed income securities	17,432,369	-
International equity securities	16,693,347	-
Real estate	2,789,619	-
Other	104,681	-
Total investments	78,132,457	-
Contributions receivable:		
Employer	65,592	-
Employee	12,007	-
Total contributions receivable	77,599	-
Interest and dividends receivable	30,012	-
Accounts receivable	-	1,895,280
Due from general fund	-	1,557,799
Total Assets	85,630,879	$ 5,541,970
LIABILITIES		
Accounts payable	2,290	$ -
Due to general fund	911,609	24,889
Due to other governments	-	5,517,081
Total Liabilities	913,899	$ 5,541,970
NET ASSETS		
Held in trust for pension benefits	80,834,334	
Held in trust for other post-employment benefits	3,882,646	
Total Net Assets	$ 84,716,980	

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, 2011

ADDITIONS	
Employer contributions	$ 2,906,208
Employee contributions	383,571
Investment earnings:	
Interest	202,329
Dividends	780,900
Net increase in the fair value of investments	16,427,965
Total investment earnings	17,411,194
Less investment expense	(283,202)
Net investment earnings	17,127,992
Total Additions	20,417,771
DEDUCTIONS	
Benefits	4,045,439
Administration	99,813
Total Deductions	4,145,252
Change in Net Assets	16,272,519
Net Assets at Beginning of Year	68,444,461
Net Assets at End of Year	$ 84,716,980

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 municipality 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 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. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition, including availability fees charged to new customers, 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, 2011, 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 and were $4.3 million and $630 thousand, respectively as of year end.

Accounts payable and accrued liabilities include amounts due to vendors and employees for goods and services received as of year end.

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 or infrastructure improvement and water system improvement.

6. Capital Assets

Capital assets, which include land, buildings, improvements, machinery and equipment, library collections, 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.

The City entered into agreements with other jurisdictions or agencies for the purchase of water and treatment of its sewer. As part of these agreements, the City is allocated a share of operating and capital costs. The City's share of capital costs are recorded as purchased capacity in the City's enterprise funds and business-type activities.

Major outlays for capital assets and improvements, including related interest and other debt costs, are initially capitalized as construction in progress and are transferred to buildings, improvements, or purchased capacity when the assets are substantially complete and placed in service.

Leases that meet certain criteria are capitalized and related amortization is included in depreciation expense.

Capital assets are depreciated/amortized over their estimated useful lives using the straight-line method. Capital assets that have an indefinite useful life are not depreciated nor amortized. The estimated useful lives are as follows:

Capital Assets	Useful Lives
Infrastructure	20-50 years
Water and sewer system	20-50 years
Purchased capacity	20-40 years
Buildings	50 years
Improvements, other than buildings	10-20 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.

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, 2011, 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. Termination Benefits

The School Board makes payments to eligible employees upon retirement equal to 100% of the employees' average of three highest salaries earned by the employee. The payment is paid monthly in up to 60 equal installments. If the retiree dies during the benefit period, the payments cease. In 2003, the School Board adopted a "sunset" provision for this benefit which restricted eligibility to employees who were employed by the School Board in FY2003 and have a minimum age of 45 years and 5 years of satisfactory employment by July 1, 2002.

The liability for this benefit is estimated using the eligible employees' salary as of June 30, 2011, including social security and medicare taxes. This liability is liquidated by the School Operating Fund.

9. 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.

10. 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 restricted net assets as of June 30, 2011 for grants received but not yet expended.

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.

11. Designations of Enterprise Fund Net Assets

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

As of June 30, 2011, City Council designated approximately $24.8 million of the Water Fund unrestricted net assets to provide for future improvements as needed. Such net assets are primarily comprised of accumulated availability fees received from Water Fund customers.

City Council also designated approximately $2.6 million of the Sewer Fund unrestricted net assets for future improvements. These net assets consist of accumulated availability fees received from Sewer Fund customers.

E. Recovered Costs

Reimbursements from another government and interfund services are recorded as recovered costs. Interfund services include motor pool charges to the Water Fund, Sewer Fund and the School Board.

F. Intergovernmental Agreements

During 2011, 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. During 2011, the City paid the CSB approximately $594 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 and recreation facilities by the City's residents. During 2011, the City paid the County approximately $780 thousand for these services.

The City also uses the County's landfills. For these services, the City paid the County approximately $120 thousand in 2011.

The City also has an agreement with the County to share in the cost of its sewage treatment facilities. During 2011, the City paid the County approximately $667 thousand for sewage treatment costs. In addition, the City issued a note payable to the County for $5,005,000 during FY2000 to pay for the City's share of the costs to upgrade the Alexandria Sanitation Treatment Plant. The City paid the County $328 thousand in debt service towards this note during FY2011. Additional information on this debt can be found on Note III.F. In FY2008, another upgrade was commenced at the Alexandria Sanitation Treatment Plant. The City paid the County $36 thousand in FY2011 for its share of the costs of the upgrade. All amounts relating to the City's share of these capital costs are recorded as capital assets in the Sewer Fund financial statements.

The City has an agreement with the County to bill for sewer services on its behalf to the County's sewer customers. The City remitted $18.8 million in sewer revenue receipts to the County during FY2011. For this service, the City received $643 thousand in compensation from the County.

2. County of Arlington

The City contracts its fire and rescue, and jail and judicial services, to Arlington County, Virginia. During 2011, the City paid Arlington County approximately $2 million for fire and rescue services and approximately $816 thousand for jail and judicial services.

The City also receives payment from Arlington County for its share of the cost of operating a girls' home facility. Payments received during 2011 amounted to approximately $522 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 2011, the City paid Arlington County approximately $1.1 million. $329 thousand of this is for operating costs and $777

thousand is for 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. $329 thousand is recorded as an expense and $777 thousand is recorded as construction-in-progress in the Sewer Fund financial statements and will be transferred to purchased capacity once the plant is in service.

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 maintenance costs. For the fiscal year ended June 30, 2011, the City paid approximately $4.9 million to the Department of Army for water and $1 million towards facility maintenance costs. These costs are recorded as an expense in the Water Fund's financial statements. The City also paid the Department of Army $516 thousand for debt service on the City's share of the debt issued to the US Treasury and the District of Columbia. $393 thousand represents principal payment and $123 thousand is for interest. In addition, during FY2011, the City paid approximately $800 thousand to the Department of Army for its share of the costs to build a water residue processing plant. This is recorded as construction-in-progress in the Water Fund's financial statements and will be transferred to purchased capacity once the plant is in operation.

An escrow account has been established for the payments made from which the Department of Army draws down. The escrow account is an interest-bearing account and all earnings accrue to the City. In addition to the payments made to the Department of the Army, the City maintains a balance in the account of approximately two to three months of the cost of water purchased as agreed upon with the Department of Army. A restricted asset is recorded in the Water Fund's financial statements for the balance of the account and a corresponding liability is recorded for the estimated costs not yet drawn down by the Department of Army. As of June 30, 2011, the remaining balance on the account was approximately $1 million and the liability was $0. At the end of the Department of Army's fiscal year of September 30 of each year, the Department of Army reconciles actual amount incurred against payments. Any difference is then recorded as an expense or reduction of expense in the Water Fund's financial statements.

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 $51 thousand for its share of the operating and debt service costs for the fiscal year ended June 30, 2011.

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, 2011, the City's required contributions amounted to approximately $2.1 million, $2.0 million of which was paid through the City's participation in the NVTC, and the remainder of $0.1 million was paid using credits retained at WMATA. The City anticipates its annual required contribution in fiscal year 2012 to be consistent with fiscal year 2011. 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. Estimates and assumptions have been used to calculate unbilled receivables, allowances for receivables, depreciation, liabilities for termination benefits, and actuarial values of pension and other post-employment benefits.

I. Prior Period Adjustment

The beginning net assets of the Water Fund has been restated as of June 30, 2010 as follows:

	Water Fund
Beginning Net Asset as originally stated	$ 78,594,707
Unused amount in Washington Aqueduct escrow account related to FY2010	717,801
Correction of loan amount to DC and related capital asset	(967,680)
Total Adjustments	(249,879)
Beginning Net Assets, as restated	$ 78,344,828

The beginning net asset of the Water Fund is restated to record the effect of water purchase payments made to the Washington Aqueduct in FY2010 but was not drawn down or needed by Washington Aqueduct. The Water Fund's net asset is also being restated to correct the amount of loan that is due to the District of Columbia. The balance as of June 30, 2010 was overstated by approximately $475 thousand. Related to the loan is the purchased capacity that is capitalized in the Water Fund's Statement of Net Assets. This asset, net of accumulated amortization, was also overstated as of June 30, 2010 by approximately $1.4 million.

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. 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 department level. During the course of the fiscal year, the Council may increase the appropriation for each fund through an ordinance. The Council may also revise the appropriations for each department through a resolution as long as the total budget for the fund does not change. 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 unless there have been no expenditures in the project for the last three fiscal years. Encumbrance accounting is employed in governmental funds and proprietary funds. Encumbrances outstanding at year end are reported as assignments of fund balances unless they are already restricted or committed, 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. Budget amendments may be approved by the City Council subsequent to adoption of the original budget throughout the year.

III. DETAILED NOTES ON ALL FUNDS

A. Cash, Cash Equivalents and Investments

1. Deposits

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

The following is a summary of the reporting entity's public deposits and petty cash as of June 30, 2011.

	Carrying Value	Bank Balance
Deposits:		
Primary government	$ 21,331,015	$ 23,642,337
Component units	186,776	186,776
Total deposits	21,517,791	23,829,113
Petty Cash:		
Primary government	4,596	-
Component units	4,300	-
Total petty cash	8,896	-
Total Deposits and Petty Cash	$ 21,526,687	$ 23,829,113

The differences between carrying values and bank balances generally result from outstanding checks and deposits in transit as of June 30, 2011.

As of June 30, 2011, the City's primary government has restricted cash of $8.9 million. These are balances of proceeds from bonds which were issued for improvements of infrastructure and water systems, as well as cash held by the City for the use of the Department of the Army (see Note I.F.3) .

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, 2011, 74% of the portfolio was invested in the Virginia LGIP, 25% was invested in Virginia SNAP and 1% was invested in money market accounts. Virginia LGIP and Virginia SNAP are a 2A-7 like investment pools with "AAA" rating.

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 is 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, 2011, 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:		
Virginia LGIP	$ 21,612,890	$ 21,612,890
Virginia SNAP	7,427,986	7,427,986
Money market funds	122,045	122,045
	29,162,921	29,162,921
Component Unit - School Board:		
Money market funds - Virginia LGIP	3,214,476	3,214,476
	3,214,476	3,214,476
Total Investments	$ 32,377,397	$ 32,377,397

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, 2011, 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.

The total deposits and investments of $54,018,507 are shown in the Government-wide Statement of Net Assets as follows:

Cash and Cash Equivalents	
Primary Government	$ 41,644,782
Component Unit - School Board	3,405,552
Component Unit - EDA	114,423
Temporarily Restricted Cash and Cash Equivalents	
Primary Government	8,853,750
Total Cash and Cash Equivalents	$ 54,018,507

Post-Employment Funds

As of June 30, 2011, the City's post-employment funds had the following investments:

Investment Type	Fair Value
Held by Trustees - Post-Employment Funds:	
Money market funds	$ 7,390,811
Domestic equities	41,112,441
Domestic fixed income	17,432,369
International equities	16,693,347
Real estate securities	2,789,619
Other	104,681
Total Investments	$ 85,523,268

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 trustees" 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 revised in July 2008, and actual concentration as of June 30, 2011:

	Minimum	Maximum	Actual as of June 30, 2011
Domestic equities	48%	62%	53%
Domestic fixed income	12%	20%	22%
International equities	15%	23%	21%
Real estate	8%	12%	4%

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 23% 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.

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 trustees" 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, 2011:

	Minimum	Maximum	Actual as of June 30, 2011
Domestic equities	37%	47%	36%
Domestic fixed income	28%	38%	37%
International equities	14%	24%	23%
Real estate	1%	11%	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 24% of the fund assets.

The performance of specific investment types in the portfolio will periodically result in actual balances above or below the limitations set by policy.

B. Receivables

Receivables and allowances for uncollectible receivables of the primary government as of June 30, 2011, consist of the following:

	General Fund	Capital Projects Fund	Water Fund	Sewer Fund	Total	Fiduciary Funds	Total Primary Government
Receivables:							
Accounts - Billed	$ 656,742	$ -	$ 1,969,690	$ 154,119	$ 2,780,551	$ 1,895,280	$ 4,675,831
Accounts - Unbilled	80,000	-	4,290,000	630,000	5,000,000	-	5,000,000
Other	418,165	-	-	-	418,165	-	418,165
Accrued interest/dividend	-	-	-	-	-	30,012	30,012
Contributions receivable	-	-	-	-	-	77,599	77,599
Property taxes:							
Delinquent	1,541,755	-	-	-	1,541,755	-	1,541,755
Not yet due	23,459,722	-	-	-	23,459,722	-	23,459,722
Due from other governments	1,301,763	340,468	-	64,973	1,707,204	-	1,707,204
Total receivables	27,458,147	340,468	6,259,690	849,092	34,907,397	2,002,891	36,910,288
Allowances for uncollectibles:							
Accounts	425,000	-	794,000	78,000	1,297,000	-	1,297,000
Property taxes:							
Delinquent	188,500	-	-	-	188,500	-	188,500
Not yet due	46,400	-	-	-	46,400	-	46,400
Total allowances for uncollectibles	659,900	-	794,000	78,000	1,531,900	-	1,531,900
Total Net Receivables	$ 26,798,247	$ 340,468	$ 5,465,690	$ 771,092	$ 33,375,497	$ 2,002,891	$ 35,378,388

Delinquent property taxes receivable from taxpayers in the General Fund as of June 30, 2011, consist of the following:

Year of Levy	Real Estate	Personal Property	Total
2011	$ 404,885	$ -	$ 404,885
2010	344,046	125,719	469,765
2009	164,449	91,300	255,749
2008	114,656	38,652	153,308
2007	76,383	26,333	102,716
Prior years	113,302	42,030	155,332
Total delinquent taxes	1,217,721	324,034	1,541,755
Allowances for Uncollectibles	-	(188,500)	(188,500)
Net Delinquent Tax Receivables	$ 1,217,721	$ 135,534	$ 1,353,255

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 City reports real estate and personal property taxes (net of allowances) assessed for calendar year 2011 as receivables because the City has an enforceable legal claim to these resources at June 30, 2011; however, some of these resources, which amount to approximately $19.7 million for real property and approximately $3.7 million for personal property, will not be available to the City until fiscal year 2012 and are therefore recognized as deferred revenue. A detailed breakdown of the components of deferred revenue at June 30, 2011 can be found at Note III E.

The component unit School Board has an accounts receivable balance as of June 30, 2011 of $67 thousand and due from other government balance of $574 thousand. 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 and sewer fund to the general fund are for payments in lieu of taxes. In FY2011, a transfer was made from the general fund to the water fund for interest due to the water fund as ordered by the court in relation to the return of the FY2009 management fee.

Interfund transfers for the year ended June 30, 2011, are as follows:

	Transfer In:		
Transfer out:	**General Fund**	**Capital Projects Fund**	**Water Fund**
General Fund	$ -	$ 318,250	$ 60,396
Water Fund	110,000	-	-
Sewer Fund	40,000	-	-
	$ 150,000	$ 318,250	$ 60,396

The City's general fund also charges for administrative costs to the Water Fund and the Sewer Fund. The charges to the Water Fund were $1.1 million and the charges to the Sewer Fund were $0.1 million during FY2011. These are considered to be interfund reimbursements.

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 and from interfund reimbursements for administrative costs. All amounts are expected to be paid within one year. The following table shows what comprises the interfund balances as of June 30, 2011:

Receivable Fund	Amount	Payable Fund	Amount
General Fund	$ 2,041,016	Post-Retirement Funds	$ 816,250
		Sewer Fund	98,338
		Water Fund	1,126,428
Component Unit - School Board	4,140,645	General Fund	4,020,290
		Post-Retirement Funds	120,355
Agency Funds	1,557,799	General Fund	1,557,799
	$ 7,739,460		$ 7,739,460

D. Capital Assets

Capital assets activity for the primary government for the year ended June 30, 2011 , is as follows:

	Balances June 30, 2010	Increases	Decreases	Balances June 30, 2011
Primary Government				
Governmental Activities:				
Capital assets not being depreciated:				
Land	$ 8,387,510	$ 53,922	$ 17,552	$ 8,423,880
Construction in Progess	468,817	281,986	399,488	351,315
Total capital assets not being depreciated	8,856,327	335,908	417,040	8,775,195
Capital assets being depreciated:				
Buildings and system	63,249,729	129,968	94,310	63,285,387
Machinery and equipment	10,951,574	135,663	549,350	10,537,887
Improvements other than buildings	4,816,552	-	-	4,816,552
Infrastructure	9,274,413	479,981	-	9,754,394
Intangible	1,458,399	20,000	-	1,478,399
Library collections	2,043,750	182,928	221,403	2,005,275
Total capital assets being depreciated	91,794,417	948,540	865,063	91,877,894
Less accumulated depreciation for:				
Buildings and system	16,942,984	1,428,444	68,510	18,302,918
Machinery and equipment	7,804,740	766,317	544,547	8,026,510
Improvements other than buildings	2,262,554	254,433	-	2,516,987
Infrastructure	5,856,123	182,188	-	6,038,311
Intangible	1,395,814	25,105	-	1,420,919
Library collections	1,565,087	191,936	221,403	1,535,620
Total accumulated depreciation	35,827,302	2,848,423	834,460	37,841,265
Total capital assets being depreciated, net	55,967,115	(1,899,883)	30,603	54,036,629
Total capital assets, net - Governmental Activities	$ 64,823,442	$ (1,563,975)	$ 447,643	$ 62,811,824

	Balances June 30, 2010 As Restated	Increases	Decreases	Balances June 30, 2011
Primary Government (continued):				
Business-Type Activities:				
Water				
Capital assets not being depreciated:				
Land	$ 2,594,882	$ -	$ -	$ 2,594,882
Construction in Progess	11,968,521	2,112,217	611,657	13,469,081
Total capital assets not being depreciated	14,563,403	2,112,217	611,657	16,063,963
Capital assets being depreciated:				
Buildings and system	88,938,442	5,489,333	75,781	94,351,994
Machinery and equipment	3,349,800	74,723	-	3,424,523
Improvements other than buildings	73,876	-	-	73,876
Purchased capacity	13,061,732	-	-	13,061,732
Other intangible	36,801	-	-	36,801
Total capital assets being depreciated	105,460,651	5,564,056	75,781	110,948,926
Less accumulated depreciation for:				
Buildings and system	39,840,852	1,916,623	60,625	41,696,850
Machinery and equipment	1,277,560	280,096	-	1,557,656
Improvements other than buildings	19,482	7,500	-	26,982
Purchased capacity	4,971,378	430,477	-	5,401,855
Other intangible	31,301	-	-	31,301
Total accumulated depreciation	46,140,573	2,634,696	60,625	48,714,644
Total capital assets being depreciated, net	59,320,078	2,929,360	15,156	62,234,282
Total capital assets, net - Water	73,883,481	5,041,577	626,813	78,298,245
Sewer				
Capital assets not being depreciated:				
Construction in Progess	9,166,149	1,112,932	-	10,279,081
Total capital assets not being depreciated	9,166,149	1,112,932	-	10,279,081
Capital assets being depreciated:				
Buildings and system	5,235,831	323,107	-	5,558,938
Machinery and equipment	160,905	-	-	160,905
Purchased capacity	5,005,000	-	-	5,005,000
Other intangible	9,900	-	-	9,900
Total capital assets being depreciated	10,411,636	323,107	-	10,734,743
Less accumulated depreciation for:				
Buildings and system	1,806,597	75,746	-	1,882,343
Machinery and equipment	133,519	9,475	-	142,994
Purchased capacity	2,002,000	200,200	-	2,202,200
Other intangible	4,125	3,300	-	7,425
Total accumulated depreciation	3,946,241	288,721	-	4,234,962
Total capital assets being depreciated, net	6,465,395	34,386	-	6,499,781
Total capital assets, net - Sewer	15,631,544	1,147,318	-	16,778,862
Total capital assets, net - Business-Type Activities	89,515,025	6,188,895	626,813	95,077,107
Total capital assets, net - Primary Government	$ 154,338,467	$ 4,624,919	$ 1,074,456	$ 157,888,930

Capital assets activity for component units for the year ended June 30, 2011 , is as follows:

	Balances June 30, 2010	Increases	Decreases	Balances June 30, 2011
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	1,311,055	-	-	1,311,055
Machinery and equipment	2,293,379	158,100	-	2,451,479
Improvements other than buildings	10,532	-	-	10,532
Library collections	669,675	49,393	37,724	681,344
Intangible	7,996	-	-	7,996
Leasehold improvements	21,080	-	-	21,080
Total capital assets being depreciated	4,313,717	207,493	37,724	4,483,486
Less accumulated depreciation for:				
Buildings and system	276,711	40,588	-	317,299
Machinery and equipment	1,398,761	212,092	-	1,610,853
Improvements other than buildings	1,580	702	-	2,282
Library collections	531,117	55,893	37,724	549,286
Intangible	7,996	-	-	7,996
Leasehold improvements	2,459	2,108	-	4,567
Total accumulated depreciation	2,218,624	311,383	37,724	2,492,283
Total capital assets being depreciated, net	2,095,093	(103,890)	-	1,991,203
Total capital assets, net - School Board	$ 3,368,447	$ (103,890)	$ -	$ 3,264,557
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, 2011, charged to the functions of the primary government and component units is as follows:

	Governmental Activities
Primary Government:	
Governmental Activities:	
General government administration	$ 239,028
Judicial administration	41,696
Public safety	360,795
Public works	395,405
Health and welfare	4,817
Education	1,291,720
Parks, recreation, and cultural	501,211
Community development	13,751
Total depreciation expense - Governmental Activities	2,848,423
Business-Type Activities	
Water	2,634,696
Sewer	288,721
Total depreciation expense - Business-Type Activities	2,923,417
Total depreciation expense - Primary Government	$ 5,771,840
Component Units:	
School Board	$ 311,383
Total depreciation expense - Component Units	$ 311,383

E. Unearned and Deferred Revenue

Governmental 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. Governmental activities record receivables for taxes that are assessed as of January 1 but are not yet due. Revenues from such receivables are considered to be unearned. The Water Fund records as unearned revenue connection fees for which the connection has not been performed. As of June 30, 2011, the following comprise the unearned and deferred revenue reported in the governmental activities and funds:

	Governmental Activities	Business-Type Activities	Total Primary Government	Governmental Funds
Unavailable:				
Delinquent property taxes	$ -	$ -	$ -	$ 1,163,747
Property taxes not yet due	23,462,789	-	23,462,789	23,587,789
Other	-	-	-	186,000
Unearned	239,705	873,960	1,113,665	239,705
Total Deferred/Unearned Revenue	$ 23,702,494	$ 873,960	$ 24,576,454	$ 25,177,241

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, 2011:

	Balance June 30, 2010 As Restated	Additions	Reductions	Balance June 30, 2011	Due Within One Year
Primary Government					
Governmental activities:					
General obligation bonds payable	$ 35,681,948	$ -	$ 3,642,435	$ 32,039,513	$ 2,437,663
Amortized premiums and discounts on bond issuance	797,961	-	43,838	754,123	-
Amortized deferred refunding amount	(302,626)	-	(39,757)	(262,869)	-
Compensated absences	1,910,366	1,154,703	1,231,783	1,833,286	1,225,667
Obligations under capital leases	9,338	-	9,338	-	-
Total long-term debt - Governmental activities	38,096,987	1,154,703	4,887,637	34,364,053	3,663,330
Business-type activities:					
Water					
General obligation bonds payable	16,775,000	2,375,000	925,000	18,225,000	940,000
Notes payable	4,767,209	-	392,984	4,374,225	281,817
Amortized discounts and premiums on bonds payable, net	161,309	248,076	9,237	400,148	-
Compensated absences	419,194	251,882	277,914	393,162	271,486
Total long-term debt - Water Fund	22,122,712	2,874,958	1,605,135	23,392,535	1,493,303
Sewer					
General obligation bonds payable	3,044,925	3,931,999	151,963	6,824,961	157,097
Revenue bonds payable	2,859,769	-	147,371	2,712,398	151,824
Notes payable	3,650,288	-	182,299	3,467,989	189,591
Amortized discounts and premiums on bonds payable, net	-	325,655	1,017	324,638	-
Compensated absences	19,140	25,106	15,576	28,670	14,787
Total long-term debt - Sewer Fund	9,574,122	4,282,760	498,226	13,358,656	513,299
Total long-term debt - Business-type activities	31,696,834	7,157,718	2,103,361	36,751,191	2,006,602
Total long-term debt - Primary Government	69,793,821	8,312,421	6,990,998	71,115,244	5,669,932
Component Units					
School Board:					
Termination benefits	4,616,000	-	547,000	4,069,000	397,000
Compensated absences	1,054,008	609,984	622,458	1,041,534	423,315
Obligations under capital leases	270,401	-	57,438	212,963	59,225
Total long-term debt - School Board	5,940,409	609,984	1,226,896	5,323,497	879,540
Total long-term debt - Component Units	5,940,409	609,984	1,226,896	5,323,497	879,540
Total long-term debt	$ 75,734,230	$ 8,922,405	$ 8,217,894	$ 76,438,741	$ 6,549,472

During FY2011, the city capitalized interest in the Water Fund of $439 thousand and in the Sewer Fund of $233 thousand.

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 for any project exceeding 10% of general fund revenue. At June 30, 2011, all authorized general obligation bonds have been issued. The following are the general obligation bonds that were outstanding as of June 30, 2011:

Bond Description	Principal Balance
Governmental Activites:	
$2,445,000 School Construction bonds issued May 2, 1996 by VPSA; interest at various rates; variable amounts maturing through January 15, 2017.	$ 670,000
$32,340,000 School Construction & refunding bonds issued March 18, 2004; interest at various rates; variable amounts maturing through April 1, 2024.	21,665,000
$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.	409,200
$1,935,000 School Construction bonds, issued May 11, 2006 by VPSA; interest at various rates; variable amounts maturing through July 15, 2026.	1,535,000
$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.	6,035,000
$2,000,000 General Obligation bonds issued March 28, 2008; interest at 3.66%; variable amounts maturing through February 1, 2023.	1,600,000
$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.	125,313
Total Governmental Activities	32,039,513
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.	3,250,000
$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.	7,395,000
$5,385,000 General Obligation bonds issued November 19, 2009 through the VRA; interest at various rates; variable principal amounts maturing annually through October 1, 2029.	5,205,000
$2,375,000 General Obligation bonds issued June 2, 2011 through the VRA; interest at various rates; variable principal amounts maturing annually through October 1, 2031.	2,375,000
Total water	18,225,000
Sewer	
$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.	3,699,961
$3,125,000 General Obligation bonds issued June 2, 2011 through the VRA; interest at various rates; variable principal amounts maturing annually through October 1, 2031.	3,125,000
Total sewer	6,824,961
Total Business-type Activities	25,049,961
Total General Obligation Bonds Payable	$ 57,089,474

Annual debt service requirements to maturity for the general obligations serviced by the City as of June 30, 2011 are summarized in the following table:

Fiscal Year Ending	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2012	$ 2,437,663	$ 1,298,905	$ 3,736,569	$ 1,097,097	$ 1,016,581	$ 2,113,678
2013	2,958,916	1,171,221	4,130,137	1,292,403	1,009,719	2,302,122
2014	3,015,633	1,030,127	4,045,761	1,322,890	961,559	2,284,449
2015	2,150,633	910,388	3,061,021	1,363,561	909,210	2,272,771
2016	2,118,333	817,291	2,935,625	1,399,424	853,026	2,252,450
2017-2021	11,261,667	2,812,651	14,074,318	6,357,236	3,447,365	9,804,601
2022-2027	8,001,667	660,862	8,662,529	6,646,539	2,026,538	8,673,077
2028-2031	95,000	2,423	97,423	5,155,811	537,496	5,693,307
2032	-	-	-	415,000	8,634	423,634
Total	$ 32,039,513	$ 8,703,868	$ 40,743,381	$ 25,049,961	$ 10,770,128	$ 35,820,089

As of June 30, 2011, the City's legal debt limit is approximately $313 million and its debt margin is approximately $256 million.

2. Revenue Bonds

In 2005, the City issued a sewer system revenue bond for $3,275,000 to finance its share of the costs of the Arlington County's upgrades to its sewer system. The City issued this loan to the Virginia Resources Authority pursuant to the Virginia Water facilities Revolving Fund. The interest rate on this loan is 3% with variable principal amounts maturing annually through July 1, 2025.

Annual debt service requirements to maturity for this revenue bond as of June 30, 2011 are as follows:

Fiscal Year Ending	Business-Type Activities		
	Principal	Interest	Total
2012	$ 151,824	$ 80,242	$ 232,066
2013	156,413	75,653	232,066
2014	161,141	70,925	232,066
2015	166,011	66,055	232,066
2016	171,029	61,037	232,066
2017-2021	935,883	224,449	1,160,332
2022-2026	970,097	74,201	1,044,298
Total	$ 2,712,398	$ 652,562	$ 3,364,960

This bond has a rate covenant with VRA which states that the City will fix and collect rates, fees and other charges for the use of and for services furnished or to be furnished by the System so that in each fiscal year, the net revenues available for debt service will equal at least 115% of the amount required during the fiscal year to pay the principal and interest on all the revenue bonds. For FY2011, the City met this covenant.

3. Notes Payable

As part of the City's agreement to purchase water from the Washington Aqueduct, it is required to pay debt service to the US Treasury and to the District of Columbia for loans that these entities have extended to the Washington Aqueduct to construct or acquire capital assets during 1997 and 1998. The loan to the United States Treasury carries an interest rate which varies

according to a 3-month municipal bond with the same credit rating as the City. The loan has variable maturity with the last principal due in 2023. The loan to the District of Columbia carries an interest rate of 3.25% and matures in 2041.

In 2000, the City entered into an agreement with Fairfax County to pay for a portion of the County's share of the cost to upgrade the Alexandria Sanitation Plant. The City executed a note to the Fairfax County to pay its share over 25 years with an interest rate of 4%.

Annual debt service requirements to maturity for these notes are as follows:

Fiscal Year Ending	Business-Type Activities		
	Principal	Interest	Total
2012	$ 471,408	$ 244,716	$ 716,124
2013	555,696	246,787	802,483
2014	655,451	243,452	898,903
2015	589,346	207,948	797,294
2016	607,702	188,869	796,571
2017-2021	2,787,885	650,160	3,438,045
2022-2026	1,411,882	267,241	1,679,123
2027-2031	245,092	108,063	353,155
2032-2036	231,494	69,633	301,127
2037-2041	271,677	29,450	301,127
2042	14,581	474	15,055
Total	$ 7,842,214	$ 2,256,793	$ 10,099,007

4. 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:

	Component Unit School Board
Asset:	
Machinery and equipment	$ 800,595
Less: accumulated depreciation	(537,827)
Net	$ 262,768

The future minimum lease payments and net present value of these minimum lease payments as of June 30, 2011 are as follows:

Fiscal Year Ending June 30	Component Unit School Board
2012	$ 81,178
2013	81,178
2014	75,787
2015	18,562
Total minimum lease payments	256,705
Less: amount representing interest	(43,742)
Present value of minimum lease payments	$ 212,963

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 $98 thousand to the City and approximately $235 thousand to the School Board for the fiscal year ended June 30, 2011. The future minimum lease payments for these leases are shown below:

Fiscal Year Ending June 30	Primary Government Governmental Activities	Component Unit School Board
2012	$ 85,629	$ 253,265
2013	63,215	263,016
2014	61,050	273,142
2015	63,400	283,658
2016	65,841	294,579
2017-2020	216,204	944,040
Total	$ 555,339	$ 2,311,700

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 an 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, 2011:

Project	Amount Spent-to-Date	Remaining Commitment
Governmental Activities:		
Broad Street Streetscape	$ 821,590	$ 68,463
Sidewalk Restoration	263,048	30,946
Radar Signs	493	74,508
Total Governmental Activities	1,085,131	173,917
Business-Type Activities:		
Water:		
Arlington Blvd Water Main Replacement	3,111,818	109,720
Chesterbrook Pump Station	556,383	67,927
McLean Pump Station	94,541	13,019
Seven Corners Improvement	306,497	10,766
Tysons Corner Marriott Water Main	341,411	28,994
Washington Aqueduct Residuals Project	10,335,267	334,800
Various Water Main Replacement Projects	249,046	505,495
Pump Station Control Center	14,771	42,847
Water Fund	15,009,734	1,113,568
Sewer:		
Arlington Treatment Plant	8,733,642	289,000
Sewer Pipes Rehabilitation	224,258	16,260
Sewer Fund	8,957,900	305,260
Total Business-Type Activities	23,967,634	1,418,828
Total	$ 25,052,765	$ 1,592,745

H. Fund Balance

In FY2011, the City implemented GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions.* This Statement changes the classifications of fund balance from designated, reserved, and undesignated to non-spendable, restricted, committed, assigned and unassigned. This Statement also clarifies the definitions of the governmental fund types.

1. Commitments and Assignments

The City Council is the City's highest level of decision-making authority. Commitments may be established, modified and rescinded through the adoption by the City Council of an ordinance or resolution. The City Council also assigns amounts to specific purpose. Encumbrances are approved by the Purchasing Agent or by the City Manager up to $60,000 for professional services as defined by the Virginia Public Procurement Act and up to $100,000 for all other contracts. The City Council approves contracts greater than those amounts. The City considers restricted amounts to be spent first before unrestricted amounts when both are available to be spent for the same purpose. The City also considers to have spent committed amounts first, assigned amounts second, and unassigned amounts last when expenditure is incurred for purposes for which amounts in any of these unrestricted fund balance classifications could be used.

The City Council has committed funds to the Capital Projects Fund and the Affordable Housing Unit Fund. The City has encumbered the following amounts as of June 30, 2011:

	Encumbrances Outstanding
General Fund	$ 380,682
Capital Projects Fund	395,239
Component Unit - School Board	23,689
	$ 799,610

2. Minimum Fund Balance Policy

In January 2009, the City Council adopted a policy to establish a minimum fund balance level. The goal for undesignated fund balance shall be 12% but not less than 8% of General Fund revenues, including recovered administrative costs and payments in lieu of taxes from the water fund and sewer fund, of the current fiscal year. In the event that the undesignated fund balance is used for unforeseen emergency needs the City shall restore the undesignated fund balance to 8% of General Fund revenues within two fiscal years following the fiscal year within which the event occurred. To the extent that additional funds are necessary to restore the Undesignated Fund Balance to 12% of General Fund revenues, such funds shall be accumulated in or more than three approximately equal contributions each fiscal year. This provides for full recovery to 12% within five years following the fiscal year in which the event occurred. The Council is currently in the process of amending this policy to incorporate GASB Statement No. 54.

As of June 30, 2011, the City's unassigned fund balance is 10.6% of General Fund revenues.

3. Special Revenue Fund

The City has one special revenue fund, the Affordable Housing Unit Fund. This fund was originally established with a commitment from City Council of $405 thousand. The fund has since received contributions from developers for affordable housing initiatives. The City expects to continue to receive contributions from developers and other entities to this fund.

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, an agent and cost-sharing, multiple-employer defined benefit governmental retirement plan. All full-time salaried permanent employees of the City's constitutional offices and the professional employees of the School Board participate in the VRS. The VRS is administered by a Board of Trustees. Benefits vest after five years of creditable service. Members earn one month of service credit for each month they are employed and their employer is paying into the VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as credit in their plan.

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

- Members hired before July 1, 2010 and who have service credits before July 1, 2010 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five

years of service credit or age 55 with at least 10 years of service credit or age 50 with at least five years of service credit.

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

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

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

The System issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for the plans administered by VRS. A copy of that report may be obtained from the VRS web site at http://www.varetire.org/Pdf/Publications/2010-annual-report.pdf or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

2. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their compensation toward their retirement. The City and School Board have assumed the 5% member contribution for their respective employees under Plan 1. Under Plan 2, the School Board assumed 2% of the member contribution and the City assumed 2%. 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 contribution rate for the fiscal year ended June 30, 2011, which includes the member contribution rate, was 6.77% of covered payroll for Plan 1 members and 4.77% for Plan 2 members. The School Board's contribution rate, which includes the member contribution rate, was 8.93% of annual covered payroll for Plan 1 members and 5.93% for Plan 2 members.

3. Annual Pension Costs

The City's and School Board's annual pension cost and contributions made during fiscal year, 2011 was approximately $67 thousand and $1.76 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**
2011	$ 67,024	100%	$ -	1,762,186	100%	-
2010	55,904	100%	-	2,208,206	100%	-
2009	55,025	100%	-	2,777,820	100%	-

The FY2011 required contribution was determined as part of the June 30, 2009 actuarial valuation. The most recent valuation date for the plan was as of June 30, 2010. The following table shows the methods and assumptions used for the valuations as of June 30, 2009 and 2010.

	June 30, 2009	June 30, 2010
Actuarial cost method	Entry Age	Entry Age
Amortization method	Level Percent of Pay, Open	Level Percent of Pay, Open
Payroll growth rate	3.00%	3.00%
Remaining amortization period	20 Years	20 Years
Asset valuation method	Five-Year Smoothed Market Value	Five-Year Smoothed Market Value
Actuarial assumptions:		
Investment rate of return	7.50%	7.00%
Projected salary increases (Non-LEO members)	3.75%-5.60%	3.75%-5.60%
Projected salary increases (LEO members)	3.50%-4.75%	3.50%-4.75%
Cost of living adjusment	2.50%	2.50%

4. Funded Status and Funding Progress

As of June 30, 2010, the most recent actuarial valuation date, the City's plan was 110.27% funded. The actuarial accrued liability for benefits was $3,300,658 and the actuarial value of assets was $3,639,494, resulting in an unfunded actuarial accrued liability (UAAL) of negative $338,836. The covered payroll was $1,077,970, and the ratio of the UAAL to the covered payroll was negative 31.43%

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

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 do not issue stand-alone financial reports.

The City's membership in the Basic and Police Pension Plans as of July 1, 2010, the date of the most recent valuation, were as follows:

	Basic	Police
Retirees and beneficiaries	172	27
Terminated vested members	53	5
Active members	306	30
Total	531	62

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, 2011. 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 2011, the total contributions rate was 11.94% of annual covered payroll for the Basic Pension Plan, with employees contributing 1.6% and 15.62% for the Police Pension Plan, with employees contributing 2.2%. 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.

The plans were further amended effective July 1, 2011 so that employees are now required to contribute 5% to the Basic Plan and 7% to the Police Plan.

4. Annual Pension Cost

Annual pension cost and contributions made during fiscal year 2011 was approximately $1.7 million and $359 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:

	Basic			Police		
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
2011	$ 1,741,933	100.00%	$ -	$ 358,900	100.00%	$ -
2010	1,096,837	100.00%	-	126,477	100.00%	-
2009	1,077,121	100.00%	-	20,622	100.00%	-

The following are the relevant actuarial information for the Basic and Police Pension Plans as of July 1, 2009, the valuation date which the annual pension costs are based on:

	Basic	Police
Contribution rate:		
City	10.34%	13.42%
Plan members	1.6%	2.2%
Actuarial valuation date	July 1, 2009	July 1, 2009
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%

The following are the relevant actuarial information for the Basic and Police Pension Plans as of July 1, 2010, the date of the most recent valuation, are based on:

	Basic	Police
Actuarial valuation date	July 1, 2010	July 1, 2010
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	7.50%	7.50%
Projected salary increases	4.50%	4.50%
Includes inflation at	3%	3%
Cost of living adjustments	1.375%	1.375%

The Retirement Board recommended changes to the assumptions in 2010 in order to reflect plan experience more accurately in the actuarial calculations.

5. Funded Status and Funding Progress

The funded status of the plans as of July 1, 2010, the date of the most recent valuation date is as follows:

Plan	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)
Basic	$ 61,080,226	$ 67,471,940	$ 6,391,714	90.53%	$ 15,227,636	41.97%
Police	$ 16,935,423	$ 18,296,910	$ 1,361,487	92.56%	$ 2,192,654	62.09%

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. The School Board also provides post-retirement health insurance benefits for eligible retirees. An irrevocable trust fund was established July 1, 2007 by action of City Council for purposes of pooling, accumulating and accounting for assets necessary to fund the City's and the School Board's future obligations for other post employment benefits. The trust fund is administered by the OPEB Finance Board consisting of the City Treasurer, Chief Financial Officer, and a citizen appointee.

The plans do not issue separate financial statements.

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, 2011. Securities without an established market are reported at estimated fair value.

B. Plan Descriptions and Contribution Information

The City and School Board OPEB plans are single-employer defined benefit post-employment healthcare plans that cover retired City and School Board employees. 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. The City Council and the School Board have the authority to change these benefits for the City employees and School Board employees, respectively.

Membership in the plan consisted of the following at June 30, 2010, the date of the latest actuarial valuation:

	City	School Board
Retirees and beneficiaries	90	51
Active members	235	383
Total	325	434

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)	$ 974,000	$ 797,000
Interest on prior year OPEB asset	(92,000)	(63,000)
Adjustment to the ARC	65,000	45,000
Net OPEB Cost	947,000	779,000
Contributions made	769,000	622,000
Increase (decrease) in net OPEB asset	(178,000)	(157,000)
Net OPEB asset, beginning of year	1,154,000	793,000
Net OPEB asset - end of year	$ 976,000	$ 636,000

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 the past three years 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)
6/30/2011	$ 947,000	81.27%	$ 976,000	$ 779,000	79.87%	$ (636,000)
6/30/2010	888,000	117.53%	(1,158,000)	726,000	92.37%	(797,000)
6/30/2009	693,000	134.22%	(551,140)	393,000	184.26%	(407,161)

The funded status of the plans as of June 30, 2010, 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	$ 1,795,000	$ 11,456,000	$ 9,661,000	15.67%	$ 11,095,713	87.07%
School Board	$ 1,270,000	$ 6,040,000	$ 4,770,000	21.03%	$ 14,400,004	33.12%

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, 2010	June 30, 2010
Actuarial cost method	Entry age normal	Entry age normal
Amortization method	Level percentage of payroll	Level percentage of payroll
Remaining Amortization period	26	26
Asset valuation method	5-year Smoothed method	5-year Smoothed method
Actuarial assumptions:		
Payroll growth rate	4.55%	4.50%
Investment rate of return	7.50%	7.50%
Consumer Price Index	2.75%	2.75%
Healthcare cost trend	Getzen Model	Getzen Model
2010-2011	8.20%	8.20%
2011-2012	7.30%	7.30%
Ultimate	4.90%	4.90%

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 School Board 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 Liberty Mutual. 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, 2011 were approximately $575 thousand and $223 thousand respectively.

VII. CONTINGENCIES AND SUBSEQUENT EVENTS

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.

As a result of a court ruling in January 2010, the City has received lawsuit from 26 customers for the return of alleged unconstitutional tax with a value of $777 thousand plus interest of 10%. While there is a reasonable possibility of an unfavorable outcome, at this time, the City believes that the amount of probable loss will not be remotely close to the value noted. In addition, the City had received several letters from customers claiming refunds due. At this time, it is not possible to estimate the value of these claims. No liability has been recorded in the City's financial statements for these lawsuits and claims.

The City, along with other jurisdictions in Virginia, is subject to litigation from a public service corporation alleging erroneous assessment of its assets for calendar year 2009. The City has joined with the other jurisdictions in Virginia in defense. The annual impact to the City is $120 thousand. In August 2011, this lawsuit was dismissed.

In April 2011, NOVA Properties filed a lawsuit against the City and a City contractor for negligence. The value of the lawsuit is $110 thousand. This suit was dismissed in October 2011.

The City is contingently liable with respect to other 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.

VIII. FUTURE ACCOUNTING CHANGES

As of June 30, 2011 the Governmental Accounting Standards Board (GASB) had issued the following statements that will be applicable to the City's future financial statements:

- Statement No. 60 – *Accounting and Financial Reporting for Service Concession Arrangements* addresses financial reporting related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. An SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The statement also provides guidance for governments that are operators in an SCA. This Statement is effective for the City's financial statements for fiscal year ending June 30, 2013.

- Statement No. 61 – *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No.* 34, provides new guidance for inclusion of component units in the financial reporting entity. In addition to fiscal dependency criterion, a financial benefit or burden relationship would need to be present between the primary government and the other organization for it to be included in the reporting entity as a component unit. This Statement also clarifies the manner in which the management's determination for including another entity as a component unit and the types of relationships that generally should be considered in making the determination. This Statement also amends the criteria for reporting component units as blended component units. The Statement also requires the primary government to reports its equity interest in a component unit as an asset. This Statement is effective for the City's financial statements for fiscal year ending June 30, 2013.

- Statement No. 62 – *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 and AICPA Pronouncements* incorporates into GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronoucements:

    - Financial Accounting Standards Board (FASB) Statements and Interpretations
    - Accounting Principles Board Opinions
    - Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure

  This Statement supersedes Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting,* eliminating the election for enterprise funds and business-type activities to apply post-November 30, 1989 FASB Statements and Interpretations that do not conflict with GASB pronouncements, although entities may continue to apply such pronouncements. This Statement is effective for the City's financial statements ending June 30, 2013.

- Statement No. 63 – *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position* provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement

No. 4 *Elements of Financial Statements* defined these elements as a consumption or acquisition of net assets by the government that is applicable to a future reporting period. Concepts Statement No. 4 also defines net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net assets reporting requirements in Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments,* and other pronouncements by incorporating deferred outflows or resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position instead of net assets.

- Statement No. 64 – *Derivative Instruments: Application of Hedge Accounting Termination Provisions – an amendment of GASB Statement No. 53* sets forth the criteria to determine whether an effective hedging relationship continues and hedge accounting should continue to be applied after the replacement of a swap counterparty or a swap counterparty's credit support provider . This Statement is effective for the City's financial statements ending June 30, 2012.

The City is not able to disclose the impact of these new standards on its financial statements.

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FINANCIAL SECTION

REQUIRED SUPPLEMENTARY INFORMATION

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

A. SCHEDULE OF FUNDING PROGRESS

1. Virginia Retirement System (VRS) for City's Constitutional Officers

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)
6/30/2010	$ 3,639	$ 3,301	$ (338)	110.2%	$ 1,078	(31.4%)
6/30/2009	3,646	2,915	(731)	125.1%	1,071	(68.3%)
6/30/2008	3,651	2,664	(987)	137.0%	1,017	(97.1%)

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)
7/1/2010	6/30/2012	$ 61,080	$ 67,472	$ 6,392	90.5%	$ 15,228	42.0%
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%)

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)
7/1/2010	6/30/2012	$ 16,935	$ 18,297	$ 1,362	92.6%	$ 2,193	62.1%
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%)

4. Other Post-Employment Benefits Plan - City

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)
6/30/2010	$ 1,795	$ 11,456	$ 9,661	15.7%	$ 11,096	87.1%
6/30/2008	1,013	10,417	9,404	9.7%	11,248	83.6%
6/30/2006	-	7,548	7,548	0.0%	9,827	76.8%

5. Other Post-Employment Benefits Plan - School Board

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)
6/30/2010	$ 1,270	$ 6,040	$ 4,770	21.0%	$ 14,400	33.1%
6/30/2008	610	6,632	6,022	9.2%	14,278	42.2%
6/30/2006	-	3,462	3,462	0.0%	12,959	26.7%

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
2011	$ 1,741,933	100%
2010	1,096,837	100%
2009	1,077,121	100%

2. Police Pension Plan

Plan Year Ended June 30	Annual Required Contribution	% Contributed by Employer
2011	$ 358,900	100%
2010	126,477	100%
2009	20,622	100%

3. Other Post-Employment Benefits - City

Plan Year Ended June 30	Annual Required Contribution	% Contributed by Employer
2011	$ 974,000	118%
2010	917,000	114%
2009	716,000	130%

4. Other Post-Employment Benefits - School Board

Plan Year Ended June 30	Annual Required Contribution	% Contributed by Employer
2011	$ 797,000	78%
2010	751,000	89%
2009	409,000	177%

C. NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

1. The actuarial assumptions and methods used for the valuation date of July 1, 2010 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, 2009 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, 2010 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.

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FINANCIAL SECTION

OTHER SUPPLEMENTARY INFORMATION

SCHEDULE 1

CITY OF FALLS CHURCH, VIRGINIA
COMBINING SCHEDULE OF FIDUCIARY NET ASSETS - POST-EMPLOYMENT TRUST FUNDS
As of June 30, 2011

	Basic Plan	Police Plan	Other Post Employment Benefits	School Board Other Post-Employment Benefits	Total
ASSETS					
Cash and cash equivalents	$ 4,080,698	$ 1,180,367	1,442,848	$ 686,898	$ 7,390,811
Investments:					
Domestic equity securities	31,537,157	8,746,654	375,332	453,298	41,112,441
Domestic fixed income securities	13,125,412	3,459,064	384,057	463,836	17,432,369
International equity securities	12,660,803	3,501,047	240,744	290,753	16,693,347
Real estate	2,154,595	566,794	30,905	37,325	2,789,619
Other	16,935	87,746	-	-	104,681
Total investments	59,494,902	16,361,305	1,031,038	1,245,212	78,132,457
Contributions receivable:					
Employer	55,125	10,467	-	-	65,592
Employee	10,228	1,779	-	-	12,007
Total contributions receivable	65,353	12,246	-	-	77,599
Interest and dividend receivable	22,171	6,226	917	698	30,012
Total Assets	63,663,124	17,560,144	2,474,803	1,932,808	85,630,879
LIABILITIES					
Accounts payable	1,902	388	-	-	2,290
Due to general fund	302,323	84,321	380,358	144,607	911,609
Total Liabilities	304,225	84,709	380,358	144,607	913,899
NET ASSETS					
Held in trust for pension benefits	63,358,899	17,475,435	-	-	80,834,334
Held in trust for other post-employment benefits	-	-	2,094,445	1,788,201	3,882,646
Total Net Assets	$ 63,358,899	$ 17,475,435	$ 2,094,445	$ 1,788,201	$ 84,716,980

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, 2011

	Basic Plan	Police Plan	Other Post Employment Benefits	School Board Other Post-Employment Benefits	Total
ADDITIONS					
Employer contributions	$ 1,590,794	$ 313,653	$ 523,592	$ 478,169	$ 2,906,208
Employee contributions	331,026	52,545	-	-	383,571
Investment earnings:					
Interest	126,894	75,238	89	108	202,329
Dividends	574,969	158,882	21,497	25,552	780,900
Net increase in the fair value of investments	12,674,849	3,483,273	122,227	147,616	16,427,965
Total investment earnings	13,376,712	3,717,393	143,813	173,276	17,411,194
Less investment expense	(208,634)	(61,053)	(6,122)	(7,393)	(283,202)
Net investment earnings	13,168,078	3,656,340	137,691	165,883	17,127,992
Total Additions	15,089,898	4,022,538	661,283	644,052	20,417,771
DEDUCTIONS					
Benefits	2,895,698	678,124	351,262	120,355	4,045,439
Administration	69,504	14,659	10,247	5,403	99,813
Total Deductions	2,965,202	692,783	361,509	125,758	4,145,252
Change in Net Assets	12,124,696	3,329,755	299,774	518,294	16,272,519
Net Assets at Beginning of Year	51,234,203	14,145,680	1,794,671	1,269,907	68,444,461
Net Assets at End of Year	$ 63,358,899	$ 17,475,435	$ 2,094,445	$ 1,788,201	84,716,980

SCHEDULE 3

CITY OF FALLS CHURCH, VIRGINIA
COMBINING STATEMENT OF AGENCY NET ASSETS
As of June 30, 2011

	Fairfax County Water Authority Fund	Northern Virginia Criminal Justice Academy Fund	Total
ASSETS			
Cash and cash equivalents	$ -	$ 2,088,891	$ 2,088,891
Other receivables	1,895,280	-	1,895,280
Due from general fund	1,557,799	-	1,557,799
Total Assets	$ 3,453,079	$ 2,088,891	$ 5,541,970
LIABILITIES			
Due to other governments	$ 3,453,079	$ 2,064,002	$ 5,517,081
Due to general fund	-	24,889	24,889
Total Liabilities	$ 3,453,079	$ 2,088,891	$ 5,541,970

SCHEDULE 4

CITY OF FALLS CHURCH, VIRGINIA
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
For the Year Ended June 30, 2011

	Balances July 1, 2010	Additions	Deductions	Balances June 30, 2011
Fairfax County Water Authority Fund				
ASSETS				
Accounts receivables	$ 1,386,129	$ 17,700,409	$17,191,258	$ 1,895,280
Due from general fund	1,373,153	17,433,856	17,249,210	1,557,799
Total Assets	$ 2,759,282	$ 35,134,265	$34,440,468	$ 3,453,079
LIABILITIES				
Due to other governments	$ 2,759,282	$ 35,134,265	$34,440,468	$ 3,453,079
Total Liabilities	$ 2,759,282	$ 35,134,265	$34,440,468	$ 3,453,079
Northern Virginia Criminal Justice Academy Fund				
ASSETS				
Cash and cash equivalents	$ 1,967,917	$ 3,028,001	$ 2,907,027	$ 2,088,891
Total Assets	$ 1,967,917	$ 3,028,001	$ 2,907,027	$ 2,088,891
LIABILITIES				
Due to other governments	$ 1,967,917	$ 9,489,817	$ 9,393,732	$ 2,064,002
Due to general fund	-	12,421,733	12,396,844	24,889
Total Liabilities	$ 1,967,917	$ 21,911,550	$21,790,576	$ 2,088,891
Total				
ASSETS				
Cash and cash equivalents	$ 1,967,917	$ 3,028,001	$ 2,907,027	$ 2,088,891
Other receivables	1,386,129	17,700,409	17,191,258	1,895,280
Due from general fund	1,373,153	17,433,856	17,249,210	1,557,799
Total Assets	$ 4,727,199	$ 38,162,266	$37,347,495	$ 5,541,970
LIABILITIES				
Due to other governments	$ 4,727,199	$ 44,624,082	$43,834,200	$ 5,517,081
Due to general fund	-	12,421,733	12,396,844	24,889
Total Liabilities	$ 4,727,199	$ 57,045,815	$56,231,044	$ 5,541,970

SCHEDULE 5

CITY OF FALLS CHURCH, VIRGINIA
CITY OF FALLS CHURCH PUBLIC SCHOOL BOARD
BALANCE SHEET
GOVERNMENTAL FUNDS
As of June 30, 2011

	Operating Fund	School Community Service Fund	Nonmajor Governmental School Food Service Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$ 2,537,996	$ 613,002	$ 254,554	$ 3,405,552
Accounts receivable	41,017	26,236	-	67,253
Due from primary government	3,730,229	290,061	-	4,020,290
Due from fiduciary funds	120,355	-	-	120,355
Due from other governmental units	568,852	-	5,194	574,046
Prepaids	150,010	600	-	150,610
Total Assets	$ 7,148,459	$ 929,899	$ 259,748	$ 8,338,106
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	$ 4,287,338	$ 133,460	$ 58,443	$ 4,479,241
Deferred revenue	-	6,900	-	6,900
Total Liabilities	4,287,338	140,360	58,443	4,486,141
Fund Balances:				
Nonspendable:				
Prepaids	150,010	600	-	150,610
Assigned:				
Encumbrances	23,547	142	-	23,689
Assigned	2,687,564	788,797	201,305	3,677,666
Total Fund Balances	2,861,121	789,539	201,305	3,851,965
Total Liabilities and Fund Balances	$ 7,148,459	$ 929,899	$ 259,748	$ 8,338,106

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, 2011

Fund balances - total governmental funds		$	3,851,965
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	5,756,840		
Less accumulated depreciation	(2,492,283)		3,264,557
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.			
Deferred compensation payable	(4,069,000)		
Compensated absences	(1,041,534)		
Capital leases payable	(212,963)		(5,323,497)
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.			636,000
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 included in other accrued liabilities in the governmental activities of the Statement of Net Assets.			(86,036)
Net Assets of Governmental Activities		$	2,342,989

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, 2011

	Operating Fund	School Community Service Fund	Nonmajor Governmental School Food Service Fund	Total Governmental Funds
REVENUES				
Revenue from use of money and property	$ 29,302	$ 75,594	$ -	$ 104,896
Charges for services	365,563	960,198	642,432	1,968,193
Miscellaneous	68,742	71,884	-	140,626
Intergovernmental:				
Federal	818,902	-	93,433	912,335
Commonwealth	4,704,333	-	7,614	4,711,947
Primary government	27,435,800	425,800	-	27,861,600
Total Revenues	33,422,642	1,533,476	743,479	35,699,597
EXPENDITURES				
Current:				
Education	32,576,110	1,272,785	695,978	34,544,873
Capital outlay	483,754	81,259	-	565,013
Debt service:				
Principal	57,438	-	-	57,438
Interest	28,493	-	-	28,493
Total Expenditures	33,145,795	1,354,044	695,978	35,195,817
Excess of revenues over expenditures	276,847	179,432	47,501	503,780
Other financing sources/(uses):				
Transfers in/(out)	50,000	(23,000)	(27,000)	-
Total Other Financing Sources/(Uses)	50,000	(23,000)	(27,000)	-
Net Change in Fund Balances	326,847	156,432	20,501	503,780
Fund Balances at Beginning of Year	2,534,274	633,107	180,804	3,348,185
Fund Balances at End of Year	$ 2,861,121	$ 789,539	$ 201,305	$ 3,851,965

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, 2011

Net change in fund balances - total governmental funds		$ 503,780
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	207,493	
Less current year depreciation	(311,383)	(103,890)
Governmental funds report outlays for the contribution to the other post-employment benefit trust fund. It also reports outlays for implicit subsidies of other post-employment benefit provided to retirees. Governmental activities recognize an expense that is equal to the annual required contribution (ARC) and the amortization of prior underpayments/overpayments in the governmental activities of the Statement of Changes in Net Assets.		(161,000)
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.		(35,304)
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.		
Principal payments on capital leases		57,438
Governmental funds report outlays for termination benefit payments in the current period. Governmental activities record such payments as reduction of the termination benefits liability. Expenses for changes in the liability due to change in compensation are recorded in the Statement of Activities.		547,000
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		12,474
Change in Net Assets of Governmental Activities		$ 820,498

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, 2011

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget - Positive
REVENUES				
Revenue from use of money and property	$ 35,000	$ 35,000	$ 29,302	$ (5,698)
Charges for services	355,000	355,000	365,563	10,563
Miscellaneous	260,000	260,000	68,742	(191,258)
Intergovernmental:				
Commonwealth	4,624,200	4,624,200	4,704,333	80,133
Federal	747,690	747,690	818,902	71,212
Primary government	27,435,800	27,435,800	27,435,800	-
Total Revenues	33,457,690	33,457,690	33,422,642	(35,048)
EXPENDITURES				
Current:				
Education	34,299,690	34,211,377	32,576,110	1,635,267
Capital outlay	324,500	465,065	483,754	(18,689)
Debt service:				
Principal	-	-	57,438	(57,438)
Interest	-	-	28,493	(28,493)
Total Expenditures	34,624,190	34,676,442	33,145,795	1,530,647
Excess/(deficiency) of revenues over/(under) expenditures	(1,166,500)	(1,218,752)	276,847	1,495,599
Other financing sources/(uses):				
Transfers in/(out)	66,500	66,500	50,000	(16,500)
Total Other Financing Sources/(Uses)	66,500	66,500	50,000	(16,500)
Net Change in Fund Balances	(1,100,000)	(1,152,252)	326,847	1,479,099
Fund Balances at Beginning of Year	2,534,274	2,534,274	2,534,274	-
Fund Balances at End of Year	$ 1,434,274	$ 1,382,022	$ 2,861,121	$ 1,479,099

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, 2011

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget - Positive
REVENUES				
Revenue from use of money and property	$ 90,900	$ 90,900	$ 75,594	$ (15,306)
Charges for services	1,093,300	1,093,300	960,198	(133,102)
Miscellaneous	79,900	79,900	71,884	(8,016)
Intergovernmental:				
Primary government	425,800	425,800	425,800	-
Total Revenues	1,689,900	1,689,900	1,533,476	(156,424)
EXPENDITURES				
Current:				
Education	1,601,900	1,594,790	1,272,785	322,005
Capital Outlay	111,500	118,610	81,259	37,351
Total Expenditures	1,713,400	1,713,400	1,354,044	359,356
Excess of revenues over expenditures	(23,500)	(23,500)	179,432	202,932
Other financing sources/(uses):				
Transfers in/(out)	(23,000)	(23,000)	(23,000)	-
Total Other Financing Sources/(Uses)	(23,000)	(23,000)	(23,000)	-
Net Change in Fund Balances	(46,500)	(46,500)	156,432	202,932
Fund Balances at Beginning of Year	633,107	633,107	633,107	-
Fund Balances at End of Year	$ 586,607	$ 586,607	$ 789,539	$ 202,932

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, 2011

	Thomas Jefferson Elementary	Mt. Daniel Elementary	Mary Ellen Henderson Middle School	George Mason High School	Total
ASSETS					
Cash and cash equivalents	$ 18,479	$ 27,233	$ 35,782	$ 284,214	$ 365,708
Total Assets	$ 18,479	$ 27,233	$ 35,782	$ 284,214	$ 365,708
LIABILITIES					
Amounts held for others	$ 18,479	$ 27,233	$ 35,782	$ 284,214	$ 365,708
Total Liabilities	$ 18,479	$ 27,233	$ 35,782	$ 284,214	$ 365,708

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, 2011

	Balances July 1, 2010	Additions	Deductions	Balances June 30, 2011
THOMAS JEFFERSON ELEMENTARY				
Assets				
Cash and cash equivalents	$ 16,352	$ 29,018	$ 26,891	$ 18,479
Total Assets	$ 16,352	$ 29,018	$ 26,891	$ 18,479
Liabilities				
Amounts held for others	$ 16,352	$ 29,018	$ 26,891	$ 18,479
Total Liabilities	$ 16,352	$ 29,018	$ 26,891	$ 18,479
MT. DANIEL ELEMENTARY				
Assets				
Cash and cash equivalents	$ 30,625	$ 35,529	$ 38,921	$ 27,233
Total Assets	$ 30,625	$ 35,529	$ 38,921	$ 27,233
Liabilities				
Amounts held for others	$ 30,625	$ 35,529	$ 38,921	$ 27,233
Total Liabilities	$ 30,625	$ 35,529	$ 38,921	$ 27,233
MARY ELLEN HENDERSON MIDDLE SCHOOL				
Assets				
Cash and cash equivalents	$ 33,799	$ 67,755	$ 65,772	$ 35,782
Total Assets	$ 33,799	$ 67,755	$ 65,772	$ 35,782
Liabilities				
Amounts held for others	$ 33,799	$ 67,755	$ 65,772	$ 35,782
Total Liabilities	$ 33,799	$ 67,755	$ 65,772	$ 35,782
GEORGE MASON HIGH SCHOOL				
Assets				
Cash and cash equivalents	$ 249,391	$ 517,299	$ 482,476	$ 284,214
Total Assets	$ 249,391	$ 517,299	$ 482,476	$ 284,214
Liabilities				
Amounts held for others	$ 249,391	$ 517,299	$ 482,476	$ 284,214
Total Liabilities	$ 249,391	$ 517,299	$ 482,476	$ 284,214
TOTAL				
Assets				
Cash and cash equivalents	$ 330,167	$ 649,601	$ 614,060	$ 365,708
Total Assets	$ 330,167	$ 649,601	$ 614,060	$ 365,708
Liabilities				
Amounts held for others	$ 330,167	$ 649,601	$ 614,060	$ 365,708
Total Liabilities	$ 330,167	$ 649,601	$ 614,060	$ 365,708

SCHEDULE 13

CITY OF FALLS CHURCH, VIRGINIA
BALANCE SHEET
NON-MAJOR COMPONENT UNITS
As of June 30, 2011

	Economic Development Authority
ASSETS	
Cash and cash equivalents	$ 114,423
Total Assets	$ 114,423
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	$ 4,500
Total Liabilities	4,500
Fund Balances:	
Assigned	109,923
Total Fund Balances	109,923
Total Liabilities and Fund Balances	$ 114,423
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	627,178

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, 2011

	Economic Development Authority
REVENUES	
Revenue from use of money and property	$ 239
Miscellaneous	21,540
Total Revenues	21,779
EXPENDITURES	
Current:	
Economic development	33,523
Total Expenditures	33,523
Excess/(deficiency) of revenues over expenditures	(11,744)
Net Change in Fund Balances	(11,744)
Fund Balances at Beginning of Year	121,667
Fund Balances at End of Year	$ 109,923
Net change in fund balances - total governmental funds	$ (11,744)
Change in Net Assets of Governmental Activities	$ (11,744)

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CITY OF FALLS CHURCH, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR JUNE 30, 2011

STATISTICAL SECTION
(UNAUDITED)

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 Nine Fiscal Years*
(Accrual Basis of Accounting)

	Fiscal Year								
	2003	2004	2005	2006	2007	2008	2009**	2010	2011
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	$ 28,758,627	$ 30,402,986
Restricted	-	-	-	-	-	-	-	70,153	152,686
Unrestricted	16,655,649	13,159,880	15,126,942	19,001,599	16,859,105	14,477,291	9,312,853	4,027,491	8,624,721
Total Governmental Activities Net Assets	27,113,340	30,148,091	34,481,193	37,920,019	40,238,181	40,089,981	36,815,173	32,856,271	39,180,393
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	60,392,743	60,677,853	67,031,493
Unrestricted	32,160,088	23,376,153	22,433,855	21,757,554	26,947,631	11,185,756	21,437,246	28,109,384	29,197,725
Total Business-type Activities Net Assets	76,558,818	70,797,394	71,604,279	72,291,836	77,419,280	62,263,907	81,829,989	88,787,237	96,229,218
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	87,895,063	89,436,480	97,434,479
Restricted	-	-	-	-	-	-	-	70,153	152,686
Unrestricted	48,815,737	36,536,033	37,560,797	40,759,153	43,806,736	25,663,047	30,750,099	32,136,875	37,822,446
Total Primary Government Net Assets	$ 103,672,158	$ 100,945,485	$ 106,085,472	$ 110,211,855	$ 117,657,461	$ 102,353,888	$ 118,645,162	$ 121,643,508	$ 135,409,611

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

**Note: The City restated net assets as of June 30, 2009 and 2010. The restatements are not included in the prior data.

TABLE 2

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

	Fiscal Year								
	2003	2004	2005	2006	2007	2008	2009**	2010	2011
Expenses									
Governmental Activities									
General government administration	$ 3,533,147	$ 3,883,989	$ 3,935,683	$ 4,129,020	$ 4,786,763	$ 5,482,600	$ 5,117,721	$ 4,964,439	$ 4,493,498
Judicial administration	1,011,397	1,065,276	1,156,203	1,245,977	1,291,039	1,398,558	1,522,844	1,517,515	1,531,960
Public safety	6,794,693	6,638,269	7,017,277	6,995,489	7,982,071	8,195,664	8,809,226	9,363,766	8,954,827
Public works	4,747,665	4,150,055	4,127,607	6,332,313	5,288,565	6,489,819	5,639,536	5,013,021	5,920,960
Health and welfare	2,666,535	2,784,179	2,740,167	3,018,356	3,316,750	2,626,378	2,365,068	2,201,229	2,105,699
Education and payments to Schools	20,248,502	21,177,645	23,400,685	26,379,915	29,072,459	30,878,770	31,371,993	30,768,947	29,276,052
Parks, recreation, and cultural	2,759,046	2,989,439	3,158,648	3,306,719	3,598,289	3,862,621	4,745,375	4,486,619	4,449,481
Community development	823,760	841,264	1,163,151	1,132,733	1,700,846	2,231,172	2,379,992	1,435,053	1,439,852
Economic development	429,107	290,087	294,554	373,963	359,538	385,564	395,505	351,233	322,405
Interest expense	1,397,595	1,589,430	2,220,727	1,661,368	1,746,086	1,713,885	1,661,998	1,555,466	1,410,283
Total Governmental Activities Expenses	44,411,447	45,409,633	49,214,702	54,575,853	59,142,406	63,265,031	64,009,258	61,657,288	59,905,017
Business-Type Activities									
Water	15,253,871	14,442,756	14,878,376	16,289,183	17,195,584	31,372,591	17,509,332	17,240,177	17,690,104
Sewer	1,952,604	2,586,301	2,028,151	2,088,637	2,781,966	5,381,002	1,989,719	2,078,222	1,937,681
Total Business-Type Activities Expenses	17,206,475	17,029,057	16,906,527	18,377,820	19,977,550	36,753,593	19,499,051	19,318,399	19,627,785
Total Primary Government	$ 61,617,922	$ 62,438,690	$ 66,121,229	$ 72,953,673	$ 79,119,956	$ 100,018,624	$ 83,508,309	$ 80,975,687	$ 79,532,802
Program Revenes									
Governmental Activities									
Charges for services:									
Parks, recreation, and cultural	$ 654,627	$ 677,807	$ 718,591	$ 806,936	$ 851,479	$ 890,329	$ 1,398,036	$ 1,565,668	$ 1,822,851
Judicial Administration	302,394	670,874	672,226	704,344	702,289	985,851	1,039,920	1,111,368	1,189,447
Public safety	1,001,830	1,007,262	1,414,384	773,476	970,613	606,394	510,075	637,012	640,353
Other	315,589	348,563	403,120	362,644	376,376	478,329	410,406	492,204	790,385
Operating grants and contributions	2,705,665	3,045,368	2,806,914	3,099,444	3,661,138	3,538,063	3,545,362	2,249,881	2,151,480
Capital grants and contributions	749,450	-	-	-	138,488	100,534	1,156	592,880	560,269
Total Governmental Activities Program Revenues	5,729,555	5,749,874	6,015,235	5,746,844	6,700,383	6,599,500	6,904,955	6,649,013	7,154,785
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	21,366,915	19,846,413	21,710,937
Sewer	1,724,179	2,009,726	2,731,556	2,581,621	3,602,944	2,504,749	2,755,257	2,638,970	2,641,877
Operating grants and contributions	-	115,000	-	-	24,352,814	-	-	-	-
Capital grants and contributions	537,310	130,691	1,907,477	1,532,935	839,993	479,911	236,655	284,330	2,717,914
Total Business-Type Activities Program Revenues	15,849,987	15,572,579	21,789,425	23,051,524	51,117,360	23,274,630	24,358,827	22,769,713	27,070,728
Total Primary Government Program Revenues	$ 21,579,542	$ 21,322,453	$ 27,804,660	$ 28,798,368	$ 57,817,743	$ 29,874,130	$ 31,263,782	$ 29,418,726	$ 34,225,513
Net (Expense)/Revenue									
Governmental Activities	$ (38,681,892)	$ (39,659,759)	$ (43,199,467)	$ (48,829,009)	$ (52,442,023)	$ (56,665,531)	$ (57,104,303)	$ (55,008,275)	$ (52,750,232)
Business-Type Activities	(1,356,488)	(1,456,478)	4,882,898	4,673,704	31,139,810	(13,478,963)	4,859,776	3,451,314	7,442,943
Total primary government net (expense)/revenue	$ (40,038,380)	$ (41,116,237)	$ (38,316,569)	$ (44,155,305)	$ (21,302,213)	$ (70,144,494)	$ (52,244,527)	$ (51,556,961)	$ (45,307,289)

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

**Note: The City restated net assets as of June 30, 2009 and 2010. The restatements are not included in the prior data.

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**	**2009****	**2010**	**2011**
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	$ 34,828,753	$ 36,000,253	$ 38,879,467
Personal property	2,501,478	2,700,860	3,137,750	3,327,582	3,303,768	3,287,380	3,539,667	3,381,964	3,678,885
Business licenses, based on gross receipts	2,343,068	2,296,618	2,913,022	2,936,648	3,053,349	3,138,550	2,819,183	2,698,584	3,284,068
Local sales & use	3,292,718	3,492,983	3,828,328	4,263,902	4,222,823	3,962,354	2,042,219	3,035,145	3,619,912
Consumer's utility	1,451,863	1,655,968	1,645,515	1,595,837	2,018,214	2,143,666	2,084,240	2,063,222	2,180,644
Motor vehicle decals	233,543	200,940	223,394	202,229	216,892	208,790	226,978	226,723	238,177
Real estate recordation taxes	137,924	203,335	232,243	213,868	301,751	712,026	446,906	369,453	371,514
Occupacy, tobacco, and other	2,242,346	2,305,965	2,454,441	3,150,953	2,754,408	3,468,099	3,139,911	3,298,074	3,789,771
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	2,020,878	2,020,878	2,020,878
Revenue from use of money and property	252,369	122,565	546,512	569,561	855,866	466,667	83,428	85,531	75,495
Other	383,515	141,942	43,674	71,029	150,420	137,001	55,159	72,104	110,572
Special item - gain on sale of capital assets	-	-	-	-	-	-	-	-	735,367
Transfers	4,713,374	4,625,874	4,764,256	4,775,874	3,055,121	3,076,174	2,404,041	(2,202,601)	89,604
Total Governmental Activities	39,745,286	42,694,510	47,532,569	52,267,835	54,760,185	56,517,331	53,691,363	51,049,330	59,074,354
Business-Type Activities									
Revenue from use of money and property	701,016	377,777	650,041	759,782	1,361,932	1,393,656	356,324	63,385	213,217
Other	34,571	30,651	38,202	29,945	33,637	6,108	204,136	(28,339)	125,305
Insurance recovery of legal costs, net	-	-	-	-	-	-	-	1,025,632	-
Transfers	(4,713,374)	(4,713,374)	(4,764,256)	(4,775,874)	(3,055,121)	(3,076,174)	(2,404,041)	2,202,601	(89,604)
Total Business-Type Activities	(3,977,787)	(4,304,946)	(4,076,013)	(3,986,147)	(1,659,552)	(1,676,410)	(1,843,581)	3,263,279	248,918
Total Primary Government	$ 35,767,499	$ 38,389,564	$ 43,456,556	$ 48,281,688	$ 53,100,633	$ 54,840,921	$ 51,847,782	$ 54,312,609	$ 59,323,272
Change in Net Assets									
Governmental Activities	$ 1,063,394	$ 3,034,751	$ 4,333,102	$ 3,438,826	$ 2,318,162	$ (148,200)	$ (3,412,940)	$ (3,958,945)	$ 6,324,122
Business-Type Activities	(5,334,275)	(5,761,424)	806,885	687,557	29,480,258	(15,155,373)	3,016,195	6,714,593	7,691,861
Total Primary Government	$ (4,270,881)	$ (2,726,673)	$ 5,139,987	$ 4,126,383	$ 31,798,420	$ (15,303,573)	$ (396,745)	$ 2,755,648	$ 14,015,983

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

**Note: The City restated net assets as of June 30, 2009 and 2010. The restatements are not included in the prior data.

TABLE 3

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

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011*
General Fund										
Reserved	$ 1,041,572	$ 795,149	$ 1,397,945	$ 1,161,401	$ 1,024,193	$ 1,531,626	$ 1,494,647	$ 1,265,850	$ 1,124,698	$ -
Unreserved	14,667,845	16,057,559	11,821,263	12,631,956	15,129,189	12,666,003	9,830,681	2,894,988	2,674,638	-
Nonspendable	-	-	-	-	-	-	-	-	-	251,358
Restricted	-	-	-	-	-	-	-	-	-	247,364
Assigned	-	-	-	-	-	-	-	-	-	380,682
Unassigned	-	-	-	-	-	-	-	-	-	7,041,658
Total General Fund	$ 15,709,417	$ 16,852,708	$ 13,219,208	$ 13,793,357	$ 16,153,382	$ 14,197,629	$ 11,325,328	$ 4,160,838	$ 3,799,336	$ 7,921,062
All Other Governmental Funds										
Reserved	7,500	151,496	20,034,668	5,151,445	2,281,152	2,281,152	543,425	1,423,401	395,238	-
Unreserved, reported in:										
Capital Projects Fund	940,900	150,342	4,918,860	4,530,899	1,375,326	1,375,326	4,643,132	4,513,944	656,967	-
Affordable Dwelling Units Fund	-	-	-	414,219	431,941	504,325	381,159	537,799	539,152	-
Restricted	-	-	-	-	-	-	-	-	-	134,686
Committed	-	-	-	-	-	-	-	-	-	1,401,402
Total All Other Governmental Funds	$ 948,400	$ 301,838	$ 24,953,528	$ 10,096,563	$ 4,088,419	$ 4,160,803	$ 5,567,716	$ 6,475,144	$ 1,591,357	$ 1,536,088

*In FY2011, the City implemented GASB Statement No. 54

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									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Revenues										
General property taxes	$ 21,530,436	$ 22,502,555	$ 24,985,137	$ 28,777,104	$ 33,248,625	$ 35,601,262	$ 37,603,499	$ 38,456,297	$ 39,476,351	$ 42,146,436
Other local taxes	9,638,805	9,568,442	10,130,055	11,284,301	12,350,831	12,554,667	13,621,231	10,759,416	11,610,183	13,379,038
Permit, privilege fees, and regulatory licenses	311,447	415,000	361,371	479,042	442,556	757,587	440,771	322,639	511,285	404,899
Fines and forfeitures	487,510	763,707	996,688	1,302,463	649,377	344,063	482,961	481,319	610,267	727,990
Revenue from use of money and property	493,160	252,369	122,565	546,512	569,561	855,866	466,667	83,428	85,531	75,495
Charges for services	847,489	1,191,629	1,265,181	1,292,015	1,423,258	1,655,668	1,869,435	2,387,814	2,528,088	2,837,487
Miscellaneous	1,081,535	440,694	111,457	148,820	62,800	591,414	108,705	65,129	150,691	117,019
Gifts and contributions	-	-	-	-	-	-	1,342,652	1,243,431	42,328	77,687
Recovered costs*	46,014	1,976,842	2,184,999	2,236,692	2,012,726	1,469,148	1,341,695	1,429,477	1,869,125	461,219
Intergovernmental:										
Commonwealth	4,148,580	3,763,634	4,142,091	3,018,725	4,633,990	4,025,954	4,143,211	4,013,417	4,036,330	3,855,857
Federal	1,369,064	1,582,673	1,083,137	851,358	1,001,162	1,105,665	207,090	304,030	719,247	798,217
Total Revenues	39,954,040	42,457,545	45,382,681	49,937,032	56,394,886	58,961,294	61,627,917	59,546,397	61,639,426	64,881,344
Expenditures										
General government administration	3,709,201	4,786,596	5,193,514	5,251,876	5,722,648	5,674,088	6,058,525	5,874,181	5,866,102	4,143,809
Judicial administration	967,955	962,887	1,025,090	1,094,018	1,205,050	1,230,303	1,352,188	1,459,252	1,457,627	1,486,558
Public safety	5,862,306	6,371,972	6,240,752	6,996,497	6,704,083	7,644,603	8,185,464	8,513,351	8,896,616	8,787,149
Public works	2,783,998	4,456,901	4,768,075	4,147,696	5,410,065	4,555,196	5,834,441	5,478,550	5,256,273	5,325,810
Health and welfare	3,130,689	2,664,254	2,760,756	2,719,107	3,021,934	3,143,233	2,608,446	2,371,178	2,229,111	2,121,788
Education and payments to Schools	18,413,377	19,771,459	20,702,332	22,930,601	25,076,471	27,636,683	29,567,369	29,670,612	29,347,120	27,874,069
Parks, recreation, and cultural	2,622,749	2,633,689	2,849,028	2,962,822	3,123,316	3,290,829	3,659,333	4,359,681	4,133,292	4,190,243
Community development	1,008,178	1,138,518	1,196,845	1,424,396	1,430,897	1,753,211	2,175,626	2,227,411	1,419,982	1,416,195
Economic development	-	428,264	277,471	292,876	369,331	353,294	378,698	398,893	346,937	316,857
Capital outlay	736,759	527,228	6,394,602	19,091,875	9,612,382	4,141,088	2,590,974	2,398,084	1,021,914	931,504
Debt Service										
Principal	1,645,000	1,812,957	1,907,025	2,135,828	3,350,886	3,396,430	3,547,623	3,776,678	3,651,127	3,649,375
Interest and other charges	1,583,317	1,419,397	1,456,499	1,956,871	1,905,769	1,826,240	1,710,747	1,679,629	1,578,008	1,445,377
Total Expenditures	42,463,529	46,974,122	54,771,989	71,004,463	66,932,832	64,645,198	67,669,434	68,207,500	65,204,109	61,688,734
Excess of Revenues Over (Under) Expenditures	(2,509,489)	(4,516,577)	(9,389,308)	(21,067,431)	(10,537,946)	(5,683,904)	(6,041,517)	(8,661,103)	(3,564,683)	3,192,610
Other Financing Sources (Uses)										
Transfers in	4,878,754	4,713,374	4,713,374	4,764,256	4,775,874	3,055,121	3,076,174	150,000	150,000	150,000
Proceeds from borrowing	-	-	25,000,000	1,875,500	1,935,000	-	2,428,800	(60,396)	(60,396)	(60,396)
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	-	-	-
Proceeds from sale of assets		-	-	-	-	-	-	-	521,995	784,243
Total Other Financing Sources (Uses)	5,028,595	5,013,306	30,407,498	6,784,615	6,889,827	3,241,319	5,511,524	89,604	611,599	873,847
Special Item										
Contributions to OPEB Trust Fund in excess of ARC	-	-	-	-	-	-	(376,176)	-	-	-
Net Change in Fund Balance	$ 2,519,106	$ 496,729	$ 21,018,190	$ (14,282,816)	$ (3,648,119)	$ (2,442,585)	$ (906,169)	$ (8,571,499)	$ (2,953,084)	$ 4,066,457
Debt Service as a Percentage of Non-Capital Expenditures	7.87%	6.97%	7.11%	8.00%	9.13%	8.57%	8.09%	8.24%	8.18%	8.38%

*In FY2011, administrative costs charged to the Water Fund and Sewer Fund are classified as reduction in expenditures. In prior years, they were classified as revenues.

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				
2002	$ 1,161,241,023	$ 400,343,444	$ 86,520,783	$ 25,220,770	$ 1,673,326,020	$ 1	$ 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%
2010	2,322,521,050	748,726,900	90,559,076	29,022,854	3,190,829,880	1.29	3,190,829,880	100%
2011	2,394,344,500	699,546,159	95,126,548	28,060,359	3,217,077,566	1.39	3,217,077,566	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)
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
2010	1.07	1.24	4.71	1.29
2011	1.24	1.27	4.71	1.39

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

	2011			2002		
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	$78,414,300	1	2.53%			
Falls Church Country Club (Apartments)	66,182,700	2	2.13%	43,605,100	1	2.75%
Waterford Falls Church II LLC	49,554,800	3	1.60%			
Eden Center, Inc.	47,561,100	4	1.53%	33,550,000	2	2.11%
BJ'S GL I, LLC & II, LLC	25,175,000	5	0.81%			
James E. Koons	24,252,000	6	0.78%	14,666,840	5	0.92%
West Falls Parcel, Inc	19,864,400	7	0.64%	14,474,180	6	0.91%
Aimco Merrill House, LLC	19,230,300	8	0.62%	12,724,500	8	0.80%
HPTMI III Properties Trust	18,471,700	9	0.60%	13,823,200	7	0.87%
Federal Realty Investment Trust	18,239,900	10	0.59%			
Kahn B Franklin Et Al				15,424,320	3	0.97%
Kaiser Foundation Health Plan, Inc.				15,162,000	4	0.96%
Noland Co. Inc.				8,664,180	9	0.55%
Zager, Daniel				8,500,000	10	0.54%
Totals	$ 366,946,200		11.83%	$ 180,594,320		11.38%

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
2002	$ 20,498,982	NA	NA	NA	$ 20,486,737	99.94%
2003	22,970,901	NA	NA	NA	22,960,325	99.95%
2004	25,481,839	$ 23,705,292	93.03%	$ 1,720,016	25,425,308	99.78%
2005	28,698,448	27,539,424	95.96%	1,113,883	28,653,307	99.84%
2006	32,599,352	31,271,297	95.93%	1,269,560	32,540,857	99.82%
2007	35,866,351	34,449,695	96.05%	1,337,661	35,787,356	99.78%
2008	37,149,071	36,183,444	97.40%	838,451	37,021,895	99.66%
2009	37,851,715	37,062,585	97.92%	613,350	37,675,935	99.54%
2010	39,486,907	38,778,261	98.21%	390,805	39,169,066	99.20%
2011	42,218,488	41,495,508	98.29%	-	41,495,508	98.29%

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	Note Payable*	Revenue Bonds	Total Primary Government	Percentage of Personal Income (1)	Per Capita
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	0.07%	4,431
2006	46,160,418	317,326	652,500	-	-	6,894	47,137,138	0.07%	4,297
2007	43,644,216	152,147	435,000	5,050,000	-	6,759	49,288,122	0.07%	4,395
2008	42,827,780	73,810	217,500	12,820,000	-	2,432,409	58,371,499	0.08%	5,093
2009	39,309,481	32,932	-	14,085,814	10,325,018	3,002,816	53,428,227	0.07%	4,562
2010	35,681,948	9,338	-	19,819,925	8,892,713	2,859,769	67,263,693	NA	5,454
2011	32,039,513	-	-	25,298,037	7,842,215	2,712,398	67,892,163	NA	5,505

(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.

**Note: The City restated net assets as of June 30, 2009 and 2010. The restatements are not included in the prior data.

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
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%	4,208
2007	43,644,216	-	43,644,216	1.29%	3,892
2008	55,647,780	-	55,647,780	1.60%	4,856
2009	53,395,295	-	53,395,295	1.59%	4,559
2010	55,501,873	-	55,501,873	1.74%	4,501
2011	57,337,550	-	57,337,550	1.78%	4,649

TABLE 11

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

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Debt limit	$ 179,996,377	$ 182,071,680	$ 232,021,812	$ 271,054,630	$ 339,609,980	$ 356,527,840	$ 359,008,750	$ 333,108,780	$ 328,521,957	$ 328,521,957
Total net debt applicable to limit	27,180,000	25,816,817	48,547,519	48,474,476	47,130,244	49,281,363	55,939,090	63,753,245	64,403,924	65,179,765
Legal debt margin	$ 154,501,377	$ 134,121,680	$ 184,850,778	$ 224,894,212	$ 295,965,764	$ 300,880,060	$ 300,928,560	$ 277,606,907	$ 273,020,084	$ 263,342,192
Total net debt applicable to the limit as a percentage of debt limit	15%	14%	21%	18%	14%	14%	16%	19%	20%	20%

Legal Debt Margin Calculation for Fiscal Year 2011

Taxable assessed value as of January 1, 2011	$ 3,063,042,870
Add back exempt real property	222,176,700
Total assessed value	3,285,219,570
Debt limit (10% of total assessed value)	328,521,957
Debt applicable to limit:	
General obligation bonds	57,337,550
Notes payable	7,842,215
Total net debt applicable to limit	65,179,765
Legal debt margin	$ 263,342,192

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)
2002	11,000	$ 54,722,960	$ 53,532	NA	1,749	3.4
2003	11,000	56,954,646	55,546	NA	1,817	3.5
2004	10,600	60,930,780	59,184	NA	1,846	3.4
2005	10,942	65,598,555	63,364	40.1	1,848	3.4
2006	10,970	69,554,932	67,361	NA	1,845	3
2007	11,214	73,256,103	70,446	NA	1,870	3.0
2008	11,460	75,338,631	71,423	NA	1,905	4.1
2009	11,711	74,380,758	69,241	NA	1,941	7.3
2010	12,332	NA	NA	NA	2,010	6.3
2011	12,332	NA	NA	NA	2,069	7.7

(1) Source: For 2001-2009 Weldon Cooper Center for Public Service; numbers are estimates as of July 1; July 1, 2009 is a provisional estimate. Year 2010 and 2011 is based on U.S. Census estimate as of April 1, 2010.

(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
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 Five Years Ago

	2011			2006		
Employer	Employees (1)	Rank	Percentage of Total City Employment (2)	Employees	Rank	Percentage of Total City Employment
Falls Church City Schools	372	1	5.28%	375	1	5.92%
Kaiser Permanante	260	2	3.69%	375	2	5.92%
Falls Church City Government	241	3	3.42%	261	3	4.12%
Koon's Ford & Nissan	173	4	2.45%	196	4	3.10%
Tax Analysts	172	5	2.44%	150	5	2.37%
BG Healthcare Services	150	6	2.13%			
Care Options	134	7	1.90%			
Ann O'Neil Inc	130	8	1.84%			
BJ's Wholesale Club	118	9	1.67%			
Don Beyer Volvo	113	10	1.60%	104	6	1.64%
Home Instead Senior Care	90	10	1.28%			
Giant Food Store			0.00%	67	9	1.06%
United States Postal Service				97	7	1.53%
Knowlogy				85	8	1.34%
Center for Multicultural Human Services			9.00%	58	10	0.92%
Total	1,953		36.70%	1,768		27.93%

1. Source: Finance and Economic Development Office
2. Total employement estimate of 7,052 for 2011 and 6,331 for 2006 from Virginia Employment Commission.
3. There is no employment data available from 2002. 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									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General government administration	35	34.75	34.75	34.75	37.75	37.75	38.25	38.87	37.88	35.92
Judicial administration	13	13.10	13.10	12.60	11.60	17.01	17.01	17.01	17.01	17.00
Public safety	56	57.00	57.40	57.00	58.40	51.60	53.35	53.60	51.45	50.45
Public works	28	27.41	28.41	28.41	28.96	31.58	32.58	34.08	32.75	28.00
Health and welfare	10	8.84	9.09	9.09	8.00	9.75	8.85	8.85	7.85	5.90
Parks, recreation, and cultural	45	43.97	43.97	42.09	44.69	34.48	36.35	36.35	36.35	31.45
Community development	10	9.75	9.75	12.75	12.75	13.75	13.75	13.81	13.81	11.81
Economic development	3	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	2.00
Water	52	51.44	53.34	52.04	52.04	52.32	52.32	52.27	53.65	56.98
Sewer	4	3.70	3.75	4.05	4.10	4.10	4.10	4.15	4.10	4.10
	254	252.96	256.56	255.78	261.29	255.34	259.56	261.99	257.85	243.61

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 2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General government administration										
Communications										
Number of Media Releases	72	77	78	122	94	109	94	90	NA	NA
Number of Periodical Publications	NA	5	4	6	9	10	10	10	NA	NA
eFOCUS Newsletter Subscribers	NA	NA	NA	NA	1,628	1,580	1,454	1,267	NA	NA
Judicial Administration										
Court Services										
Aurora House Recidivism (%)	NA	-	0%	14%	10%	25%	16%	29%	0%	8%
Aurora House Program Completion (%)	NA	1	88%	90%	62%	50%	83%	78%	73%	92%
Court Services Juvenile Recidivism (%)	NA	0	4%	8%	14%	13%	9%	22%	16%	16%
Court Services Adult Recidivism (%)	NA	-	15%	7%	22%	20%	15%	33%	23%	23%
Public safety										
Police										
Part I Crimes (1)	452	405	428	370	370	365	384	441	329	268
Calls for Service	19,798	18,223	22,317	25,347	25,171	23,407	26,467	28,319	25,862	26,485
Accidents	298	295	282	278	257	255	231	231	235	224
Traffic Enforcement	5,156	4,966	5,739	5,243	5,281	5,052	7,042	8,950	8,113	8,614
DWI Arrests	45	40	40	53	49	54	63	70	91	95
Inspections										
Plan Review	NA	NA	371	490	490	552	577	442	671	NA
Stop Work Orders	NA	NA	19	21	21	11	16	8	8	NA
Public works										
Refuse collected (Tons)	2,536	2,883	2,981	2,799	2,845	2,711	2,704	2,415	2,178	2,150
Recycling Collected (Tons)	2,921	2,994	3,257	3,261	2,728	3,618	4,544	3,690	3,077	3,315
Street resurfacing (Miles)	1	2	1	2	2	2	2	2	1.7	0.82
Health and welfare										
Housing & Human Services										
Information/Referral Contacts	2,766	3,137	2,287	2,375	1,786	2,674	2,555	2,882	2,971	3,149
Education										
Student membership	1,749	1,817	1,846	1,848	1,845	1,873	1,906	1,941	2,010	2,069
Parks, recreation, and cultural										
Parks& Recreation										
Special Events (2)	11	51	135	127	133	130	132	164	160	181
Class participants	NA	NA	2,625	2,750	2,920	2,765	2,140	2,307	2654	2,663
Room Reservations	NA	6,920	6,280	6,027	6,132	6,150	6,548	6,205	5,982	6,569
Tennis Reservations	NA	785	890	1,150	1,226	1,460	1,570	1,723	1760	1,422
Youth Sports Participants	1,410	1,746	1,706	1,839	1,932	2,358	2,207	2,431	2542	1,987
Adult Sports Teams	NA	69	76	61	108	117	102	100	99	114
Teen Dance Participants	1,257	1,698	1,701	1,699	1,799	2,152	1,875	1,260	979	777
Teen Center Attendance	1,400	1,820	2,000	4,428	4,851	4,976	4,250	4,000	3,675	3,500
Summer Camps Offered	140	168	168	196	224	186	196	201	223	244
Summer Camp Participants	NA	NA	3,289	3,562	3,769	4,073	4,211	4,258	4,163	5,002
Senior Center lunch meals served	2,725	2,504	2,789	3,028	2,360	1,760	1,824	1,588	1,255	928
Library										
Size of collection (all formats)	107,849	119,601	123,127	127,236	130,472	150,709	154,175	159,631	143,365	142,728
Total circulation of all materials	331,663	331,371	318,775	335,912	341,626	346,637	365,861	429,286	452,498	426,272
Total visits to library (door count)	243,743	245,766	222,999	212,322	192,222	202,002	203,743	219,831	232,379	283,773
Number of registered borrowers	22,101	21,375	21,503	22,428	23,003	25,470	25,155	23,357	25,263	28,395
Number of website visits/yr (3)	96,036	104,854	126,771	154,570	164,839	141,932	135,579	166,258	182,373	154,284
Number of programs/yr	318	286	295	351	357	312	297	345	298	603
Attendance at programs	8,950	9,419	10,691	10,976	11,998	11,321	12,773	14,235	11,710	20,345
Community development										
Planning										
Development Inquiries	NA	NA	NA	NA	6,000	6,200	6,400	9,905	8,927	8,927
Plans Reviewed	NA	NA	NA	NA	20	49	52	34	26	26
Code/ Policy Review	NA	NA	NA	NA	25	18	35	72	NA	NA
Zoning										
Development Inquiries	NA	NA	NA	NA	1,500	2,200	2,000	2,570	2,100	2,100
Permits/Plans Reviewed	NA	NA	NA	NA	2,000	2,100	1,700	660	600	600
Urban Forestry										
Development Inquiries	NA	NA	NA	NA	1,300	1,200	2,400	1,400	NA	NA
Permits/Plans Reviewed	NA	NA	NA	NA	56	75	443	192	NA	NA
Trees Planted/removed/pruned	NA	NA	NA	NA	369	897	859	825	NA	NA
Water										
New connection applications	346	123	216	90	374	90	60	53	23	265
Water main breaks	95	151	102	102	100	172	112	141	118	148

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 2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
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	1	1	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	32	32	32	32	32	32	32	32	32	32
Traffic signals	30	30	30	30	30	34	34	29	29	29
Streetlights	124	124	124	124	136	136	136	142	142	142
Refuse Trucks	4	4	4	4	4	5	5	5	5	5
Education										
School Buildings	3	3	3	3	4	4	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	12	13	13	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	5	6	6	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	3	3
Water										
Water Mains (Miles)	485	486	489	489	491	496	497	497	497	497
Tanks	9	9	10	10	10	10	10	10	10	10
Pumps	28	28	28	28	28	28	29	29	29	29
Fire Hydrants	3,003	3,020	3,017	3,097	3,132	3,169	3,188	3,201	3,201	3,220
Sewer										
Sanitary Sewer Mains (Miles)	NA	43	NA	43	NA	43	43	43	44	44
Sanitary Sewer Manholes	NA	988	NA	998	NA	1,001	1,001	1,001	1,175	1,186

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
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