

CITY OF FALLS CHURCH, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2008



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

CITY OF FALLS CHURCH, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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CITY OF **FALLS**
CHURCH

**CITY OF FALLS CHURCH, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR JUNE 30, 2008**

INTRODUCTORY SECTION





CITY OF FALLS CHURCH

November 25, 2008

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, 2008, 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, 2008, 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 Principles (GAAP). As management, we assert that to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements have been audited by Cherry, Bekaert & Holland, LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements for the fiscal year ended June 30, 2008 are free of material misstatement. The independent auditor's report is presented as the first component of the financial section of this report.

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.

Regional and Local Economies

The City of Falls Church enjoys an exceptional location in the Washington, D.C. metropolitan region, which has the nation's fourth largest economy and the lowest unemployment rate (3.1 percent) among the 15 largest job markets in the U.S. With about 50 percent of all existing jobs in the region, Northern Virginia is expected to add another 12,500 new jobs in 2008. Regional job growth is predicted to average 40,875 per year from 2009-2012 according to the Center for Regional Analysis at George Mason University.

The City has long-maintained a very low vacancy rate of existing commercial space, with competitively priced rental rates for retail and office tenants. New commercial space now leasing or coming on line in seven built or approved mixed-use development projects is priced higher than existing space, which has recently shown evidence of trending upward in price as well. As older, longer-term leases have expired, some tenants are choosing not to renew their leases. Other businesses are quickly backfilling this space at higher rents.

The market for leasing both new and existing commercial space in the City has been very active in 2008. Full service restaurants, upscale retailers, and professional, health care and specialty service companies/providers have generated the most demand for space in the City. The U.S. Postal Service signed a long-term lease for new space in 2008 in a 44,000-square-foot commercial building now under construction in the 800 block of West Broad Street.

In February 2008 the City of Falls Church approved the long-anticipated City Center South project proposed by Atlantic Realty Company. This \$315 million investment will produce one million square feet of mixed-use development, including a hotel, grocery store, retail and office space, as well as 562 apartments, condos and townhouses. In June 2008 a 110-room Hilton Garden Inn was approved for the 700 block of West Broad Street.

Mixed-use development built or approved in the City since 2004 will bring 243,000 square feet of new retail space, for an increased overall inventory of 33.2 percent. This total does not include two new hotels approved by the City in 2008. Mixed-use projects also will produce about 251,000 square feet of new office space, an increase of 21.0 percent. The day (employee) population of the City is expected to increase by 1,550 full and part-time jobs by 2013 as a result of these new projects. This represents a 30.1 percent increase in the City's job base.

Housing delivered by new development includes 1,282 units of condos, apartments and townhouses. This will increase by 26.0 percent the overall City housing stock and increase the City's population by about 2,300 residents through 2013.

The total value of private investment for the seven mixed-use projects is estimated at more than \$700 million. The City's fiscal impact model predicts that these projects will produce about \$5.5 million per year in municipal net revenue. Only 20 acres of land will be used by these compact and higher density projects. This represents just ten percent of the City's 196 acres of commercially zoned land.

Small to medium size companies are filling the new office space in the City, which is also the trend regionally. Falls Church is well positioned geographically for professional services office tenants to locate for ready access to their Washington, D.C. or regional clients. Federal procurement expenditures totaled \$58.6 billion in the region in 2007 and Northern Virginia received \$32 billion of that amount, an increase of 10.7 percent from the previous year.

The residential condo market continued to see prices fall further than other housing types in 2008, a reflection of supply exceeding demand and heavy investor involvement that had overheated the market. Condos are the last segment of the housing market expected to stabilize. However, some favorable long term condo market factors for the region and the City are:

- Condos are the only smaller size housing being built for sale in the region.
- The population of "empty nesters" is increasing and they are a growing segment of condo buyers.
- Condos are relatively affordable for younger buyers.
- Condos built closest to Metro stations will have the highest demand.

The market for apartments remains strong in the region. Rental rates have increased an average of six percent per year recently, a trend expected to continue for several more years according to the Center for Regional Analysis. Pearson Square, a mixed-use development with 230 apartments began leasing early in 2008. By August, more than 48 percent of the units had been rented, with full absorption expected by the first quarter of 2009.

Economic Development

Economic development activities include programs to retain, expand and attract businesses to the City. Staff and the City's Economic Development Authority work to encourage new investment that results in the redevelopment of older and functionally obsolete commercial areas with market-supported and sustainable projects that balance and enhance the City's tax base. It is a goal of equal importance to encourage new development that improves the community's overall quality of life.

In 2006-07, the City used Industrial Revenue Bond financing to encourage construction of the largest office building in Falls Church in 20 years, now occupied by three office tenants, a health care provider and a restaurant. Technology companies are encouraged to locate and grow in the City and more than 60 have utilized the Technology Zone business tax benefit program since its inception. Staff conducts a systematic business retention program and a retail recruitment effort based on the research of an industry consultant. The City works closely with the Greater Falls Church Chamber of Commerce and the Commonwealth of Virginia with programs and events to recognize and assist local businesses.

LONG-TERM PLANNING

The Council's vision statement adopted November 27, 2006 provides the framework for the City's long-term planning. The vision provides for the continuity necessary to execute both short and long-term policy and resource decisions. The annual budget serves as the City's annual operations plan. The Capital Improvement Program (CIP) is adopted annually for the current and subsequent four years to provide longer term planning and implementation of the capital elements of the Council's vision.

The budget adopted by the City Council for fiscal year 2009 sought to preserve the City's strong record of fiscal prudence while maintaining a high quality of life for the City's residents. In spite of a moderation in the value of real estate assessments, the City's most significant source of revenue, the budget continues a commitment to a broad range of services at approximately the same levels as the previous year with a moderate increase in the real estate tax rate of two cents.

AWARDS AND ACKNOWLEDGEMENTS

For the fifth consecutive year, the Government Finance Officers' Association of the United States and Canada (GFOA) awarded the City a Certificate of Achievement for Excellence in Financial Reporting for the City's Comprehensive Annual Financial Report for the year ended June 30, 2007. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and

efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

The Certificate is valid for one year only. The City believes that our current report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the government also received the GFOA's Distinguished Budget Presentation Award for its annual budget document dated April 28, 2008. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and a communication device.

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

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

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

Respectfully submitted,



F. Wyatt Shields
City Manager



John H. Tuohy, CPA
Chief Financial Officer

CITY OF FALLS CHURCH, VIRGINIA
DIRECTORY OF OFFICIALS
AT JUNE 30, 2008

CITY COUNCIL

Robin S. Gardner, *Mayor*
Marlind "Lindy" R. Hockenberry, *Vice Mayor*
David C. Chavern
Harold Lippman
Daniel Maller
David E. Snyder
Daniel Sze

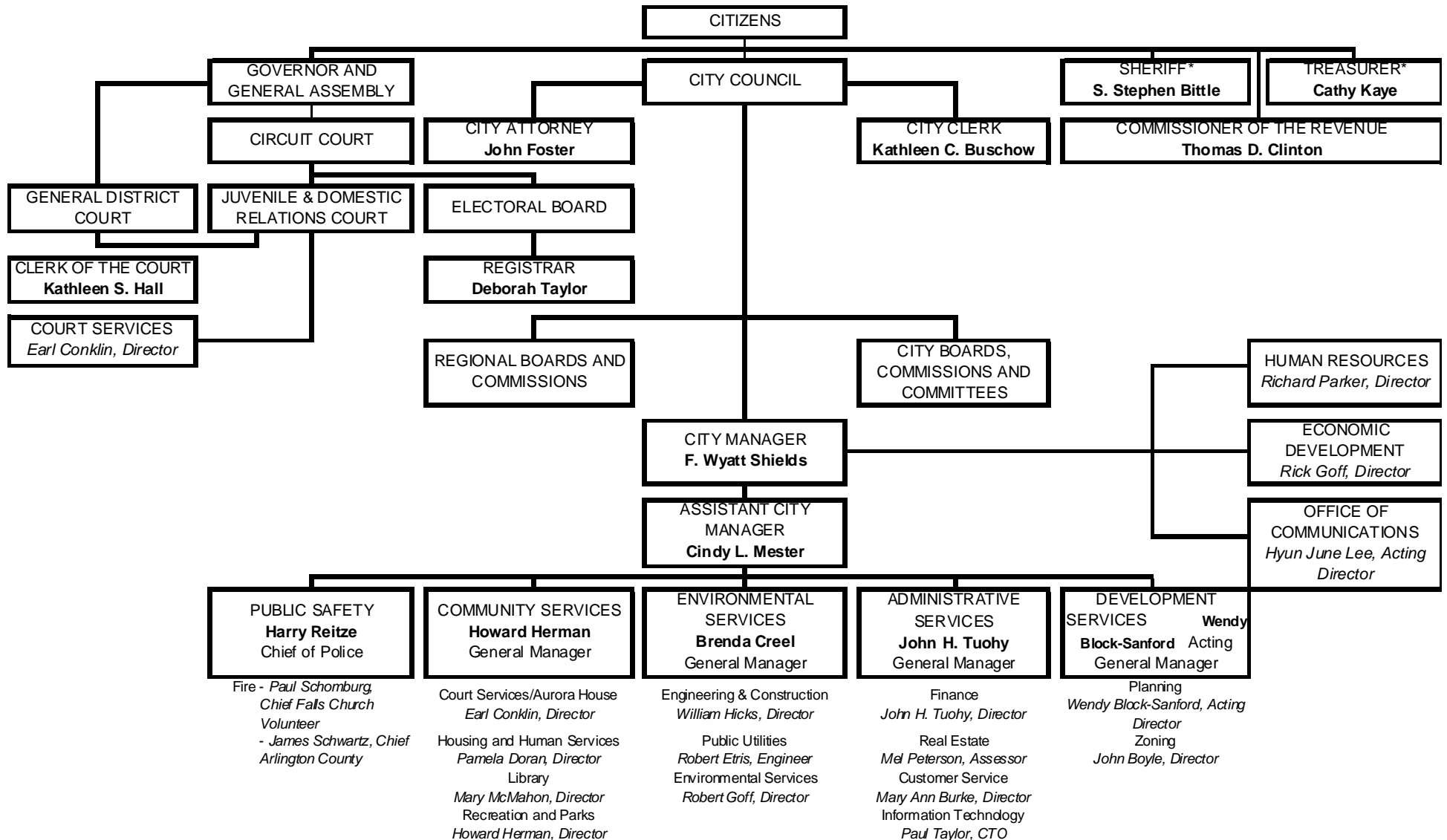
CITY OFFICIALS

F. Wyatt Shields, *City Manager*
Cindy L. Mester, *Assistant City Manager*
John H. Tuohy, CPA, *Chief Financial Officer*
John Foster, *City Attorney*
Kathleen C. Buschow, *City Clerk*
Catherine Kaye, *City Treasurer*
Thomas D. Clinton, *Commissioner of Revenue*
S. Stephen Bittle, *Sheriff*
Lois Berlin Ed.D., *Superintendent of Schools*

CITY OF FALLS CHURCH, VIRGINIA

ORGANIZATIONAL CHART

AS OF JUNE 30, 2008



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

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Falls Church
Virginia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2007

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



Oliver S. Cox

President

Jeffrey R. Emer

Executive Director

**CITY OF FALLS CHURCH, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR JUNE 30, 2008**

FINANCIAL SECTION



City of Falls Church City Hall

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**CITY OF FALLS CHURCH, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR JUNE 30, 2008**

**FINANCIAL SECTION
INDEPENDENT AUDITORS' REPORT**



Cherry Hill Farmhouse

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



Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the City of Falls Church, Virginia (the City), as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Falls Church, Virginia, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2008 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

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

Cherry, Beckett & Holland, L.L.P.

Richmond, Virginia
November 25, 2008

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**CITY OF FALLS CHURCH, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR JUNE 30, 2008**

**FINANCIAL SECTION
MANAGEMENT'S DISCUSSION AND
ANALYSIS**



Public Works Property Yard Open House

**CITY OF FALLS CHURCH, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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, 2008.

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 \$108.3 million at June 30, 2008. Of this balance, \$102.4 million is the Primary Government's and \$5.8 million is the component units'.
- For fiscal year 2008, taxes, other revenues, and transfers of the City's governmental activities amounted to \$63.1 million and expenses amounted to \$63.3 million, which resulted in a decrease in net assets for the City's governmental activities of \$0.2 million. Revenues of the City's business-type activities were \$24.7 million, expenses were \$36.8 million, and transfers to general fund were \$3.1 million, which resulted in a decrease in net assets for the City's business-type activities of approximately \$15.2 million.

HIGHLIGHTS FOR FUND FINANCIAL STATEMENTS

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

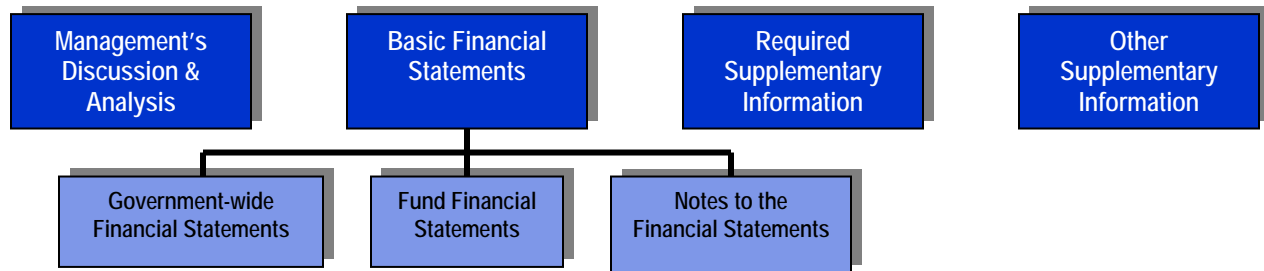
- The City's governmental funds reported expenditures and other financing uses in excess of revenues and other financing sources of \$0.9 million for the fiscal year.
- The City's General Fund reported a fund balance of \$11.3 million at June 30, 2008, a decrease of \$2.9 million from June 30, 2007. The FY2008 budget had programmed a use of fund balance for capital investments and pre-funding retiree health care costs in the amount of \$4.6 million.
- The City's Capital Projects Fund reported an increase in fund balance of \$2.1 million, resulting in a balance of \$5.2 million at June 30, 2008.
- The City's Water fund reported a decrease in net assets of approximately \$12.5 million and the City's Sewer fund reported a decrease of \$2.6 million in 2008. In FY2008, the City's Water fund contributed approximately \$8.8 million to the United States Department of Army Corp. of Engineers (Department of Army) towards the upgrade of its water residuals plant to bring it up to current Environmental Protection Agency (EPA) standards. Also during FY2008, the Sewer fund contributed approximately \$3.2 million and \$328,000 to Arlington County and Fairfax County, respectively, towards the upgrade of their sewer treatment plant to bring it in compliance with current EPA standards. Operating revenues were higher than prior years' largely due to significantly higher than average water sales as a result of dryer than average weather in the early part of the fiscal year and increased wholesale sales to the Town of Vienna. Sewer charges are a function of water charges; they increase or decrease directly as a result of water sales.

CITY OF FALLS CHURCH, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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.

COMPONENTS OF THE FINANCIAL SECTION



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

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

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

Governmental Activities – Most of the City's basic services are reported here, including education; public safety; public works; judicial administration; health and welfare services; community development; economic development; parks, recreation, and cultural programs; and general administration. These activities are financed primarily by property taxes, other local taxes, and federal and state grants. Included in the governmental activities are the governmental funds.

**CITY OF FALLS CHURCH, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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

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

FUND FINANCIAL STATEMENTS

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

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

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

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

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

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

STATEMENT OF NET ASSETS

The following table presents a summary of the net assets of the primary government as of June 30, 2008 and 2007:

CITY OF FALLS CHURCH, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Summary of Net Assets				
As of June 30, 2008 and 2007				
(\$ In Thousands)				
	2008		2007	
	Governmental Activities	Business- Type Activities	Governmental Activities	Business- Type Activities
Assets:				
Current and other assets	\$ 48,614	\$ 35,037	\$ 48,542	\$ 33,018
Capital assets, net	67,810	53,740	68,039	53,383
Total assets	<u>116,424</u>	<u>88,777</u>	<u>116,581</u>	<u>86,401</u>
Liabilities:				
Other liabilities	30,828	10,867	29,890	3,479
Long-term liabilities	45,506	15,616	46,453	5,503
Total liabilities	<u>76,334</u>	<u>26,483</u>	<u>76,343</u>	<u>8,982</u>
Net Assets:				
Invested in capital assets, net of related debt	25,613	51,078	23,379	50,472
Restricted	754	-	-	-
Unrestricted	13,724	11,186	16,859	26,948
Total net assets	<u>\$ 40,091</u>	<u>\$ 62,264</u>	<u>\$ 40,238</u>	<u>\$ 77,419</u>

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

Net capital assets for governmental activities decreased by \$0.2 million during FY2008 primarily due to depreciation expense exceeding the value of added assets. Current and other assets for business-type activities increased by \$2.0 million during FY2008 due to the significant receipts of availability fees for \$763,000 and strong water sales due to the area's drought conditions and additional sales to the Town of Vienna.

Other liabilities for business-type activities increased by \$7.4 million largely due to amounts owed to the Washington Aqueduct and Arlington County for the Water Fund and the Sewer Fund's share of their capital upgrade costs. Long-term liabilities for governmental activities decreased by \$1.0 million mainly as a result of bond repayments exceeding issuance, while long-term liabilities for business-type activities increased by \$10.1 million as a result of a general obligation bond issued for \$8.2 million for the Water Fund and the draw-down on a line of credit for the Sewer Fund for \$2.6 million.

During FY2008, the net assets invested in capital assets, net of related debt, increased for the City's governmental activities by \$2.2 million and increased slightly for the business-type activities by \$607 thousand. The increase in the governmental activities' investment in capital assets is primarily due to the repayment of principal on debt incurred prior to FY2008. The increase in the business-type activities' net assets invested in capital assets is primarily due to repayment of bond principal during FY2008.

Restricted net assets in FY2008 represent unexpended bond proceeds that are restricted for the purchase of capital equipment and land.

Unrestricted net assets decreased by \$3.1 million for governmental activities mainly due to the funding of the OPEB liability for approximately \$1.4 million. For the business-type activities, unrestricted net assets decreased by \$15.8 million largely due to payments to Washington Aqueduct, Arlington County and Fairfax County for the City's share of their capital upgrade costs, as well as funding of OPEB liability.

CITY OF FALLS CHURCH, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

STATEMENT OF ACTIVITIES

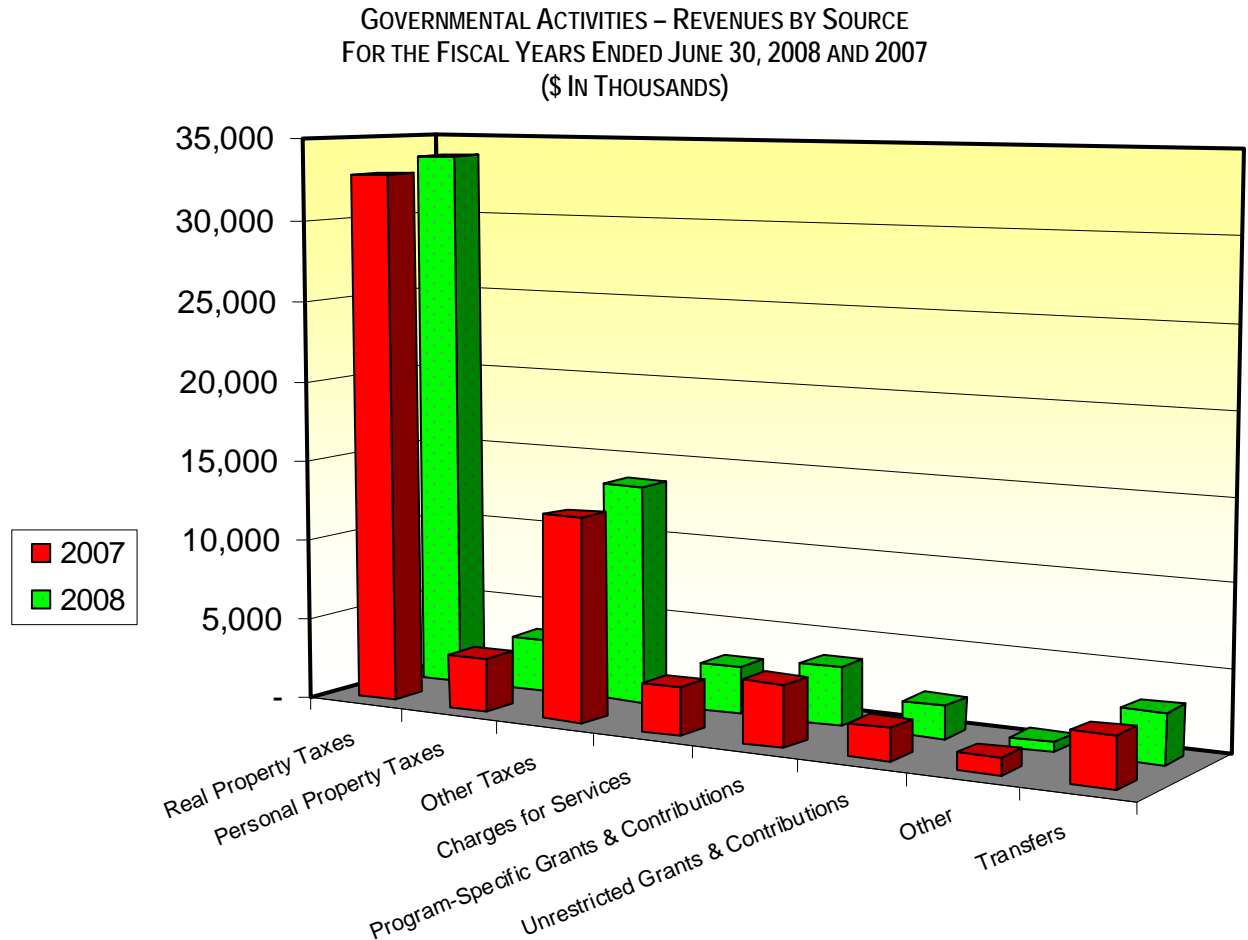
The following table summarizes the changes in net assets for the primary government for the years ended June 30, 2008 and 2007:

Summary of Changes in Net Assets				
For the Fiscal Years Ended June 30, 2008 and 2007				
(\$ In Thousands)				
	2008		2007	
	Governmental Activities	Business- Type Activities	Governmental Activities	Business- Type Activities
Revenues:				
Program revenues:				
Charges for services	2,961	\$ 22,795	2,901	\$ 25,925
Operating grants & contributions	3,538	-	3,661	-
Capital grants & contributions	101	480	138	840
General revenues:				
Real estate taxes	33,878	-	32,844	-
Personal property taxes	3,287	-	3,304	-
Business license taxes, based on gross receipts	3,139	-	3,053	-
Local sales & use taxes	3,962	-	4,223	-
Consumer's utility taxes	2,144	-	2,018	-
Motor vehicle decals	209	-	217	-
Recordation	712	-	302	-
Occupancy, tobacco, & other taxes	3,468	-	2,754	-
Unrestricted grants & contributions	2,039	-	1,983	-
Revenue from use of money and property	467	1,394	856	1,362
Other	132	10	150	34
Special item - gain/(loss) on sale of capital assets	5	(4)	0	-
Total revenues	60,041	24,675	58,404	28,161
Expenses:				
General government administration	5,483	-	4,787	-
Judicial administration	1,399	-	1,291	-
Public safety	8,196	-	7,982	-
Public works	6,490	36,298	5,288	19,841
Health and welfare	2,626	-	3,317	-
Education and payments to schools	30,879	-	29,072	-
Parks, recreation, and cultural	3,863	-	3,598	-
Community development	2,231	-	1,701	-
Economic development	386	-	359	-
Interest expense	1,714	456	1,746	137
Total expenses	63,265	36,754	59,141	19,978
Excess/(deficiency) before transfers	(3,224)	(12,079)	(737)	8,182
Transfers	3,076	(3,076)	3,055	(3,055)
Change in net assets	(148)	(15,155)	2,318	5,127
Net assets, beginning of year	40,238	77,419	37,920	72,292
Net assets, end of year	\$ 40,090	\$ 62,264	\$ 40,238	\$ 77,419

**CITY OF FALLS CHURCH, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Governmental Activities

Revenues and transfers for the City's governmental activities were \$63.1 million for fiscal year 2008 and \$61.4 million for fiscal year 2007. Sources of revenue for fiscal year 2008 and 2007 are comprised of the following items:

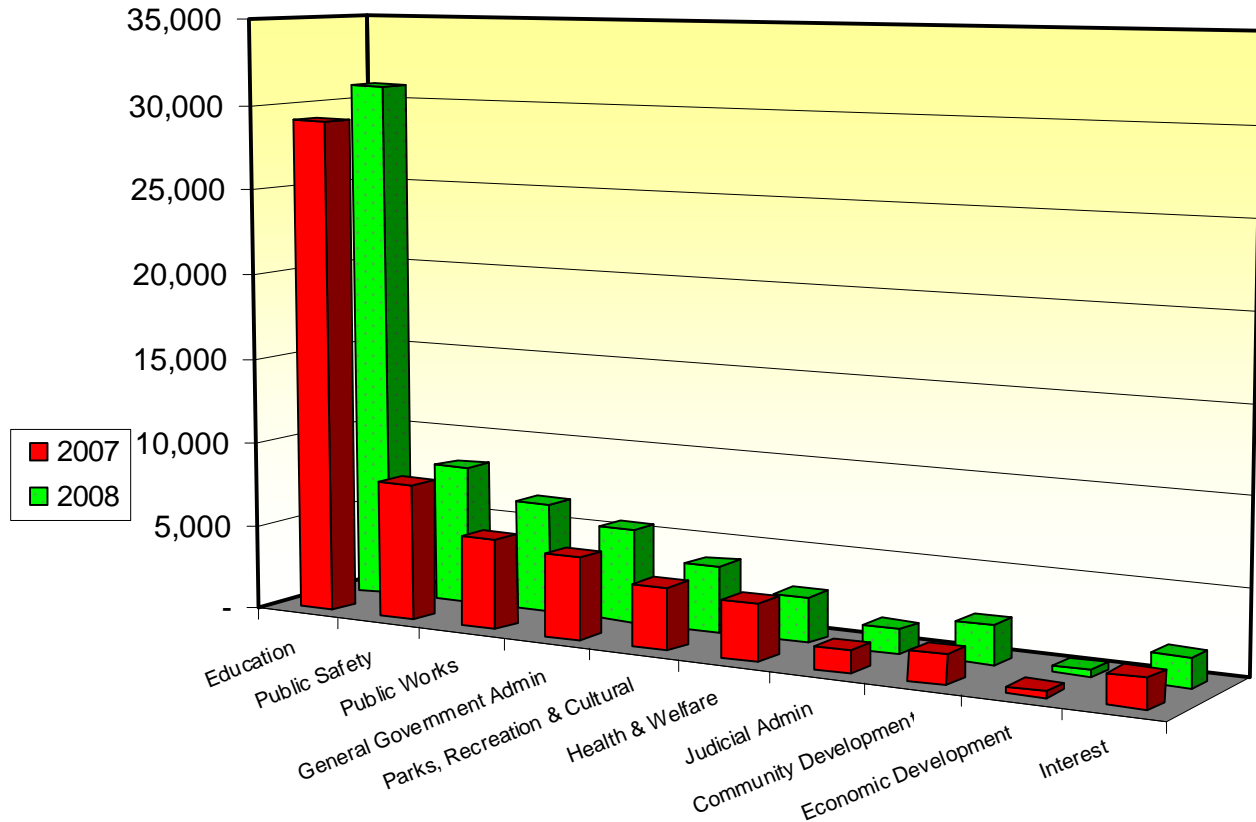


Taxes constitute the largest source of City revenues, amounting to \$50.8 million for fiscal year 2008 and \$48.7 million for fiscal year 2007. Real property taxes (\$33.9 million in fiscal year 2008 and \$32.8 million in fiscal year 2007) represent over 66 percent in fiscal year 2008 and over 67 percent in fiscal year 2007 of tax revenues. Tax revenues for fiscal year 2008 increased by \$2.0 million largely due to an average increase of 1.5 percent in real property assessments and an increase of two cents in the real estate tax rate for calendar year 2008 applicable to the first installment due June 5, 2008.

The cost of all governmental activities in fiscal year 2008 was \$63.3 million, and in fiscal year 2007 was \$59.1 million. Education was the City's largest program and highest priority in both fiscal years 2008 and 2007; education expenses totaled \$30.9 million in fiscal year 2008 and \$29.1 million in fiscal year 2007. Public safety expenses represent the second largest expense in both fiscal years, totaling \$8.2 million in fiscal year 2008 and \$8.0 million in fiscal year 2007. Public works expenses totaled \$6.5 million for fiscal year 2008 and \$5.3 million for 2007, representing the third largest expense for the City in both fiscal years.

CITY OF FALLS CHURCH, VIRGINIA
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008

GOVERNMENTAL ACTIVITIES – EXPENSES BY FUNCTION
 FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND 2007
 (\$ 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, 2008 and 2007 (\$ In Thousands)				
Functions/Programs	2008		2007	
	Total Cost	Net Cost	Total Cost	Net Cost
Education and payments to schools	\$ 30,879	30,879	\$ 29,072	\$ 29,072
Public safety	8,196	7,133	7,982	6,509
Public works	6,490	5,285	5,288	4,113
General government administration	5,483	4,967	4,787	4,314
Parks, recreation, and cultural	3,863	2,773	3,598	2,533
Health and welfare	2,626	2,457	3,317	2,437
Other	5,729	3,172	5,097	3,464
Total	\$ 63,266	\$ 56,666	\$ 59,141	\$ 52,442

Some of the cost of governmental activities was paid by those who directly benefited from the programs (\$3.0 million in 2008 and \$2.9 million in 2007) and other governments and organizations that subsidized certain programs with grants and contributions (\$3.6 million

**CITY OF FALLS CHURCH, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

in 2008 and \$3.8 million in 2007). Of the \$56.7 million net cost of services in 2008, the amount that our taxpayers paid for these activities through City taxes was \$50.7 million. The remaining \$6.0 million net cost was funded primarily by transfers from the Water and Sewer funds of \$3.1 million. In fiscal year 2007, of the \$52.4 million of net cost of services, the amount that our taxpayers paid through City taxes was \$48.7 million, and the remaining net cost of \$3.7 million was funded primarily by transfers from Water and Sewer funds of \$3.1 million.

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

Business-type Activities

The Water Fund reported a decrease in net assets of \$12.5 million for fiscal year 2008 and an increase of \$4.1 million for fiscal year 2007. In fiscal year 2008, total revenues and capital contributions of the Water Fund were \$21.9 million and total costs and transfers were \$34.4 million. In fiscal year 2007, total revenues and capital contributions were \$24.3 million and total costs and transfers were \$20.2 million. The Water Fund recovers its costs primarily through user charges. The decrease in revenues and capital contributions were primarily due to lesser availability fees received during FY2008 because of the slow-down in the pace of construction of new development in the Water Fund's service area. The increase in costs and transfers were primarily due to payments to the Department of Army Washington Aqueduct for the Water Fund's share of the costs to upgrade the residuals facility.

The Sewer Fund reported a decrease in net assets of \$2.6 million for fiscal year 2008 and an increase of \$1.0 million for fiscal year 2007. In fiscal year 2008, total revenues of the Sewer Fund were \$2.8 million as compared to total costs and transfers of \$5.4 million. In fiscal year 2007, total revenues of the Sewer Fund were \$3.8 million and total costs and transfers were \$2.8 million. The Sewer Fund recovers its costs primarily through user charges. The decrease in revenues was largely due lesser receipts of availability fees due to the slowing down of construction of new development in the City.

Highlights of the City's business-type activities for fiscal year 2008 are as follows:

- The Water Fund continues to make improvements to the water distribution system by adding new water mains and pump stations, and replacing older ones. The City invested \$1.2 million in replacing and building new water mains and pump stations.
- The City participates in the capital improvements of the Washington Aqueduct which supplies the City's water system. In FY2008 the City borrowed \$8.2 million to fund its share of the construction of a facility to remove solids from the water prior to processing. This facility is necessary to meet current water quality standards for the Potomac River and Chesapeake Bay.
- Developers added to the distribution system in the amount of \$0.5 million.

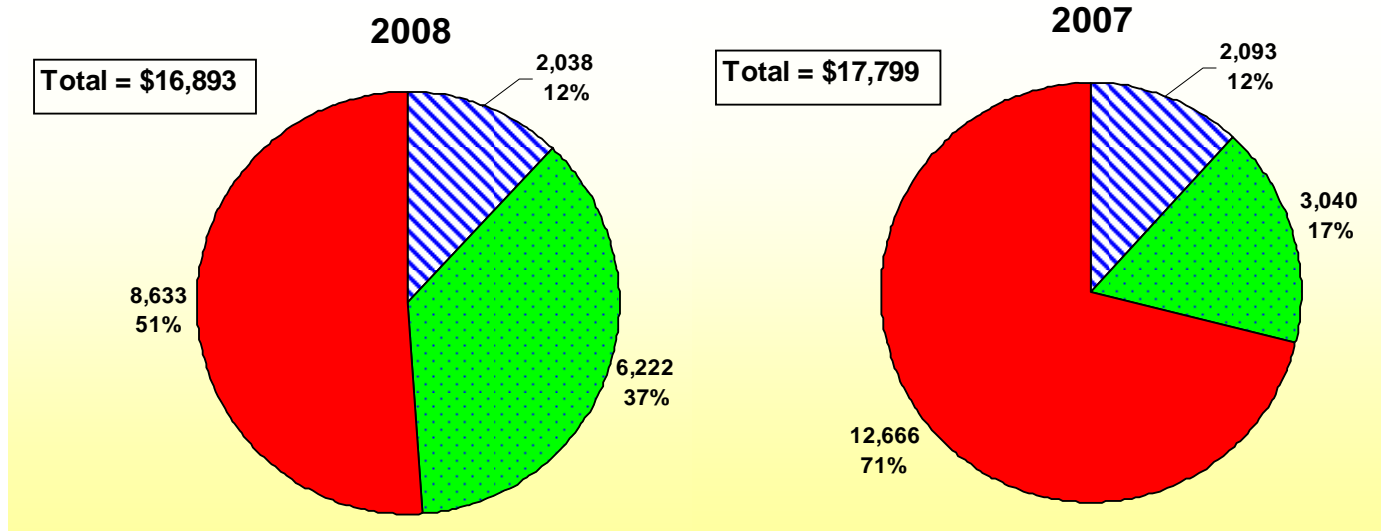
FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

The following chart represents the components of City's governmental fund balances as of June 30, 2008 and 2007.

CITY OF FALLS CHURCH, VIRGINIA
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008

GOVERNMENTAL FUNDS – FUND BALANCES
 AS OF JUNE 30, 2008 AND 2007
 (\$ IN THOUSANDS)



■ Reserved
 ■ Unreserved and designated
 ■ Unreserved and undesignated

Overall, the fund balance for all governmental funds decreased by approximately \$0.9 million for the fiscal year ended June 30, 2008 and decreased by approximately \$2.4 million for the fiscal year ended June 30, 2007. In 2008, total revenues and other financing sources were \$70.7 million and total expenditures and other financing uses were \$71.2 million. The total revenues and other financing sources were \$72.0 million in 2007 and total expenditures and other financing uses were \$74.4 million. The decrease in revenues and other financing sources of \$1.3 million is in part due to a refunding bond issue of \$6.3 million in FY2007. In FY2008, the City issued only \$2.5 million in bonds in the General Fund. In addition, property taxes and other taxes increased by \$3.0 million in FY2008. The decrease in expenditures and other financing sources of \$3.2 million is also mainly due to the payment to refund those bonds of \$6.2 million in FY2007 and an increase in the expenditures for education and payment to schools by \$2.0 million.

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

The unreserved fund balance represents resources that are available for appropriation. Of this, the City Council designates certain amounts to be used for specific purpose. As of June 30, 2008 and 2007, the following amounts were designated:

Designated Fund Balances - Governmental Funds		
As of June 30, 2008 and 2007		
(\$ In Thousands)		
	2008	2007
Construction and other capital improvements	\$ 4,643	\$ 2,536
Debt service for school capital improvement bonds	1,198	-
Affordable dwelling	381	504
	\$ 6,222	\$ 3,040

**CITY OF FALLS CHURCH, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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 following shows the fund balances of these funds as of June 30, 2008 and 2007:

Fund Balances - Governmental Funds								
As of June 30, 2008 and 2007								
(\$ In Thousands)								
	General Fund		Capital Projects Fund		Affordable Dwelling Unit Fund		Total	
	2008	2007	2008	2007	2008	2007	2008	2007
Reserved	\$ 1,495	\$ 1,532	\$ 543	\$ 561	\$ -	\$ -	\$ 2,038	\$ 2,093
Designated for construction	-	-	4,643	2,536	-	-	4,643	2,536
Designated for school construction debt service	1,198	-	-	-	-	-	1,198	-
Designated for affordable dwelling	-	-	-	-	381	504	381	504
Unreserved & undesignated	8,633	12,666	-	-	-	-	8,633	12,666
Total	\$ 11,326	\$ 14,198	\$ 5,186	\$ 3,097	\$ 381	\$ 504	\$ 16,893	\$ 17,799

The following shows the changes in the individual fund balances for fiscal years 2008 and 2007:

Changes in Fund Balances - Governmental Funds								
For the Fiscal Years Ended June 30, 2008 and 2007								
(\$ In Thousands)								
	General Fund		Capital Projects Fund		Affordable Dwelling Unit Fund		Total	
	2008	2007	2008	2007	2008	2007	2008	2007
Revenues and other financing sources	\$ 67,057	\$ 68,333	\$ 3,585	\$ 3,568	\$ 19	\$ 72	\$ 70,661	\$ 71,973
Expenditures and other financing uses	69,553	70,288	1,496	4,127	143	-	71,191	74,415
Special items	(376)	-	-	-	-	-	(376)	-
Changes in Fund Balances	(2,872)	(1,955)	2,089	(559)	(123)	72	(906)	(2,442)
Fund balance at beginning of year	14,198	16,153	3,097	3,656	504	432	17,799	20,242
Fund balance at end of year	\$ 11,326	\$ 14,198	\$ 5,186	\$ 3,097	\$ 381	\$ 504	\$ 16,893	\$ 17,800

Changes to the general fund are discussed in page 24. The decrease of \$2.6 million in the expenditures and other financing uses of the Capital Projects Fund is in large part due to the completion of the Mt. Daniel Renovation project in FY2007.

The City's enterprise funds provide the same type of information found in the government-wide financial statements, as the basis of

**CITY OF FALLS CHURCH, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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 \$4.0 million or 5.8 percent. \$2.0 million of the increase was for an amendment to issue bonds to purchase land. \$1.3 million consisted of carryover of commitments for projects that were not started or completed during FY2007.

The final amended budget revenues and transfers in were more than the original budget by \$2.5 million or 3.8 percent. Again, the change is for the most part due to the amendment for the \$2.0 bond issue.

Actual revenues and other financing sources were less than final budget amounts by \$1.5 million or 2.1 percent, and actual expenditures and other financing uses were \$3.9 million or 5.3 percent less than final budget amounts. Highlights of the comparison of final budget to actual figures for the fiscal year ended June 30, 2008, include the following:

- The City issued bonds in the amount of \$2.5 million to fund capital outlays.
- Actual tax revenues were less than budgeted amounts by \$2.7 million mostly due to lower than expected increases in assessments for calendar year 2008. Real property is assessed on a calendar year basis, but revenues are recognized on a fiscal year basis.
- Actual departmental expenditures were less than budgeted amounts for public works by \$1.2 million and for community development by \$0.4 million mostly due to projects that were not completed or started in FY2008.
- In October 2007 City Council approved \$600,000 in expenditure reductions to compensate for lower than budgeted tax receipts projected for the year. The budget was not amended, the reductions were transferred to a non-departmental reserve; as a result of these approved reductions overall expenditures for the year were less than budget.

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 new 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.

Footnote V in the financial section describes the plan and the accounting treatment in greater detail.

CAPITAL ASSETS AND LONG-TERM DEBT

The City's investment in capital assets as of June 30, 2008 and 2007, amounted to approximately \$121.5 million and \$121.4 million, respectively, (net of accumulated depreciation and amortization) as summarized in the following table:

CITY OF FALLS CHURCH, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Capital Assets As of June 30, 2008 and 2007 (\$ In Thousands)						
	2008			2007		
	Governmental Activities	Business- Type Activities	Total	Governmental Activities	Business- Type Activities	Total
Land	\$ 8,090	\$ 2,595	\$ 10,685	\$ 6,956	\$ 2,595	\$ 9,551
Construction in progress	75	2,187	2,262	62	1,126	1,188
Buildings and system	63,058	86,426	149,428	62,615	85,311	147,926
Improvements other than buildings	4,780	62	4,842	4,725	52	4,777
Machinery and equipment	10,327	1,546	11,873	9,660	1,493	11,153
Intangibles	1,393	31	1,424	1,448	31	1,479
Infrastructure	9,243	-	9,243	9,243	-	9,243
Library collections	2,033	-	2,033	2,024	-	2,024
Accumulated depreciation	(31,189)	(39,107)	(70,296)	(28,695)	(37,225)	(65,920)
Total Capital Assets, Net	\$ 67,810	\$ 53,740	\$ 121,494	\$ 68,038	\$ 53,383	\$ 121,421

During fiscal year 2008, the City's net capital assets remained mostly unchanged due to depreciation being as much as new investments.

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

- Ongoing improvements to the water system's security features for approximately \$0.7 million.
- Improvements and expansions to the water distribution system for a total of \$1.2 million. The major components of these additions were discussed in the discussion of the City's business-type activities.
- Purchase of land for open space and other development for approximately \$1.1 million.

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

LONG-TERM DEBT

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

The City's legal limit for outstanding debt is 10 percent of total assessed real property within the City, which is \$3.6 billion in 2008 and 2007. The City's total long-term general obligation bonds of \$58.1 million as of June 30, 2008 and \$48.7 million as of June 30, 2007, are well within the limits set by the Constitution of the Commonwealth of Virginia.

The City Council has adopted a policy that sets a limit for outstanding debt at 5 percent of total assessed value of real property. In addition, annual debt service payments must be less than 12 percent of annual General Fund expenditures. As of June 30, 2008, total debt outstanding was 1.7 percent of assessed value of real property and debt service payments were 7.5 percent of General Fund expenditures. As of June 30, 2007, total debt outstanding was 1.5 percent of assessed value of real property and debt service payments were 7.7 percent of General Fund expenditures.

The following table shows a summary of the City's outstanding debt as of June 30, 2008 and 2007:

CITY OF FALLS CHURCH, VIRGINIA
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Outstanding Long-Term Debts As of June 30, 2008 and 2007 (\$ In Thousands)						
	2008			2007		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
General obligation bonds issued for:						
Schools	\$ 32,697	\$ -	\$ 32,697	\$ 34,911	\$ -	\$ 34,911
Community center	1,993	-	1,993	2,102	-	2,102
Fire station	2,878	-	2,878	3,036	-	3,036
City hall	2,115	-	2,115	2,777	-	2,777
Open space	716	-	716	818	-	818
Other	2,428	-	2,428	-	-	-
Water system improvements	-	12,820	12,820	-	5,050	5,050
Sewer system improvements	-	2,432	2,432	-	7	7
Note payable issued for:						
Open space	218	-	218	435	-	435
Capital leases and other	2,368	394	2,762	2,374	381	2,755
Total	\$ 45,413	\$ 15,646	\$ 61,059	\$ 46,453	\$ 5,438	\$ 51,891

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 budget for the fiscal year 2009:

- The percentage change in real property taxes for fiscal year 2009 is projected to be 1.5 percent as compared to 3.5 percent change in fiscal year 2008. This was primarily due to a significant slowing in the increases in real estate assessments. There will be additional new construction in the City to partially offset the continued soft market for existing properties.
- Through June 2008, the median sales price of new and existing single family housing units experienced an overall decline over fiscal year 2007 sales prices. The softening of the market is expected to continue for some time.

Per the fiscal year 2009 Adopted Budget, revenues are \$68.0 million, a 2.8 percent increase over the fiscal year 2008 level (excluding anticipated amounts from issuance of bonds and use of fund balance). An increase in real property tax revenues accounts for 52 percent of the total General Fund revenue increase in fiscal year 2009. Revenue from real property taxes will make up 55.6 percent of total revenues, as compared to 55.8 percent in fiscal year 2008. Other taxes account for 7.9 percent of the increase in the General Fund revenue. Revenue from the Commonwealth is expected to decline 10.3 percent due to certain non-recurring grants in fiscal year 2008 and a change in accounting for certain revenues received from the Virginia Department of Transportation.

Debt service payments will increase approximately \$138,454, an increase of 2.7 percent, in FY2009 over FY2008 due to full annual debt service for the FY2008 series bonds starting in FY2009.

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

**CITY OF FALLS CHURCH, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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,

A handwritten signature in black ink, appearing to read 'John H. Tuohy', with a long horizontal stroke extending to the right.

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

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**CITY OF FALLS CHURCH, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR JUNE 30, 2007**

**FINANCIAL SECTION
BASIC FINANCIAL STATEMENTS**



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CITY OF FALLS CHURCH, VIRGINIA
STATEMENT OF NET ASSETS
As of June 30, 2008

	Primary Government			Component Units		
	Governmental Activities	Business-Type Activities	Total	School Board	Economic Development	Total Component Units
ASSETS						
Cash and cash equivalents	\$ 22,531,252	\$ 25,009,205	\$ 47,540,457	\$ 2,579,170	\$ 223,475	\$ 2,802,645
Investments	-	3,525,120	3,525,120	-	-	-
Receivables, net	23,083,019	5,801,148	28,884,167	97,169	-	97,169
Internal balances	(65,337)	65,337	-	-	-	-
Due from primary government	-	-	-	4,261,169	-	4,261,169
Due from other governmental units	966,233	-	966,233	357,706	-	357,706
Prepays	31,032	-	31,032	62,062	-	62,062
Inventories	167,896	340,246	508,142	-	-	-
Temporarily restricted cash and cash equivalents	753,575	-	753,575	-	-	-
Deposit on land purchase and other acquisition costs	677,735	-	677,735	-	-	-
Deferred OPEB charges	376,176	197,824	574,000	-	-	-
Deferred bond issuance cost, net	92,908	98,348	191,256	-	-	-
Capital assets:						
Non-depreciable	8,163,909	4,781,918	12,945,827	1,273,354	517,255	1,790,609
Depreciable, net of accumulated depreciation	59,645,727	48,957,960	108,603,687	2,048,919	-	2,048,919
Total capital assets, net	<u>67,809,636</u>	<u>53,739,878</u>	<u>121,549,514</u>	<u>3,322,273</u>	<u>517,255</u>	<u>3,839,528</u>
 Total Assets	 <u>116,424,125</u>	 <u>88,777,106</u>	 <u>205,201,231</u>	 <u>10,679,549</u>	 <u>740,730</u>	 <u>11,420,279</u>
LIABILITIES						
Accounts payable and accrued expenses	3,187,110	10,713,433	13,900,543	4,410,811	10,722	4,421,533
Accrued interest payable	662,008	153,447	815,455	-	-	-
Due to component units	4,261,169	-	4,261,169	-	-	-
Due to fiduciary funds	759,305	-	759,305	-	-	-
Unearned revenue	20,692,826	-	20,692,826	-	-	-
Customer deposits	1,265,374	-	1,265,374	-	-	-
Noncurrent liabilities:						
Portion due or payable within one year	5,219,263	1,186,410	6,405,673	561,782	-	561,782
Due in more than one year	40,287,089	14,459,909	54,746,998	643,290	-	643,290
 Total Liabilities	 <u>76,334,144</u>	 <u>26,513,199</u>	 <u>102,847,343</u>	 <u>5,615,883</u>	 <u>10,722</u>	 <u>5,626,605</u>
NET ASSETS						
Invested in capital assets, net of related debt	25,612,690	51,078,151	76,690,841	3,059,954	517,255	3,577,209
Unrestricted	14,477,291	11,185,756	25,663,047	2,003,712	212,753	2,216,465
 Total Net Assets	 <u>\$ 40,089,981</u>	 <u>\$ 62,263,907</u>	 <u>\$ 102,353,888</u>	 <u>\$ 5,063,666</u>	 <u>\$ 730,008</u>	 <u>\$ 5,793,674</u>

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

CITY OF FALLS CHURCH, VIRGINIA
STATEMENT OF ACTIVITIES
 For the Year Ended June 30, 2008

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Assets					
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units		
					Governmental Activities	Business-Type Activities	Total	School Board	Economic Development Authority	Total Component Units
Primary Government:										
<u>Governmental activities:</u>										
General government	\$ 5,482,600	\$ 140,578	\$ 375,261	\$ -	\$ (4,966,761)		\$ (4,966,761)			
Judicial administration	1,398,558	985,851	216,904	-	(195,803)		(195,803)			
Public safety	8,195,664	606,394	456,551	-	(7,132,719)		(7,132,719)			
Public works	6,489,819	261,353	842,442	100,534	(5,285,490)		(5,285,490)			
Health and welfare	2,626,378	235	169,276	-	(2,456,867)		(2,456,867)			
Education and payment to schools	30,878,770	-	-	-	(30,878,770)		(30,878,770)			
Parks, recreation, and cultural	3,862,621	890,329	199,285	-	(2,773,007)		(2,773,007)			
Community development	2,231,172	76,163	10,000	-	(2,145,009)		(2,145,009)			
Economic development	385,564	-	-	-	(385,564)		(385,564)			
Interest expense	1,713,885	-	1,268,344	-	(445,541)		(445,541)			
Total governmental activities	63,265,031	2,960,903	3,538,063	100,534	(56,665,531)		(56,665,531)			
<u>Business-type activities:</u>										
Water	31,372,591	20,289,970	-	479,911		\$ (10,602,710)	(10,602,710)			
Sewer	5,381,002	2,504,749	-	-		(2,876,253)	(2,876,253)			
Total business-type activities	36,753,593	22,794,719	-	479,911		(13,478,963)	(13,478,963)			
Total Primary Government	\$ 100,018,624	\$ 25,755,622	\$ 3,538,063	\$ 580,445	\$ (56,665,531)	\$ (13,478,963)	\$ (70,144,494)			
Component Units:										
Education	\$ 36,552,315	\$ 1,892,289	\$ 5,413,030	\$ -				\$ (29,246,996)	\$ -	\$ (29,246,996)
Economic development	20,110	22,985	-	-				-	2,875	2,875
Total Component Units	\$ 36,572,425	\$ 1,915,274	\$ 5,413,030	\$ -				\$ (29,246,996)	\$ 2,875	\$ (29,244,121)
General Revenues:										
Taxes:										
Real property					\$ 33,878,025	\$ -	\$ 33,878,025	\$ -	\$ -	\$ -
Personal property					3,287,380	-	3,287,380	-	-	-
Business licenses, based on gross receipts					3,138,550	-	3,138,550	-	-	-
Local sales and use					3,962,354	-	3,962,354	-	-	-
Consumer's utility					2,143,666	-	2,143,666	-	-	-
Motor vehicle decals					208,790	-	208,790	-	-	-
Real estate recordation taxes					712,026	-	712,026	-	-	-
Occupancy, tobacco, and other					3,468,099	-	3,468,099	-	-	-
Grants and contributions not restricted to specific programs					2,038,599	-	2,038,599	-	-	-
Revenue from use of money and property					466,667	1,393,656	1,860,323	185,373	32,290	217,663
Payment from primary government					-	-	-	29,525,579	-	29,525,579
Other					132,001	9,981	141,982	43,039	-	43,039
Special item - gain/(loss) on sale of capital asset					5,000	(3,873)	1,127	-	-	-
Transfers:										
Payments in lieu of taxes					150,000	(150,000)	-	-	-	-
Management fee					2,926,174	(2,926,174)	-	-	-	-
Total General Revenues, Special Items, and Transfers					56,517,331	(1,676,410)	54,840,921	29,753,991	32,290	29,786,281
Change in net assets					(148,200)	(15,155,373)	(15,303,573)	506,995	35,165	542,160
Net Assets - Beginning of Year					40,238,181	77,419,280	117,657,461	4,556,671	694,843	5,251,514
Net Assets - Ending of Year					\$ 40,089,981	\$ 62,263,907	\$ 102,353,888	\$ 5,063,666	\$ 730,008	\$ 5,793,674

**CITY OF FALLS CHURCH, VIRGINIA
BALANCE SHEET
GOVERNMENTAL FUNDS
As of June 30, 2008**

	<u>General Fund</u>	<u>Capital Improvement Project</u>	<u>Other Governmental Funds (Affordable Dwelling Unit)</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 16,710,889	\$ 5,439,204	381,159	\$ 22,531,252
Receivables, net	23,082,019	1,000	-	23,083,019
Receivable from other governmental units	903,077	63,156	-	966,233
Prepaid expenses	31,032	-	-	31,032
Inventories	167,896	-	-	167,896
Deposit on land purchase and other related cost	650,000	-	-	650,000
Restricted assets:				
Cash and cash equivalents	753,575	-	-	753,575
	<u>\$ 42,298,488</u>	<u>\$ 5,503,360</u>	<u>\$ 381,159</u>	<u>\$ 48,183,007</u>
Total Assets				
	<u>\$ 42,298,488</u>	<u>\$ 5,503,360</u>	<u>\$ 381,159</u>	<u>\$ 48,183,007</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 3,047,242	\$ 139,868	\$ -	\$ 3,187,110
Deferred revenue	21,751,668	-	-	21,751,668
Customer deposits	1,265,374	-	-	1,265,374
Due to other funds	4,908,876	176,935	-	5,085,811
	<u>30,973,160</u>	<u>316,803</u>	<u>-</u>	<u>31,289,963</u>
Total liabilities				
	<u>30,973,160</u>	<u>316,803</u>	<u>-</u>	<u>31,289,963</u>
Fund Balances				
Reserved for:				
Inventories	167,896	-	-	167,896
Encumbrances	645,719	543,425	-	1,189,144
Prepaid items	31,032	-	-	31,032
Land Purchase	650,000	-	-	650,000
Unreserved, reported in non-major:				
General Fund:				
Designated for school construction debt service	1,197,880	-	-	1,197,880
Undesignated	8,632,801	-	-	8,632,801
Capital Projects Fund:				
Designated for construction	-	4,643,132	-	4,643,132
Affordable Dwelling Unit Fund				
Designated for affordable dwelling units	-	-	381,159	381,159
	<u>11,325,328</u>	<u>5,186,557</u>	<u>381,159</u>	<u>16,893,044</u>
Total fund balances				
	<u>11,325,328</u>	<u>5,186,557</u>	<u>381,159</u>	<u>16,893,044</u>
Total Liabilities and Fund Balances	<u>\$ 42,298,488</u>	<u>\$ 5,503,360</u>	<u>\$ 381,159</u>	<u>\$ 48,183,007</u>

CITY OF FALLS CHURCH, VIRGINIA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
As of June 30, 2008

Total fund balance, governmental funds		\$ 16,893,044
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	98,996,367	
Less accumulated depreciation	<u>(31,186,731)</u>	67,809,636
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)		1,058,836
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	(42,827,780)	
Premium, discounts and issue costs of bond sale and refundings, net of accumulated amortization	(789,383)	
Deferred amount on refunding, net of accumulated amortization	376,268	
Note payable	(217,500)	
Compensated absences	(1,881,232)	
Capital leases payable	<u>(73,811)</u>	(45,413,438)
Interest on long-term liabilities is not accrued in the governmental funds, but is recognized as an expenditure when due.		
		(662,008)
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.		
		376,176
Certain costs associated with the future purchase of land use current financial resources and therefore are reported as expenditures in the governmental fund financial statements but are reported as a deferred cost in the governmental activities of the Statement of Net Assets to be capitalized later when the purchase of land is finalized.		
		27,735
Net Assets of Governmental Activities in the Statement of Net Assets		<u><u>\$ 40,089,981</u></u>

CITY OF FALLS CHURCH, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2008

	<u>General Fund</u>	<u>Capital Improvement Project</u>	<u>Other Governmental Funds (Affordable Dwelling Unit)</u>	<u>Total Governmental Funds</u>
REVENUES				
Property Taxes	\$ 37,603,499	\$ -	\$ -	\$ 37,603,499
Other local taxes	13,621,231	-	-	13,621,231
Permit, privilege fees, and regulatory licenses	440,771	-	-	440,771
Fines and forfeitures	482,961	-	-	482,961
Revenue from use of money and property	447,333	-	19,334	466,667
Charges for services	1,869,435	-	-	1,869,435
Miscellaneous	108,705	-	-	108,705
Gifts and contributions	1,342,652	-	-	1,342,652
Recovered costs	1,341,695	-	-	1,341,695
Intergovernmental:				
Commonwealth	4,080,055	63,156	-	4,143,211
Federal	207,090	-	-	207,090
	<u>61,545,427</u>	<u>63,156</u>	<u>19,334</u>	<u>61,627,917</u>
Total Revenues	<u>61,545,427</u>	<u>63,156</u>	<u>19,334</u>	<u>61,627,917</u>
EXPENDITURES				
Current:				
General government	6,058,525	-	-	6,058,525
Judicial Administration	1,352,188	-	-	1,352,188
Public safety	8,185,464	-	-	8,185,464
Public works	5,834,441	-	-	5,834,441
Health and welfare	2,465,946	-	142,500	2,608,446
Education and payments to Schools	29,567,369	-	-	29,567,369
Parks, recreation and culture	3,659,333	-	-	3,659,333
Community development	2,175,626	-	-	2,175,626
Economic development	378,698	-	-	378,698
Capital outlay	1,095,143	1,495,831	-	2,590,974
Debt service:				
Principal retirement	3,547,623	-	-	3,547,623
Interest and other fiscal charges	1,710,747	-	-	1,710,747
	<u>66,031,103</u>	<u>1,495,831</u>	<u>142,500</u>	<u>67,669,434</u>
Total Expenditures	<u>66,031,103</u>	<u>1,495,831</u>	<u>142,500</u>	<u>67,669,434</u>
Deficiency of revenues over expenditures	<u>(4,485,676)</u>	<u>(1,432,675)</u>	<u>(123,166)</u>	<u>(6,041,517)</u>
OTHER FINANCING SOURCES/(USES)				
Transfer from Enterprise Funds	3,076,174	-	-	3,076,174
Transfers in/(out)	(3,521,973)	3,521,973	-	-
Proceeds from issuance of bonds	2,428,800	-	-	2,428,800
Proceeds from capital leases	6,550	-	-	6,550
	<u>1,989,551</u>	<u>3,521,973</u>	<u>-</u>	<u>5,511,524</u>
Total Other Financing Sources/(Uses)	<u>1,989,551</u>	<u>3,521,973</u>	<u>-</u>	<u>5,511,524</u>
SPECIAL ITEM				
Contributions to OPEB Trust Fund in excess of Annual Required Contribution	<u>(376,176)</u>	<u>-</u>	<u>-</u>	<u>(376,176)</u>
Net Change in Fund Balances	(2,872,301)	2,089,298	(123,166)	(906,169)
Fund Balances at beginning of year, as adjusted	<u>14,197,629</u>	<u>3,097,259</u>	<u>504,325</u>	<u>17,799,213</u>
Fund Balances at end of year	<u>\$ 11,325,328</u>	<u>\$ 5,186,557</u>	<u>\$ 381,159</u>	<u>\$ 16,893,044</u>

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, 2008

Net change in fund balances - total governmental funds \$ (906,169)

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	2,705,715	
Less current year depreciation and amortization	<u>(2,841,327)</u>	(135,612)

Governmental funds report outlays for the funding of other post-employment benefit liabilities in excess of the annual required contribution. Governmental activities do not report this as expense, rather it is reported as an asset in the governmental activities of the Statement of Net Assets

376,176

Governmental funds report outlays for costs incurred to negotiate the purchase of land that has not yet taken place. In contrast, such costs are reported as an asset in the governmental activities Statement of Net Assets included in the line item "Deposit on land purchase and other related costs".

27,735

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.

(93,529)

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		(438,093)
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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:

Proceeds from issuance of bonds	(2,428,800)	
Current period amortization on premiums and discounts on issuance and refunding of bonds	42,168	
Bond issuance costs	14,155	
Current period amortization of bond issuance costs	(6,595)	
Current period amortization of deferred amount on refunding	(34,511)	
Proceeds from capital leases	(6,550)	
Principal payments on bonds and notes payable	3,462,736	
Principal payments on capital leases	<u>84,887</u>	1,127,490

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	(87,841)	
Change in accrued interest liability	<u>(18,357)</u>	(106,198)

Net Assets of Governmental Activities in the Statement of Net Assets \$ (148,200)

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, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget -</u>
				<u>Positive</u>
				<u>(Negative)</u>
REVENUES				
Property Taxes	\$ 40,175,643	\$ 40,175,643	\$ 37,603,499	\$ (2,572,144)
Other local taxes	13,527,900	13,527,900	13,621,231	93,331
Permit, privilege fees, and regulatory licenses	791,750	791,750	440,771	(350,979)
Fines and forfeitures	446,300	446,300	482,961	36,661
Revenue from use of money and property	687,061	687,061	447,333	(239,728)
Charges for services	1,351,959	1,363,959	1,869,435	505,476
Miscellaneous	26,000	42,767	108,705	65,938
Gifts and contributions	-	123,000	1,342,652	1,219,652
Recovered costs	1,384,696	1,384,696	1,341,695	(43,001)
Intergovernmental:				
Commonwealth	3,961,945	4,054,945	4,080,055	25,110
Federal	1,155,589	1,405,589	207,090	(1,198,499)
Total Revenues	<u>63,508,843</u>	<u>64,003,610</u>	<u>61,545,427</u>	<u>(2,458,183)</u>
EXPENDITURES				
Current:				
General government	6,241,673	6,308,528	6,058,525	250,003
Judicial Administration	1,389,404	1,401,406	1,352,188	49,218
Public safety	8,148,867	8,314,300	8,185,464	128,836
Public works	6,283,952	7,066,872	5,834,441	1,232,431
Health and welfare	3,277,079	3,257,107	2,465,946	791,161
Education and payments to Schools	28,981,090	29,011,090	29,567,369	(556,279)
Parks, recreation and culture	3,648,862	3,672,590	3,659,333	13,257
Community development	2,440,555	2,608,815	2,175,626	433,189
Economic development	404,719	414,619	378,698	35,921
Reserve for contingency	40,000	669,267	-	669,267
Capital outlay	-	2,000,000	1,095,143	904,857
Debt service:				
Principal retirement	3,407,736	3,407,736	3,547,623	(139,887)
Interest and other fiscal charges	1,768,906	1,768,906	1,710,747	58,159
Total Expenditures	<u>66,032,843</u>	<u>69,901,236</u>	<u>66,031,103</u>	<u>3,870,133</u>
Excess (deficiency) of revenues over expenditures	<u>(2,524,000)</u>	<u>(5,897,626)</u>	<u>(4,485,676)</u>	<u>1,411,950</u>
OTHER FINANCING SOURCES (USES)				
Transfer from Enterprise Funds	2,524,000	2,524,000	3,076,174	552,174
Transfers in/(out)	(3,414,000)	(3,641,500)	(3,521,973)	119,527
Proceeds from issuance of bonds	-	2,000,000	2,428,800	428,800
Proceeds from capital leases	-	-	6,550	6,550
Total other financing sources and uses	<u>(890,000)</u>	<u>882,500</u>	<u>1,989,551</u>	<u>1,107,051</u>
SPECIAL ITEM				
Excess funding of OPEB Annual Required Contribution	<u>(1,236,805)</u>	<u>(1,236,805)</u>	<u>(376,176)</u>	<u>860,629</u>
Net change in fund balances	<u>(4,650,805)</u>	<u>(6,251,931)</u>	<u>(2,872,301)</u>	<u>3,379,630</u>
Fund balances - beginning	<u>14,197,629</u>	<u>14,197,629</u>	<u>14,197,629</u>	<u>-</u>
Fund balances - ending	<u>\$ 9,546,824</u>	<u>\$ 7,945,698</u>	<u>\$ 11,325,328</u>	<u>\$ 3,379,630</u>

CITY OF FALLS CHURCH, VIRGINIA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
As of June 30, 2008

	Business-Type Activities - Enterprise Funds		
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
ASSETS			
Current:			
Cash and cash equivalents	\$ 17,118,087	\$ 7,891,118	\$ 25,009,205
Investments, at Fair Value	3,525,120	-	3,525,120
Due from other funds	63,004	2,333	65,337
Receivables, net:			
Billed and other	1,767,983	454,165	2,222,148
Unbilled	3,035,000	544,000	3,579,000
Inventories	335,682	4,564	340,246
Total current assets	<u>25,844,876</u>	<u>8,896,180</u>	<u>34,741,056</u>
Non-current assets:			
Deferred OPEB charges	180,558	17,266	197,824
Deferred bond issuance cost, net	98,348	-	98,348
Capital assets:			
Non-depreciable	4,781,918	-	4,781,918
Depreciable, net	46,279,987	2,677,973	48,957,960
Total non-current assets	<u>51,340,811</u>	<u>2,695,239</u>	<u>54,036,050</u>
Total Assets	<u>77,185,687</u>	<u>11,591,419</u>	<u>88,777,106</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	7,103,883	3,609,550	10,713,433
Accrued interest payable	153,447	-	153,447
Bonds payable	695,000	138,777	833,777
Accrued compensated absences	337,400	15,233	352,633
Total current liabilities	<u>8,289,730</u>	<u>3,763,560</u>	<u>12,053,290</u>
Noncurrent liabilities:			
Bonds payable, net of current amount	12,125,000	2,293,632	14,418,632
Discounts and premiums on bonds payable, net	(30,644)	-	(30,644)
Compensated absences, net of current amount	69,725	2,196	71,921
Total Liabilities	<u>20,453,811</u>	<u>6,059,388</u>	<u>26,513,199</u>
NET ASSETS			
Invested in capital assets, net of related debt	48,400,178	2,677,973	51,078,151
Unrestricted	8,331,698	2,854,058	11,185,756
Total net assets	<u>\$ 56,731,876</u>	<u>\$ 5,532,031</u>	<u>\$ 62,263,907</u>

CITY OF FALLS CHURCH, VIRGINIA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
For the Year Ended June 30, 2008

	Business-Type Activities - Enterprise Funds		
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Operating Revenues:			
Charges for services	\$ 19,525,982	\$ 2,426,416	\$21,952,398
Rentals	169,106	-	169,106
Miscellaneous	9,981	-	9,981
Total Operating Revenues	<u>19,705,069</u>	<u>2,426,416</u>	<u>22,131,485</u>
Operating Expenses:			
Source of supply	9,821,805	-	9,821,805
Distribution system	1,671,699	-	1,671,699
Collection and disposal	-	1,531,856	1,531,856
Water connections	383,143	-	383,143
Administration	8,458,261	238,374	8,696,635
Depreciation	1,809,143	81,667	1,890,810
Total Operating Expenses	<u>22,144,051</u>	<u>1,851,897</u>	<u>23,995,948</u>
Operating income (loss)	<u>(2,438,982)</u>	<u>574,519</u>	<u>(1,864,463)</u>
NON-OPERATING REVENUES (EXPENSES)			
Availability fees	763,988	78,333	842,321
Interest and investment revenue	955,667	268,883	1,224,550
Loss on disposition of capital assets	(3,873)	-	(3,873)
Interest expense	(433,234)	(22,268)	(455,502)
Payments to the Department of Army for the Residuals project	(8,795,306)	-	(8,795,306)
Payments to Arlington County for the Sewer Treatment Plant upgrade	-	(3,178,529)	(3,178,529)
Payments to Fairfax County for the Sewer Treatment Plant upgrade	-	(328,308)	(328,308)
Total Non-Operating Expense	<u>(7,512,758)</u>	<u>(3,181,889)</u>	<u>(10,694,647)</u>
Income Before Contributions and Transfers	(9,951,740)	(2,607,370)	(12,559,110)
Capital contributions	479,911	-	479,911
Transfers to General Fund:			
Payments in lieu of taxes	(110,000)	(40,000)	(150,000)
Management fee	(2,926,174)	-	(2,926,174)
Change in net assets	(12,508,003)	(2,647,370)	(15,155,373)
Total net assets at beginning of year	<u>69,239,879</u>	<u>8,179,401</u>	<u>77,419,280</u>
Total net assets at end of year	<u>\$ 56,731,876</u>	<u>\$ 5,532,031</u>	<u>\$62,263,907</u>

CITY OF FALLS CHURCH, VIRGINIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2008

	Business-Type Activities - Enterprise Funds		
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 21,003,250	\$ 2,617,050	\$ 23,620,300
Payments to suppliers	(12,881,454)	(1,441,247)	(14,322,701)
Payments to employees	(4,194,336)	(271,188)	(4,465,524)
Payments for interfund services used	(1,015,926)	(115,257)	(1,131,183)
	<u>2,911,534</u>	<u>789,358</u>	<u>3,700,892</u>
Net Cash Provided by Operating Activities			
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES			
Issuance of noncapital loan	8,220,000	2,560,357	10,780,357
Debt issuance cost	(84,643)	-	(84,643)
Discounts on issuance of bonds	(30,644)	-	(30,644)
Payments of principal on noncapital loan	(189,614)	(134,706)	(324,320)
Payments of interest on noncapital loan	(226,598)	(9,906)	(236,504)
Payments in lieu of taxes	(110,000)	(40,000)	(150,000)
Management fee transfer to General Fund	(5,831,295)	-	(5,831,295)
Payments to the Department of Army for the Residuals project	(8,095,818)	-	(8,095,818)
Payments to Arlington County for the Sewer Treatment Plant upgrade	-	(678,916)	(678,916)
Payments to Fairfax County for the Sewer Treatment Plant upgrade	-	(273,590)	(273,590)
	<u>(6,348,612)</u>	<u>1,423,239</u>	<u>(4,925,373)</u>
Net Cash Provided by (Used in) NonCapital and Related Financing Activities			
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Receipts from customers for availability fees	763,988	78,333	842,321
Acquisition and construction of capital assets	(1,273,272)	(192,558)	(1,465,830)
Payments of principal on construction and acquisition loan	(260,386)	-	(260,386)
Payments of interest on construction and acquisition loan	(113,730)	-	(113,730)
	<u>(883,400)</u>	<u>(114,225)</u>	<u>(997,625)</u>
Net Cash Provided by Capital and Related Financing Activities			
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of investments	2,250,000	-	2,250,000
Interest and dividends received	868,636	268,883	1,137,519
	<u>3,118,636</u>	<u>268,883</u>	<u>3,387,519</u>
Net Cash Provided by Investing Activities			
Net Increase/(Decrease) in Cash and Cash Equivalents	<u>(1,201,842)</u>	<u>2,367,255</u>	<u>1,165,413</u>
Cash and Cash Equivalents, Beginning of Year	<u>18,319,929</u>	<u>5,523,863</u>	<u>23,843,792</u>
Cash and Cash Equivalents, End of Year	<u>\$ 17,118,087</u>	<u>\$ 7,891,118</u>	<u>\$ 25,009,205</u>
Reconciliation of Operating Income to Net Cash Used in Operating Activities:			
Operating income (loss)	<u>\$ (2,438,982)</u>	<u>\$ 574,519</u>	<u>(1,864,463)</u>
Adjustments to reconcile operating income (loss) to net cash provided by operating activities			
Depreciation expense	1,809,143	81,667	1,890,810
Bad debt expense	(5,235)	(21,342)	(26,577)
Changes in operating assets and liabilities:			
(Increase)/decrease in:			
Accounts receivable	1,223,361	189,442	1,412,803
Inventory	56,148	(862)	55,286
Deferred OPEB Charges	(180,558)	(17,266)	(197,824)
Increase/(decrease) in:			
Accounts payable and accrued liabilities	3,565,187	97,212	3,662,399
Accrued compensated absences	22,705	2,607	25,312
Due to other funds	(1,140,235)	(116,619)	(1,256,854)
Total adjustments	<u>5,350,516</u>	<u>214,839</u>	<u>5,565,355</u>
Net Cash Provided by Operating Activities	<u>\$ 2,911,534</u>	<u>\$ 789,358</u>	<u>\$ 3,700,892</u>
Supplemental Schedule of Noncash Investing, Capital and Financing Activities:			
Contributions of capital assets	<u>\$ 479,911</u>	<u>\$ 16,355</u>	<u>\$ 496,266</u>
Gain or (loss) on disposal of capital assets	<u>\$ (3,873)</u>	<u>\$ -</u>	<u>\$ (3,873)</u>
Increase in fair value of investments	<u>\$ 115,035</u>	<u>\$ -</u>	<u>\$ 115,035</u>

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

CITY OF FALLS CHURCH, VIRGINIA
STATEMENT OF FIDUCIARY NET ASSETS
As of June 30, 2008

	Post- Employment Trust Funds	Agency Funds
ASSETS		
Cash and cash equivalents	\$ 4,650,967	\$ 1,787,240
Investments:		
Domestic equity securities	31,542,461	-
Domestic fixed income securities	18,900,286	-
International equity securities	16,993,056	-
Real estate	4,334,539	-
Other	126,047	-
Total investments	71,896,389	-
Contributions receivable:		
Employer	56,122	-
Interest and dividend receivable	10,851	-
Other receivables	-	1,413,477
Due from general fund	-	1,116,171
	76,614,329	4,316,888
Total Assets	76,614,329	4,316,888
LIABILITIES		
Accounts payable	16,892	-
Due to general fund	354,681	2,185
Due to other governments	-	4,314,703
	371,573	\$ 4,316,888
Total Liabilities	371,573	\$ 4,316,888
NET ASSETS		
Held in trust for pension benefits	74,619,606	
Held in trust for other post-employment benefits	1,623,150	
	76,242,756	
Total Net Assets	\$ 76,242,756	

CITY OF FALLS CHURCH, VIRGINIA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
POST-EMPLOYMENT TRUST FUNDS
For the Year Ended June 30, 2008

ADDITIONS

Employer contributions	\$ 2,685,623
Investment earnings:	
Interest	434,366
Dividends	1,056,614
Net decrease in the fair value of investments	<u>(4,657,286)</u>
Total investment earnings	(3,166,306)
Less investment expense	<u>(406,261)</u>
Net investment earnings	<u>(3,572,567)</u>
 Total Additions	 <u>(886,944)</u>

DEDUCTIONS

Benefits	2,893,261
Administration	<u>46,610</u>
 Total Deductions	 <u>2,939,871</u>
 Change in Net Assets	 (3,826,815)
Net Assets at Beginning of Year	<u>80,069,571</u>
 Net Assets at End of Year	 <u>\$ 76,242,756</u>

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

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

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

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

B. Basis of Presentation

Government-wide Financial Statements. The government-wide financial statements (i.e., the statement of net 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

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008

by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other revenues not properly included among program revenues are reported instead as general revenues.

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

The following are the major funds of the City:

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

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

The City also reports the following fiduciary funds:

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

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer funds are charges to customers for sales and services. The water fund also includes as operating revenue, the availability fees charged to new customers. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

For the other post-employment trust fund, 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.

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008

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, 2008, the pooled cash and cash equivalents have been allocated between the City and the respective component units based upon their respective ownership percentages. Interest earned, less an administrative charge, is generally allocated to the respective funds and component units based on each fund's or component unit's equity in the pooled account except when City Council authorizes the allocation of the fund's interest income into the General Fund.

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

2. *Investments*

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

3. *Receivables and Payables*

Activities within the funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide statement of net assets as "internal balances".

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

Accounts payable and accrued liabilities include amounts due to vendors and employees for goods and services received as of June 30, 2008.

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 to the purchase of public safety equipment and land for road construction.

6. *Deposit for Land Purchase*

Outlays for the purchase of land that have not yet settled as of the end of the fiscal year are reported as deposit both in the Balance Sheet and Statement of Net Assets.

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008

7. Capital Assets

Capital assets, which include land, buildings, improvements, machinery and equipment, library collections, and infrastructure assets (e.g., roads, sidewalks, water and sewer systems, and similar items), and intangible assets (e.g., software, easements, etc.) that individually cost \$5,000 or more, with useful lives greater than one year are reported in the proprietary funds and applicable governmental or business-type activities columns in the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed and actual costs are not known. Donated capital assets are recorded at estimated fair value at the date of donation. Capital assets are depreciated/amortized over their estimated useful lives using the straight-line method. Capital assets that have an indefinite useful life is not depreciated nor amortized. The estimated useful lives are as follows:

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

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

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

8. 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, 2008, 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.

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

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008

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 no restricted net assets as of June 30, 2008.

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 General Fund Unreserved Fund Balances and Enterprise Fund Net Assets

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

At June 30, 2008, management has designated up to approximately \$24.7 million of the Water Fund unrestricted net assets to provide for future increased capacity as needed. Such net assets are primarily comprised of accumulated availability fees received from Water Fund customers.

City Council also designated up to approximately \$2.1 million of the Sewer Fund unrestricted net assets for future increased capacity. These net assets consist of accumulated availability fees received from Sewer Fund customers.

E. Recovered Costs

Reimbursements from another government are recorded as recovered costs. Likewise, reimbursements from the Water and Sewer funds for services provided by the General Fund are reported as recovered costs in the governmental fund financial statements, and have been eliminated in the preparation of the government-wide financial statements. The total amount eliminated is approximately \$1.15 million for fiscal year 2008.

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F. Intergovernmental Agreements

During 2008, the City had agreements with several governmental units to provide certain governmental services to the City. They are detailed below:

1. County of Fairfax

The City, the County of Fairfax (the County), and the City of Fairfax comprise the Fairfax-Falls Church Community Services Board (CSB), established under State mandate in 1969, to provide mental health, mental retardation and drug and alcohol abuse treatment services to residents of the three jurisdictions. The CSB uses the County as its fiscal agent. Payments to CSB are recorded as expenses in the government-wide financial statements and as expenditures in the General Fund financial statements. During 2008, the City paid CSB approximately \$640 thousand.

The City also makes payments to the County for the full cost of the local portion of public assistance payments and for the use of special County health facilities by the City's residents. During 2008, the City paid the County approximately \$765 thousand for these services. Such payments are recorded as expenses in the government-wide financial statements and as expenditures in the General Fund.

The City also uses the County's landfills. For these services, the City paid the County approximately \$156 thousand in 2008. These payments are recorded as expenses in the government-wide financial statements and as expenditures in the General Fund.

The City also has an agreement with the County to share in the cost of its sewage treatment facilities. During 2008, the City paid the County approximately \$1.17 million for sewage treatment costs. This cost is recorded as an expense in the Enterprise Funds. \$328 thousand of this cost is the City's share of major upgrades to the treatment facilities in order for the facilities to be in compliance with new standards issued by the United States Environmental Protection Agency.

2. County of Arlington

The City contracts its fire and rescue, and judicial services, to Arlington County, Virginia. During 2008, the City paid Arlington County approximately \$1.50 million for fire and rescue services. The City paid Arlington County approximately \$716 thousand for judicial services in 2008.

The City also receives payment from Arlington County for Arlington County's share of the cost of operating a girls' home facility. Payments received during 2008 amounted to approximately \$442 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 2008, the City paid Arlington County approximately \$3.53 million. \$3.18 million of this cost is the City's share of major upgrades to the treatment facilities in order for the facilities to be in compliance with new standards issued by the United States Environmental Protection Agency.

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

The City has an agreement with the Department of Army to purchase water and to share water treatment facility capital costs. For the fiscal year ended June 30, 2008, the City paid approximately \$5.40 million to the Department of Army for water, which is recorded as an expense in the enterprise Funds. The City paid approximately \$1.91 towards the water treatment facility costs. In addition, during FY2008, the City paid approximately \$8.80 million to the Department of Army for its share of the upgrades to the water treatment facility costs. These payments are remitted into a bank account in the City's name from which the Department of Army draws down. A corresponding liability is recorded in the enterprise Funds for the remaining

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balance less accumulated interest earnings. As of June 30, 2008, the remaining balance was approximately \$5.24 million and the liability was approximately \$4.40 million.

4. Northern Virginia Criminal Justice Training Academy (NVCJA)

Along with other local jurisdictions, the City entered into an agreement to assist in financing the operations and debt service of NVCJA. NVCJA was established to provide training to local law enforcement officers. The City appoints members of the governing body of NVCJA, however, it does not retain an ongoing financial interest in NVCJA. The City paid NVCJA approximately \$45 thousand for its share of the operating and debt service costs for the fiscal year ended June 30, 2008. These are recorded as expenditures in the General Fund.

G. Joint Ventures

1. Northern Virginia Transportation Commission (NVTC)

The NVTC is a joint venture among the cities of Alexandria, Fairfax, and Falls Church and the counties of Arlington, Fairfax, and Loudoun. It was established to improve the transportation systems composed of transit facilities, public highways, and other modes of transportation. The Commonwealth of Virginia has authorized a 2% fuel tax to be used for transportation systems through NVTC. While each jurisdiction effectively controls NVTC's use of motor fuel tax proceeds from that jurisdiction, they do not have an explicit measurable equity interest in NVTC. Information regarding NVTC is provided in NVTC's separate, published financial statements, which are available to the general public from its offices at 4350 North Fairfax Drive, Suite 720, Arlington, VA 22204.

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, 2008, the City's required contributions amounted to approximately \$2.5 million, \$2.1 million of which was paid through the City's participation in the NVTC and the remaining \$455,000 was paid out of the City's General Fund. The City anticipates its annual required contribution in fiscal year 2009 to be consistent with fiscal year 2008. Complete financial statements of WMATA may be obtained from WMATA, 600 5th Street, NW, Washington, DC 20001.

H. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. For the year ended June 30, 2008 the Water fund and Sewer fund estimated unbilled receivables in the amount of \$3.03 million and \$544 thousand, respectively, for the period March 2008 through June 30, 2008. Accordingly, actual results could differ from those estimates.

I. Prior Period Adjustment

In FY2008, the City began presenting as a minor fund, the Affordable Dwelling Unit (ADU) Fund. In previous years, the activities and balances of this fund were included in the General Fund. This change in presentation resulted in the reduction of the beginning fund balance of the General Fund by \$504,325.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

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

- a. On a date fixed by the Council, the City Manager submits to the Council budgets for the general operation of the City government for the fiscal year commencing July 1.
- b. Public hearings are conducted to obtain citizen comments.
- c. The budget is legally enacted through passage of an appropriation ordinance. If, for any reason, the Council fails to adopt the appropriation ordinance prior to July 1, the previous fiscal year's budget remains in effect on a month-to-month basis until the Council adopts the budgets.
- d. The appropriation ordinance places legal restrictions on expenditures at the fund level. During the course of the fiscal year, the Council may revise the appropriation for each fund through an ordinance. The Council may also revise the appropriations for each department through a resolution. The City Manager is authorized to transfer unencumbered balances within departments only.
- e. The action of the Council on the school budget relates to the total budget only and the School Board has the authority to expend at its discretion the sum appropriated for its use, provided that if it receives an appropriation greater or less than its original request, it must revise its estimates of expenditures and adjust appropriations accordingly. The School Board has the power to order transfers from one item of appropriation to another during the course of the fiscal year.
- f. Unencumbered appropriations lapse on June 30 for all City units except for those of the Capital Projects Fund, which are carried into the following year on a continuing appropriation basis. Encumbrance accounting is employed in governmental funds. Encumbrances outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because; rather, the commitments are automatically reappropriated and honored during the subsequent year.
- g. Original and final budgeted amounts are shown; amendments were not significant in relation to the original budget except for the amendments related to school construction and open space acquisition. Budget amendments may be approved by the City Council subsequent to adoption of the original budget throughout the year.

B. Excess of Expenditures Over Appropriations

For the fiscal year ended June 30, 2008, expenditures exceeded appropriations for education and transfers to schools by \$556 thousand and for principal debt service by \$140 thousand, which are considered to be departments (the legal level of budgetary control). The education appropriation was exceeded by the amount paid by the General Fund to the other post-employment benefits trust fund on behalf of the School Board to meet its annual required contribution. This amount was included in the general fund's budget under the line item "Excess funding of OPEB Annual Required Contribution". The appropriation for principal payments was exceeded by the amount of principal on the \$6.3 million bond issued in March 2007.

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III. DETAILED NOTES ON ALL FUNDS

A. Cash, Cash Equivalents and Investments

1. Deposits

As of June 30, 2008, all of the reporting entity's deposits were covered by federal depository insurance or collateralized in accordance with the Virginia Security for Public Deposits Act (Act). The Act provides for the pooling of collateral pledged with the Treasurer of Virginia to secure public deposits as a class. No specific collateral can be identified as security for one public depositor and public depositors are prohibited from holding collateral in their name as security for deposits. The State Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying local governments of compliance by banks and savings and loan associations. A multiple financial institution collateral pool that provides for additional assessments is similar to depository insurance. If any member financial institution fails, the entire collateral pool becomes available to satisfy the claims of governmental entities. If the value of the pool's collateral were inadequate to cover the loss, additional amounts would be assessed on a pro rata basis to the members of the pool. Therefore, funds deposited in accordance with the requirements of the Act are considered to be fully insured.

The following is a summary of the reporting entity's public deposits and petty cash as of June 30, 2008.

	Carrying Value	Bank Balance
Deposits:		
Primary government	\$ 17,501,192	\$ 18,535,047
Component units	121,237	132,824
Total deposits	<u>17,622,429</u>	<u>18,667,871</u>
Petty Cash:		
Primary government	3,838	-
Component units	4,300	-
Total petty cash	<u>8,138</u>	<u>-</u>
Total Deposits and Petty Cash	<u>\$ 17,630,567</u>	<u>\$ 18,667,871</u>

The differences between carrying values and bank balances generally result from outstanding checks and deposits in transit as of June 30, 2008.

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.

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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, 2008, 69% of the portfolio was invested in the Virginia LGIP, 13% was invested in overnight repurchase agreements collateralized with U.S. Treasury or agency obligations, and 8% was invested in money market accounts. Virginia LGIP is a 2A-7 like investment pools with "AAA" rating. Collateral for the repurchase agreements is U.S. Treasury obligations and thus are not rated. The remaining 10% of the portfolio was invested in obligations of the U.S. Government or agencies.

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

Interest Rate Risk: As a means of limiting exposure to fair value losses arising from rising interest rates, the City's Policy limits the investment of operating funds to investments with a stated maturity of no more than 1 year from the date of purchase, with no more than 10% with maturities of more than six months from date of purchase. Reserve funds for the Water and Sewer Enterprise Funds may be invested in securities with longer maturities. Proceeds from the sale of bonds must be invested in Virginia SNAP.

As of June 30, 2008, the carrying values and maturity of the City's investments were as follows:

Investment Type	Fair Value	Maturing in Less Than One Year
Primary Government:		
Money market funds - Virginia LGIP	\$ 23,968,016	\$ 23,968,016
Money market funds - Virginia SNAP	3,139	3,139
Money market funds	2,677,847	2,677,847
Overnight repurchase agreements	4,140,000	4,140,000
Federal agency bonds and notes	1,506,720	1,506,720
US Treasury notes	2,018,400	2,018,400
	34,314,122	34,314,122
Component Unit - School Board:		
Money market funds - Virginia LGIP	2,453,633	2,453,633
	2,453,633	2,453,633
Total Investments	\$ 36,767,755	\$ 36,767,755

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Federal agency bonds and notes include investments in the following agencies and are not rated:

Agency	Fair Value
Federal Home Loan Mortgage Corporation	\$ 502,970
Federal Home Loan Bank	501,875
Federal National Mortgage Association	501,875
	\$ 1,506,720

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, 2008, all of the City's investments are held in a bank's trust department in the City's name. All cash of the City is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et. seq. of the Code of Virginia or covered by federal depository insurance.

Post-Employment Funds

As of June 30, 2008, the City's post-employment funds had the following investments:

Investment Type	Fair Value
Held by Trustees - Post-Employment Funds:	
Money market funds	\$ 4,650,967
Domestic equities	31,542,461
Domestic fixed income	18,900,286
International equities	16,993,056
Real estate securities	4,334,539
Other	126,047
	\$ 76,547,356
Total Investments	\$ 76,547,356

Pension Funds

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

Concentration of Credit Risk. The Policy establishes limitations on portfolio composition by issuer and by investment type in order to control concentration of credit risk. It is the responsibility of the Pension Board to rebalance the portfolio. The following table shows concentration of credit risk as allowed by the investment policy, as adopted June 2004, and actual concentration as of June 30, 2008:

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	Minimum	Maximum	Actual as of June 30, 2008
Domestic equities	47%	63%	44%
Domestic fixed income	25%	35%	26%
International equities	7%	15%	24%
Real estate	3%	8%	6%

The performance of specific investment types in the portfolio will periodically result in actual balances above or below the limitations set by policy. International equities exceeded the limits at June 30, however the Pension Board voted to rebalance the portfolio at their meeting on August 8, 2008.

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

Other Post-Employment Benefits (OPEB) Fund

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

Concentration of Credit Risk. The Policy establishes limitations on portfolio composition by issuer and by investment type in order to control concentration of credit risk. It is the responsibility of the Finance Board to direct the funds manager to rebalance the portfolio. The following table shows concentration of credit risk as allowed by the investment policy, as adopted October 2007, and actual concentration as of June 30, 2008:

	Minimum	Maximum	Actual as of June 30, 2008
Domestic equities	47%	63%	37%
Domestic fixed income	25%	35%	27%
International equities	7%	15%	12%
Real estate	3%	8%	5%

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

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B. Receivables

Receivables and allowances for uncollectible receivables of the primary government as of June 30, 2008, consist of the following:

	General Fund	Capital Projects Fund	Water Fund	Sewer Fund	Total	Fiduciary Funds	Total Primary Government
<i>Receivables:</i>							
<i>Accounts:</i>							
Billed	\$ 723,249	\$ 1,000	\$ 2,260,913	\$ 494,165	\$ 3,479,327	\$ -	\$ 3,479,327
Unbilled	75,000	-	3,035,000	544,000	3,654,000	-	3,654,000
Other	459,096	-	-	-	459,096	-	459,096
Accrued interest	-	-	31,070	-	31,070	66,973	98,043
<i>Property taxes:</i>							
Delinquent	1,714,658	-	-	-	1,714,658	-	1,714,658
Not yet due	20,510,116	-	-	-	20,510,116	-	20,510,116
Total receivables	23,482,119	1,000	5,326,983	1,038,165	29,848,267	66,973	29,915,240
<i>Allowances for uncollectibles:</i>							
Accounts	10,000	-	524,000	40,000	574,000	-	574,000
<i>Property taxes:</i>							
Delinquent	336,500	-	-	-	336,500	-	336,500
Not yet due	53,600	-	-	-	53,600	-	53,600
Total allowances for uncollectibles	400,100	-	524,000	40,000	964,100	-	964,100
Total Net Receivables	\$ 23,082,019	\$ 1,000	\$ 4,802,983	\$ 998,165	\$ 28,884,167	\$ 66,973	\$ 28,951,140

Delinquent property taxes receivable from taxpayers in the General Fund as of June 30, 2008, consist of the following:

Year of Levy	Real Estate	Personal Property	Total
2008	\$ 622,433	\$ -	\$ 622,433
2007	300,628	64,765	365,393
2006	133,803	46,845	180,648
2005	80,797	32,984	113,781
Prior years	209,544	222,859	432,403
Total delinquent taxes	1,347,205	367,453	1,714,658
Allowances for Uncollectibles	-	(336,500)	(336,500)
Net Delinquent Tax Receivables	\$ 1,347,205	\$ 703,953	\$ 2,051,158

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

Personal property taxes on vehicle and business property are levied as of January 1 of each year, based on their estimated fair market value, and are due on October 5. The allowance of \$390,100 is based on prior collections.

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The City reports real estate and personal property taxes (net of allowances) assessed for calendar year 2008 as receivables because the City has an enforceable legal claim to these resources at June 30, 2008; however, some of these resources, which amount to approximately \$18.08 million for real property and approximately \$3.2 million for personal property, will not be available to the City until fiscal year 2008 and are therefore recognized as deferred revenue. A detailed breakdown of the components of deferred revenue at June 30, 2008 can be found at note III E.

Receivables of component units as of June 30, 2008, consist of the following:

School Board	
Receivables:	
Accounts	\$ 97,169
Total net receivables	\$ 97,169

Based on prior years' collection history, no allowance is deemed necessary for the receivables of the component units.

C. Interfund Balances and Transfers

The City's cash receipt and disbursement transactions are initiated in the General Fund. Amounts applicable to the other funds are transferred thereto through interfund receivable and payable accounts. Interfund receivables and payables typically result when funds overdraw their share of the pooled cash. All amounts are expected to be paid within one year. The following table shows what comprises the interfund balances as of June 30, 2008:

Receivable Fund	Amount	Payable Fund	Amount
General Fund	\$ 533,802	Post-Retirement Funds	\$ 354,681
		Capital Projects Fund	176,935
		Agency Funds	2,185
Water Fund	63,004	General Fund	63,004
Sewer Fund	2,333	General Fund	2,333
Component Units - School Board	4,261,169	General Fund	4,261,169
Agency Funds	1,116,172	General Fund	1,116,172
	\$ 5,976,479		\$ 5,976,479

The primary purpose of interfund transfers is to provide funding for capital projects. Transfers are also made from the water fund to the general fund for payments in lieu of taxes and for management fee. Transfers are made from the sewer fund to the general fund for payments in lieu of taxes. Interfund transfers for the year ended June 30, 2008, are as follows:

Transfer out:	Transfer In:	
	General Fund	Capital Projects Fund
General Fund	\$ -	\$ 3,641,500
Capital Projects Fund	119,527	-
Water Fund	3,036,174	-
Sewer Fund	40,000	-
	\$ 3,195,701	\$ 3,641,500

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
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D. Capital Assets

Capital assets activity for the primary government for the year ended June 30, 2008 , is as follows:

	Balances		Balances	
	June 30, 2007	Increases	Decreases	June 30, 2008
Primary Government:				
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 6,955,907	\$ 1,132,781	\$ -	\$ 8,088,688
Construction in progress	61,788	55,340	41,907	75,221
Total capital assets not being depreciated	<u>7,017,695</u>	<u>1,188,121</u>	<u>41,907</u>	<u>8,163,909</u>
Capital assets being depreciated:				
Buildings and systems	62,615,248	442,498	-	63,057,746
Improvements other than buildings	4,725,155	55,297	-	4,780,452
Machinery and equipment	9,660,346	845,849	179,351	10,326,844
Intangible	1,448,015	43,930	98,529	1,393,416
Infrastructure	9,242,950	-	-	9,242,950
Library collections	2,023,881	176,932	167,548	2,033,265
Total capital assets being depreciated	<u>89,715,595</u>	<u>1,564,506</u>	<u>445,428</u>	<u>90,834,673</u>
Less accumulated depreciation for:				
Buildings and systems	12,743,294	1,391,841	-	14,135,135
Improvements other than buildings	1,472,328	263,640	-	1,735,968
Machinery and equipment	6,337,321	769,500	179,351	6,927,470
Intangible	1,302,285	38,409	-	1,340,694
Infrastructure	5,318,344	179,694	-	5,498,038
Library collections	1,520,946	198,243	167,548	1,551,641
Total accumulated depreciation	<u>28,694,518</u>	<u>2,841,327</u>	<u>346,899</u>	<u>31,188,946</u>
Total capital assets being depreciated, net	<u>61,021,077</u>	<u>(1,276,821)</u>	<u>98,529</u>	<u>59,645,727</u>
Total capital assets, net - Governmental activities	\$ 68,038,772	\$ (88,700)	\$ 140,436	\$ 67,809,636
Business-type activities:				
<u>Water</u>				
Capital assets not being depreciated:				
Land	2,594,882	-	-	2,594,882
Construction in progress	1,125,778	1,061,258	-	2,187,036
Total capital assets not being depreciated	<u>3,720,660</u>	<u>1,061,258</u>	<u>-</u>	<u>4,781,918</u>
Capital assets being depreciated:				
Buildings and systems	81,188,109	960,581	12,910	82,135,780
Machinery and equipment	1,363,901	27,075	-	1,390,976
Improvements other than building	51,791	10,134	-	61,925
Intangible	31,301	-	-	31,301
Total capital assets being depreciated	<u>82,635,102</u>	<u>997,790</u>	<u>12,910</u>	<u>83,619,982</u>
Less accumulated depreciation for:				
Buildings and systems	34,639,957	1,714,445	9,037	36,345,365
Machinery and equipment	878,195	79,955	-	958,150
Improvements other than building	-	5,179	-	5,179
Intangible	21,737	9,564	-	31,301
Total accumulated depreciation	<u>35,539,889</u>	<u>1,809,143</u>	<u>9,037</u>	<u>37,339,995</u>
Total capital assets being depreciated, net	<u>47,095,213</u>	<u>(811,353)</u>	<u>3,873</u>	<u>46,279,987</u>
Total capital assets, net - Water	<u>50,815,873</u>	<u>249,905</u>	<u>3,873</u>	<u>51,061,905</u>

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	Balances			Balances
	June 30, 2007	Increases	Decreases	June 30, 2008
Primary Government (continued):				
Business-type activities (continued):				
<u>Sewer</u>				
Capital assets being depreciated:				
Buildings and systems	\$ 4,123,321	\$ 166,746	\$ -	\$ 4,290,067
Machinery and equipment	128,783	25,812	-	154,595
Total capital assets being depreciated	4,252,104	192,558	-	4,444,662
Less accumulated depreciation for:				
Buildings and systems	1,583,328	68,616	-	1,651,944
Machinery and equipment	101,694	13,051	-	114,745
Total accumulated depreciation	1,685,022	81,667	-	1,766,689
Total capital assets being depreciated, net	2,567,082	110,891	-	2,677,973
Total capital assets, net - Sewer	2,567,082	110,891	-	2,677,973
Total capital assets, net - Business-type activities	53,382,955	(462,322)	1,268,783	53,739,878
Total capital assets, net - Primary Government	\$ 121,421,727	\$ (551,022)	\$ 1,409,219	\$ 121,549,514

Capital assets activity for component units for the year ended June 30, 2008 , is as follows:

	Balances			Balances
	June 30, 2007	Increases	Decreases	June 30, 2008
Component Units				
School Board:				
Capital assets not being depreciated:				
Land	\$ 1,273,354	\$ -	\$ -	\$ 1,273,354
Total capital assets not being depreciated	1,273,354	-	-	1,273,354
Capital assets being depreciated:				
Buildings and system	1,202,996	-	-	1,202,996
Machinery and equipment	1,939,448	166,777	-	2,106,225
Improvements other than buildings	-	10,532	-	10,532
Library collections	617,318	60,462	52,329	625,451
Intangible	7,996	-	-	7,996
Total capital assets being depreciated	3,767,758	237,771	52,329	3,953,200
Less accumulated depreciation for:				
Buildings and system	162,838	33,898	-	196,736
Machinery and equipment	1,040,476	240,487	-	1,280,963
Improvements other than buildings	-	176	-	176
Library collections	395,893	76,624	52,329	420,188
Intangible	3,553	2,665	-	6,218
Total accumulated depreciation	1,602,760	353,850	52,329	1,904,281
Total capital assets being depreciated, net	2,164,998	(116,079)	-	2,048,919
Total capital assets, net - School Board	3,438,352	(116,079)	-	3,322,273
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

CITY OF FALLS CHURCH, VIRGINIA
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Depreciation expense for the year ended June 30, 2008, charged to the functions of the primary government and component units is as follows:

	Depreciation Expense
Primary Government:	
Governmental activities:	
General government administration	\$ 166,334
Judicial administration	39,248
Public safety	384,676
Public works	465,376
Health and welfare	3,817
Education	1,300,094
Parks, recreation, and cultural	469,414
Community development	11,027
Economic development	1,341
Total depreciation expense - Governmental activities	<u>2,841,327</u>
Business-type activities:	
Water administration	1,809,143
Sewer administration	81,667
Total depreciation expense - Business-type activities	<u>1,890,810</u>
Total depreciation expense - Primary Government	<u>\$ 4,732,137</u>
Component Units:	
School Board	
Education	<u>\$ 353,850</u>
Total depreciation expense - Component Units	<u>\$ 353,850</u>

E. Deferred Revenue

Governmental activities and funds defer revenue recognition in connection with resources that have been received, but not yet earned. Governmental funds also report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. As of June 30, 2008, the following comprise the deferred revenue reported in the governmental activities and funds:

	Governmental Activities	Governmental Funds
Unavailable:		
Delinquent property taxes	\$ -	\$ 945,421
Property taxes not yet due	20,450,704	20,564,125
Unearned	<u>242,122</u>	<u>242,122</u>
Total Deferred Revenue	<u>\$ 20,692,826</u>	<u>\$ 21,751,668</u>

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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, 2008:

	Balance			Balance	
	June 30, 2007	Additions	Reductions	June 30, 2008	Due Within One Year
Primary Government					
Governmental activities:					
General obligation bonds payable	\$ 43,644,216	\$ 2,428,800	\$ 3,245,236	\$ 42,827,780	\$ 3,518,298
Amortized premiums and discounts on bond issuance	924,464	-	42,168	882,296	-
Amortized deferred refunding amount	(410,779)	-	(34,510)	(376,269)	-
Note payable	435,000	-	217,500	217,500	217,500
Compensated absences	1,793,394	1,570,899	1,483,058	1,881,235	1,446,730
Obligations under capital leases	152,147	6,550	84,887	73,810	36,735
Total long-term debt - Governmental activities	46,538,442	4,006,249	5,038,339	45,506,352	5,219,263
Business-type activities:					
Water					
General obligation bonds payable	5,050,000	8,220,000	450,000	12,820,000	695,000
Amortized discounts and premiums on bonds payable, net	-	(30,644)	-	(30,644)	-
Compensated absences	384,420	384,679	361,974	407,125	337,400
Total long-term debt - Water Fund	5,434,420	8,574,035	811,974	13,196,481	1,032,400
Sewer					
General obligation bonds payable	6,759	2,560,357	134,707	2,432,409	138,777
Compensated absences	14,822	21,952	19,345	17,429	15,233
Total long-term debt - Sewer Fund	21,581	2,582,309	154,052	2,449,838	154,010
Total long-term debt - Business-type activities	5,456,001	11,156,344	966,026	15,646,319	1,186,410
Total long-term debt - Primary Government	51,994,443	15,162,593	6,004,365	61,152,671	6,405,673
Component Units					
School Board:					
Compensated absences	864,687	590,336	512,271	942,752	447,178
Obligations under capital leases	399,423	-	137,103	262,320	114,605
Total long-term debt - School Board	1,264,110	590,336	649,374	1,205,072	561,783
Total long-term debt - Component Units	1,264,110	590,336	649,374	1,205,072	561,783
Total long-term debt	\$ 53,258,553	\$ 15,752,929	\$ 6,653,739	\$ 62,357,743	\$ 6,967,456

1. General Obligation Bonds

General obligation bonds have been issued to provide funding for long-term capital improvements. In addition, they have been issued to refund outstanding general obligation bonds when market conditions enabled the City to achieve significant reductions in its debt service payments. Such bonds are direct obligations of the City, and the full faith and credit of the City are pledged as security. The City is required to submit to public referendum for authority to issue general obligation bonds. At June 30, 2008, all authorized general obligation bonds have been issued. The following are the general obligation bonds that were outstanding as of June 30, 2008:

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Bond Description	Principal Balance
Governmental Activities:	
\$9,000,000 General Improvement bonds issued June 1, 2000; variable amounts maturing annually with interest payable semi-annually; final payment due on December 15, 2020; interest at various rates. This bond was partially advanced refunded in March 2007.	\$ 1,175,000
\$2,155,000 School Construction bonds, consolidated refunding bonds issued December 1993 by the Virginia Public School Authority (VPSA) to replace the 1968 bond issues; interest at various rates; variable amounts maturing through December 2008.	60,000
\$2,445,000 School Construction bonds issued May 2, 1996 by VPSA; interest at various rates; variable amounts maturing through January 15, 2017.	1,030,000
\$32,340,000 School Construction & refunding bonds issued March 18, 2004; interest at various rates; variable amounts maturing through April 1, 2024.	26,860,000
\$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.	716,100
\$4,808,034 Refunding bonds issued January 21, 2005 to replace 1995 General Obligation bonds; interest at 2.90%; variable amounts maturing through April 1, 2011.	2,517,880
\$1,935,000 School Construction bonds, issued May 11, 2006 by VPSA; interest at various rates; variable amounts maturing through July 15, 2026.	1,835,000
\$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.	6,205,000
\$2,000,000 General Obligation bonds issued March 28, 2008; interest at 3.66%; equal principal amounts maturing through February 1, 2023.	2,000,000
\$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.	428,800
Total Governmental Activities	42,827,780
Business-type Activities:	
<u>Water</u>	
\$5,500,000 General Obligation bonds issued November 1, 2006 for Water Fund construction and improvement costs; interest rate at 3.89%; variable principal amounts maturing through March 1, 2021.	4,600,000
\$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.	8,220,000
Total water	12,820,000
<u>Sewer</u>	
\$3,275,000 Line of Credit issued on June 23, 2005 to the VRA; interest rate at 3%; variable principal amounts maturing annually through July 1, 2025.	2,432,409
Total sewer	2,432,409
Total Business-type Activities	15,252,409
Total General Obligation Bonds Payable	\$ 70,900,189

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Annual debt service requirements to maturity for the long-term obligations serviced by the City as of June 30, 2008 are summarized as follows:

Fiscal Year Ending June 30	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2009	\$ 3,518,299	\$ 1,659,442	\$ 5,177,741	\$ 833,777	\$ 587,433	\$ 1,421,210
2010	3,551,241	1,555,139	5,106,379	877,972	611,232	1,489,204
2011	3,667,359	1,433,777	5,101,136	892,293	578,666	1,470,960
2012	2,463,091	1,300,198	3,763,289	906,745	545,506	1,452,251
2013	2,984,858	1,171,780	4,156,638	921,332	511,581	1,432,913
2014-2018	11,621,267	4,142,014	15,763,281	4,390,457	2,025,705	6,416,162
2019-2023	11,231,667	1,911,407	13,143,074	3,782,793	1,209,382	4,992,176
2024-2028	3,790,000	178,729	3,968,729	3,354,656	393,922	3,748,578
Total	<u>\$ 42,827,780</u>	<u>\$ 13,352,486</u>	<u>\$ 56,180,266</u>	<u>\$ 15,960,025</u>	<u>\$ 6,463,428</u>	<u>\$ 22,423,453</u>

The total debt service requirement for principal for business-type activities differs from the bond principal balances shown in the previous table because Virginia Resources Authority (VRA) requires the payment of principal for the Sewer fund line of credit using the amortization of the full line of credit amount of \$3,275,000, whereas the principal balance as of June 30, 2008 was \$2,432,409.

On December 1, 2007, the City issued \$8,220,000 in General Obligation Bonds for the Water Fund to finance the Water Fund's share of the upgrades being made to the water treatment facility plant by the Department of Navy (see also Note I.F.3).

On March 20, 2008, the City issued \$428,800 in General Obligation Bonds with an interest rate of 2.26% to finance the purchase public safety capital equipment, including police cars, Sheriff's vehicles, and information technology equipment for public safety use. The bond's final maturity is March 15, 2013.

On March 28, 2008 the City issued General Obligation bonds in the amount of \$2,000,000 to fund the purchase of land for infrastructure improvements. The bond's final maturity is February 1, 2023.

As of June 30, 2008, the City's legal debt limit is approximately \$359 million and its debt margin is approximately \$300.9 million.

2. Note Payable

In May 2005, the City issued a non-interest-bearing note payable to the Falls Church Volunteer Fire Department to purchase land. The last payment on the note is due July 1, 2008 for \$217,500.

3. Obligations Under Capital Leases

The City and School Board lease equipment, vehicles and buses under various capital leases expiring at various dates through 2011. All leases are non-cancelable except that they are contingent upon City Council appropriating funds for each year's payment.

CITY OF FALLS CHURCH, VIRGINIA
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The assets acquired through capital leases are as follows:

	Primary Government	Component Unit
	Governmental Activities	School Board
Asset:		
Machinery and equipment	\$ 831,587	\$ 885,568
Less: accumulated depreciation	(745,942)	(504,904)
Net	<u>\$ 85,645</u>	<u>\$ 380,664</u>

The future minimum lease payments and net present value of these minimum lease payments as of June 30, 2008 are as follows:

Fiscal Year Ending June 30	Primary Government	Component Unit
	Governmental Activities	School Board
2009	\$ 40,534	\$ 124,977
2010	28,368	99,098
2011	10,477	54,124
2012	525	-
Total minimum lease payments	<u>79,904</u>	<u>278,199</u>
Less: amount representing interest	(6,094)	(15,879)
Present value of minimum lease payments	<u>\$ 73,810</u>	<u>\$ 262,320</u>

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 \$12 thousand to the City and approximately \$197 thousand to the School Board for the fiscal year ended June 30, 2008. The future minimum lease payments for these leases are shown below:

Fiscal Year Ending June 30	Primary Government	Component Unit
	Governmental Activities	School Board
2009	3,684	203,370
2010	840	-
2011	840	-
2012	420	-
Total	<u>\$ 4,524</u>	<u>\$ 203,370</u>

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2. Long-term Construction and Improvement Contracts

The City has the following active construction and improvement commitments as of June 30, 2008:

Project	Spent-to-Date	Remaining Commitment
Governmental Activities:		
Broad Street Streetscape	\$ 786,227	\$ 44,938
Kent Street Drainage	72,021	6,115
Pearson's Branch Streambank Stabilization	34,052	18,998
Washington Street Streetscape Design	57,064	249,601
Total Governmental Activities	949,364	319,652
Business-type Activities:		
<u>Water</u>		
Arlington Boulevard Water Main Replacement	187,914	109,540
Chesterbrook Pump Station	47,876	28,298
McLean Pump Station	58,915	3,101
Seven Corners Improvement	106,997	294,489
Arlington Special Pump Station	1,181	-
Scada Water Security Improvements	429,164	1,107,715
Various water main replacement projects	414,635	205,706
Total water	1,246,682	1,748,849
<u>Sewer</u>		
Arlington Wastewater Plant Upgrade	3,891,445	-
Fairfax Wastewater Plant Upgrade - Phase I	328,308	-
Falls Church Sewer Rehabilitation	670,130	320,001
Total sewer	4,889,883	320,001
Total Business-type Activities	\$ 6,136,565	\$ 2,068,850

H. Management Fee

During the fiscal year ended June 30, 2008, the Water Fund transferred approximately \$2.93 million to the General Fund for management fee based on a calculation of 10% of operating income and 100% of investment earnings. This is a transfer of excess operating funds, which, per City Council, can then be reappropriated for General Fund expenditures.

IV. RETIREMENT PLANS

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

A. Virginia Retirement System

1. Plan Description

The City and the School Board contribute to the VRS, a cost-sharing multiple-employer public employee (for School Board employees) and an agent multiple-employer public employee (for constitutional offices) defined pension plans administered by the Commonwealth of Virginia for its political subdivisions. All full time salaried employees of constitutional offices within the

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City (i.e., employees of the office of the Commissioner of Revenue, the office of the Treasurer and the Sheriff's office), as well as qualifying (working at least 80% of full time) teachers and other professionals from the School Board participate in the VRS.

Benefits vest after five years of creditable service. Employees are eligible for an unreduced retirement benefit at age 65 with five years of service (age 60 with five years of service for participating law enforcement officers and firefighters) or at age 50 with 30 years of service for participating employees (age 50 with 25 years of service for participating law enforcement officers and firefighters) payable monthly for life in an amount equal to 1.70% of their average final compensation (AFC) for each year of credited service (1.85% for eligible law enforcement officers and firefighters). Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for an annual cost-of-living adjustment (COLA) beginning in their second year of retirement. The COLA is limited to 5.00% per year. AFC is defined as the highest consecutive 36 months of reported compensation. Participating law enforcement officers and firefighters may receive a monthly benefit supplement if they retire prior to age 65. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginian (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report is available on their web site at <http://www.varetire.org/Pdf/Publications/2007annurept.pdf> or may be obtained by writing to the System at P.O. Box 2500, Richmond, VA 23218-2500.

2. Funding Policy

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5% of their annual salary to the VRS. The City and School Board have assumed this 5% member contribution for their respective employees. In addition, the City and the School Board are required to contribute the remaining amounts necessary to fund their participation in the VRS using the actuarial basis specified by the *Code of Virginia* and approved by the VRS Board of Trustees. The City's and the School Board's contribution rate, which includes the member contribution rate, for the fiscal year ended 2008 were 5.00% and 16.46% of annual covered payroll, respectively.

3. Annual Pension Costs

The City's and School Board's annual pension cost and contributions made during fiscal year, 2008 was approximately \$52 thousand and \$2.93 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:

Fiscal Year Ended June 30	City			School Board		
	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2008	\$ 52,520	100%	\$ -	2,927,348	100%	-
2007	45,142	100%	-	2,579,106	100%	-
2006	38,600	100%	-	2,012,796	100%	-

The required contribution was determined as part of the June 30, 2005 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at June 30, 2007 included (a) 7.50% investment rate of return, (b) projected salary increases ranging from 3.75% to 5.60% per year, and (c) 2.50% per year cost-of-living adjustments. Both (a) and (b) included

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an inflation component of 2.50%. Liabilities were determined under the Entry-Age Normal actuarial cost method. The actuarial value of the City's and School Board's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period.

4. Funded Status and Funding Progress

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

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

B. Basic and Police Pension Plans

1. Plan Description

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

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

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

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

Upon retirement, a participant in either of the two City Plans would receive a monthly retirement allowance, which is determined based on a certain percentage of the participant's average final compensation at the date of retirement and the number of years of the participant's credited service. In the event of death prior to retirement eligibility, the participant's accumulated contributions are paid to the participant's designated beneficiaries in a lump sum. If a participant were vested and eligible for early or regular retirement at time of death, the designated beneficiary would receive a monthly retirement allowance.

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

The City's membership in the Basic and Police Pension Plans as of July 1, 2006 were as follows:

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	Basic	Police
Retirees and beneficiaries	143	22
Terminated vested members	56	2
Active members	301	28
Total	500	52

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, 2008. 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 2008, the contributions rate was 4.61% of annual covered payroll for the Basic Pension Plan and 0% for the Police Pension Plan. Effective July 1, 2002, the City Council amended both plans so that employees are no longer required to contribute. In 2001, the plan was amended to allow permanent employees who were formerly temporary employees who worked more than 20 hours per week to buy back that period for which they were not eligible due to their temporary status. The rate of contribution by these employees is 5% of current salary for each month they are buying back. Administrative costs are borne by the assets of the plans.

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

4. Annual Pension Cost

Annual pension cost and contributions made during fiscal year 2008 was approximately \$707 thousand and \$0 for Basic and Police Pension Plans, respectively, which were equal to the required and actual contributions.

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

Fiscal Year Ended June 30	Basic			Police		
	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2008	\$ 707,446	100.00%	\$ -	\$ -	-	\$ -
2007	445,087	100.00%	-	22,810	100.00%	-
2006	187,175	100.00%	-	-	-	-

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The following are the relevant actuarial information for the Basic and Police Pension Plans:

	Basic	Police
Contribution rate:		
City	4.61%	0%
Plan members	0%	0%
Annual pension cost	707,446	—
Contributions made	707,446	—
Actuarial valuation date	July 1, 2006	July 1, 2006
Actuarial cost method	Entry age normal	Entry age normal
Amortization method	Level dollar amount (open)	Level dollar amount (open)
Amortization period	10 years	10 years
Asset valuation method	5-year Smoothed Method	5-year Smoothed Method
Actuarial assumptions:		
Investment rate of return	8%	8%
Projected salary increases	5%	5%
Includes inflation at	3%	3%
Cost of living adjustments	1.5%	1.5%

5. *Funded Status and Funding Progress*

The funded status of the Basic plan as of July 1, 2006 is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b-a]/c)
7/1/2006	\$ 53,681,208	\$ 46,005,262	\$ (7,675,946)	116.68%	\$ 12,997,460	-59.06%

The funded status of the Police plan as of the July 1, 2006 is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b-a]/c)
7/1/2006	\$ 15,228,474	\$ 12,026,374	\$ (3,202,100)	126.63%	\$ 1,817,866	-176.15%

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

V. OTHER POSTEMPLOYMENT BENEFITS

The City provides post-retirement health care insurance benefits for employees who are eligible for retirement benefits and who retire from the City under City Council resolution number 82-20. There is no provision for deferral of benefits for employees who separate from City employment without retiring. In FY2008 the City chose to implement Governmental Accounting Standards Board Statements 43 (Financial Reporting for Postemployment Benefit Plans Other than Pension Plans) and 45 (Accounting and Financial Reporting by

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Employers for Postemployment Benefits Other than Pensions). An irrevocable trust fund was established July 1, 2007 for purposes of accumulating and accounting for assets necessary to fund the City's future obligations for other post employment benefits.

A. Summary of Significant Accounting Policies

Financial statements are prepared on the accrual basis of accounting. Employer contributions to the plan are recognized when due and the City has made a formal commitment to provide the contributions. Benefits are recognized when due and payable in accordance with the terms of the plan. All plan investments are reported at fair value. Securities traded on a national exchange are valued at the last reported sales price on June 30, 2008. Securities without an established market are reported at estimated fair value.

B. Plan Descriptions and Contribution Information

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

Membership in the plan consisted of the following at June 30, 2006, the date of the latest actuarial valuation:

Retirees and beneficiaries	182
Active members	658
Total	840

C. Funded Status and Funding Progress

Contribution requirements for employees and the City are established by City Council. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually. For fiscal year 2008 the City contributed \$2,000,000 to the plan, including current premiums of \$162 thousand (100% of total premiums) and an additional \$769 thousand to prefund benefits. Plan members are not required to contribute.

The City'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 annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation.

Annual Required Contribution	\$ 1,426,000
Contributions made	2,000,000
Increase (decrease) in net OPEB obligation	(574,000)
Net OPEB obligation, beginning of year	-
Net OPEB obligation - end of year	\$ (574,000)

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

CITY OF FALLS CHURCH, VIRGINIA
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2008

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2006	\$ 1,426,000	140.25%	\$ (574,000)

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b-a]/c)
6/30/2006	\$ -	\$ 12,868,000	\$ 12,868,000	0.00%	\$ 10,197,644	126.19%

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 plan (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 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:

Actuarial valuation date	June 30, 2006
Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll
Remaining Amortization period	29 years
Asset valuation method	5-year Smoothed method
Actuarial assumptions:	
Investment rate of return	8%
Healthcare cost trend rate	5%
Initial	10%
Ultimate	5.0%

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008

VI. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance through the Virginia Municipal Liability Pool (VML).

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

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

The City continues to carry commercial insurance for all other risks of losses. Settled claims from these risks have not exceeded commercial coverage in any of the last three fiscal years.

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

The total insurance premiums paid by the City and the Schools for the fiscal year ended June 30, 2008 were approximately \$564 thousand and \$247 thousand respectively.

VII. CONTINGENCIES

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

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

VIII. FUTURE ACCOUNTING CHANGES

As of June 30, 2008 the Governmental Accounting Standards Board (GASB) had issued the following statements that will be applicable to the City's future financial statements:

- Statement No. 49 – *Accounting and Financial Reporting for Pollution Remediation Obligations*. This Statement provides accounting and financial reporting standards for pollution remediation obligations including participation in activities such as site assessments and cleanups but excludes pollution prevention or control obligations with respect to current operations, and future pollution remediation activities that are required upon retirement of an asset, such as landfill closure and post-closure care and nuclear power plant decommissioning. The standards provide five specified obligating events which, if any one were met, will require a government to estimate components of expected pollution remediation outlays and record it as either a liability or a capital item when goods and services are acquired. The requirements of this Statement are effective for the City's financial statements for the fiscal year ending June 30, 2009, with measurement of pollution remediation liabilities required at July 1, 2008 so that beginning net assets can be restated.

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008

- Statement No. 51 – *Accounting and Financial Reporting for Intangible Assets*. Governments own various types of intangible assets including computer software, easements, water rights, etc. This Statement requires governments to capitalize such assets in its statement of net assets. This Statement also provides specific guidance for the recording of these assets, including, when they should be recognized as tangible assets, guidance on when internally-generated computer software should be capitalized, and determining their useful lives for amortization. This statement is effective for the City's financial statements for fiscal year ending June 30, 2010, with retroactive recognition of certain intangible assets purchased after June 30, 1980 required.
- Statement No. 53 - *Accounting and Financial Reporting for Derivative Instruments*. This Statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Derivative instruments are often complex financial arrangements used by governments to manage specific risks or to make investments. A key provision in this Statement is that derivative instruments covered in its scope, with the exception of synthetic guaranteed investment contracts (SGICs) that are fully benefit-responsive, are reported at fair value. This Statement is effective for the City's financial statements for fiscal year ending June 30, 2010.

**CITY OF FALLS CHURCH, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR JUNE 30, 2008**

**FINANCIAL SECTION
REQUIRED SUPPLEMENTARY
INFORMATION**



WebGIS overhead view of the City Hall

**CITY OF FALLS CHURCH, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION**

A. SCHEDULE OF FUNDING PROGRESS**1. Virginia Retirement System (VRS) (Agent Multiple-Employer Plan)**

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

2. Basic Pension Plan

Actuarial Valuation Date	For Fiscal Year Ending	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Excess Funded) AAL (c) = (b) - (a)	Funded Ratio (a) / (b)	Annual Covered Payroll (d)	UAAL as a Percent of Covered Payroll (c) / (d)
7/1/2006	6/30/2008	\$ 53,681	\$ 46,005	\$ (7,676)	116.7%	\$ 12,997	(59.1%)
7/1/2005	6/30/2007	52,031	43,979	(8,052)	118.3%	12,365	(65.1%)
7/1/2004	6/30/2006	51,462	41,972	(9,490)	122.6%	11,650	(81.5%)

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)
7/1/2006	6/30/2008	\$ 15,228	\$ 12,026	\$ (3,202)	126.6%	\$ 1,818	(176.1%)
7/1/2005	6/30/2007	14,721	11,511	(3,210)	127.9%	1,957	(164.0%)
7/1/2004	6/30/2006	14,579	10,776	(3,803)	135.3%	1,684	(225.8%)

4. Other Post-Employment Benefits 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)
6/30/2006	6/30/2008	\$ -	\$ 12,868	\$ 12,868	0.0%	\$ 10,198	126.2%

**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
2008	\$ 707,446	100%
2007	445,087	100%
2006	187,175	100%

2. Police Pension Plan

Plan Year Ended June 30	Annual Required Contribution	% Contributed by Employer
2008	\$ -	100%
2007	22,810	100%
2006	-	100%

3. Other Post-Employment Benefits

Plan Year Ended June 30	Annual Required Contribution	% Contributed by Employer
2008	\$ 1,426,000	140.25%

C. NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

1. The actuarial assumptions and methods used for the valuation date of July 1, 2006 for the Basic and Police Pension Plans and Other Post-Employment Benefit Plans are disclosed in the Notes to the Financial Statements. The actuarial assumptions and methods used for the valuation date of June 30, 2007 for the VRS are also disclosed in the Notes to the Financial Statements.

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

3. The Other Post-Employment Benefits Plan was established in FY2008 and has only one year of available data.

4. The Basic Pension Plan actuarial valuation as of July 1, 2004 reflects an increase in the actuarial accrued liability of approximately \$7 million. This was primarily the result of certain errors in salary information used in producing the actuarial valuations as of July 1, 2003 and July 1, 2002. This resulted in an annual required contribution of approximately \$105,000 in FY2005.

5. The July 1, 2004 valuation determined the contribution rate for the Fiscal Years ending June 30, 2005 and 2006 to facilitate contribution rate determination prior to the beginning of the applicable fiscal year.

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**CITY OF FALLS CHURCH, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR JUNE 30, 2008**

**FINANCIAL SECTION
OTHER SUPPLEMENTARY
INFORMATION**



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

CITY OF FALLS CHURCH, VIRGINIA
COMBINING SCHEDULE OF FIDUCIARY NET ASSETS - POST-EMPLOYMENT TRUST FUNDS
As of June 30, 2008

	<u>Basic Plan</u>	<u>Police Plan</u>	<u>Other Post Employment Benefits</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 3,427,713	\$ 863,589	\$ 359,665	\$ 4,650,967
Investments:				
Domestic equity securities	23,873,910	6,971,489	697,062	31,542,461
Domestic fixed income securities	14,539,679	3,846,675	513,932	18,900,286
International equity securities	13,063,755	3,710,460	218,841	16,993,056
Real estate	3,364,129	884,871	85,539	4,334,539
Other	21,141	104,906	-	126,047
Total investments	<u>54,862,614</u>	<u>15,518,401</u>	<u>1,515,374</u>	<u>71,896,389</u>
Contributions receivable:				
Employer	56,122	-	-	56,122
Total contributions receivable	<u>56,122</u>	<u>-</u>	<u>-</u>	<u>56,122</u>
Interest and dividend receivable	<u>-</u>	<u>8,709</u>	<u>2,142</u>	<u>10,851</u>
 Total Assets	 <u>58,346,449</u>	 <u>16,390,699</u>	 <u>1,877,181</u>	 <u>76,614,329</u>
LIABILITIES				
Accounts payable	12,858	4,034	-	16,892
Due to general fund	<u>85,629</u>	<u>15,021</u>	<u>254,031</u>	<u>354,681</u>
 Total Liabilities	 <u>98,487</u>	 <u>19,055</u>	 <u>254,031</u>	 <u>371,573</u>
NET ASSETS				
Held in trust for pension benefits	58,247,962	16,371,644	-	74,619,606
Held in trust for other post-employment benefits	<u>-</u>	<u>-</u>	<u>1,623,150</u>	<u>1,623,150</u>
 Total Net Assets	 <u>\$ 58,247,962</u>	 <u>\$ 16,371,644</u>	 <u>\$ 1,623,150</u>	 <u>\$ 76,242,756</u>

CITY OF FALLS CHURCH, VIRGINIA
COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET ASSETS - POST-EMPLOYMENT TRUST FUNDS
For the Year Ended June 30, 2008

	<u>Basic Plan</u>	<u>Police Plan</u>	<u>Other Post Employment Benefits</u>	<u>Total</u>
ADDITIONS				
Employer contributions	\$ 685,623	\$ -	\$ 2,000,000	\$ 2,685,623
Investment earnings:				
Interest	245,935	105,338	83,093	434,366
Dividends	823,020	233,594	-	1,056,614
Net decrease in the fair value of investments	<u>(3,479,753)</u>	<u>(1,057,144)</u>	<u>(120,389)</u>	<u>(4,657,286)</u>
Total investment earnings	(2,410,798)	(718,212)	(37,296)	(3,166,306)
Less investment expense	<u>(321,408)</u>	<u>(82,668)</u>	<u>(2,185)</u>	<u>(406,261)</u>
Net investment earnings	<u>(2,732,206)</u>	<u>(800,880)</u>	<u>(39,481)</u>	<u>(3,572,567)</u>
Total Additions	<u>(2,046,583)</u>	<u>(800,880)</u>	<u>1,960,519</u>	<u>(886,944)</u>
DEDUCTIONS				
Benefits	2,080,119	475,773	337,369	2,893,261
Administration	<u>20,587</u>	<u>26,023</u>	<u>-</u>	<u>46,610</u>
Total Deductions	<u>2,100,706</u>	<u>501,796</u>	<u>337,369</u>	<u>2,939,871</u>
Change in Net Assets	(4,147,289)	(1,302,676)	1,623,150	(3,826,815)
Net Assets at Beginning of Year	<u>62,395,251</u>	<u>17,674,320</u>	<u>-</u>	<u>80,069,571</u>
Net Assets at End of Year	<u>\$ 58,247,962</u>	<u>\$ 16,371,644</u>	<u>\$ 1,623,150</u>	<u>76,242,756</u>

**CITY OF FALLS CHURCH, VIRGINIA
 COMBINING STATEMENT OF AGENCY NET ASSETS
 As of June 30, 2008**

	Fairfax County Water Authority Fund	Northern Virginia Criminal Justice Academy Fund	Total
ASSETS			
Cash and cash equivalents	\$ -	1,787,240	\$ 1,787,240
Other receivables	1,413,477	-	1,413,477
Due from general fund	1,116,171	-	1,116,171
	<u>\$ 2,529,648</u>	<u>\$ 1,787,240</u>	<u>\$ 4,316,888</u>
LIABILITIES			
Due to other governments	\$ 2,529,648	\$ 1,785,055	\$ 4,314,703
Due to general fund	-	2,185	\$ 2,185
	<u>\$ 2,529,648</u>	<u>\$ 1,787,240</u>	<u>\$ 4,316,888</u>

CITY OF FALLS CHURCH, VIRGINIA
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
For the Year Ended June 30, 2008

	<u>Balances</u> <u>July 1, 2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balances</u> <u>June 30, 2008</u>
Fairfax County Water Authority Fund				
ASSETS				
Other receivables	1,705,615	\$ 12,137,558	\$12,429,697	\$ 1,413,476
Due from general fund	<u>837,274</u>	<u>12,238,996</u>	<u>11,960,098</u>	<u>1,116,172</u>
Total Assets	<u>\$ 2,542,889</u>	<u>\$ 24,376,554</u>	<u>\$24,389,795</u>	<u>\$ 2,529,648</u>
LIABILITIES				
Due to other governments	<u>\$ 2,542,889</u>	<u>\$ 24,376,554</u>	<u>\$24,389,795</u>	<u>\$ 2,529,648</u>
Total Liabilities	<u>\$ 2,542,889</u>	<u>\$ 24,376,554</u>	<u>\$24,389,795</u>	<u>\$ 2,529,648</u>
Northern Virginia Criminal Justice Academy Fund				
ASSETS				
Cash and cash equivalents	<u>\$ 1,645,509</u>	<u>\$ 1,378,954</u>	<u>\$ 1,237,223</u>	<u>\$ 1,787,240</u>
Total Assets	<u>\$ 1,645,509</u>	<u>\$ 1,378,954</u>	<u>\$ 1,237,223</u>	<u>\$ 1,787,240</u>
LIABILITIES				
Due to other governments	\$ 1,524,015	\$ 261,040	\$ -	\$ 1,785,055
Due to general fund	<u>121,494</u>	<u>5,394,553</u>	<u>5,513,862</u>	<u>2,185</u>
Total Liabilities	<u>\$ 1,645,509</u>	<u>\$ 5,655,593</u>	<u>\$ 5,513,862</u>	<u>\$ 1,787,240</u>
Total				
ASSETS				
Cash and cash equivalents	\$ 1,645,509	\$ 1,378,954	\$ 1,237,223	\$ 1,787,240
Other receivables	1,705,615	12,137,558	12,429,697	1,413,476
Due from general fund	<u>837,274</u>	<u>12,238,996</u>	<u>11,960,098</u>	<u>1,116,172</u>
Total Assets	<u>\$ 4,188,398</u>	<u>\$ 25,755,508</u>	<u>\$25,627,018</u>	<u>\$ 4,316,888</u>
LIABILITIES				
Due to other governments	\$ 4,066,904	\$ 24,637,594	\$24,389,795	\$ 4,314,703
Due to general fund	<u>121,494</u>	<u>5,394,553</u>	<u>5,513,862</u>	<u>2,185</u>
Total Liabilities	<u>\$ 4,188,398</u>	<u>\$ 30,032,147</u>	<u>\$29,903,657</u>	<u>\$ 4,316,888</u>

**CITY OF FALLS CHURCH, VIRGINIA
CITY OF FALLS CHURCH PUBLIC SCHOOL BOARD
BALANCE SHEET
GOVERNMENTAL FUNDS
As of June 30, 2008**

	<u>Operating Fund</u>	<u>School Community Service Fund</u>	<u>Nonmajor Governmental School Food Service Fund</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 1,723,156	\$ 639,128	\$ 216,886	\$ 2,579,170
Accounts receivable	19,400	63,586	14,183	97,169
Due from primary government	4,147,608	113,561	-	4,261,169
Due from other governmental units	345,028	-	12,678	357,706
Prepaid expense	62,062	-	-	62,062
	<u>6,297,254</u>	<u>816,275</u>	<u>243,747</u>	<u>7,357,276</u>
Total Assets	<u>\$ 6,297,254</u>	<u>\$ 816,275</u>	<u>\$ 243,747</u>	<u>\$ 7,357,276</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 4,269,916	\$ 88,548	\$ 52,347	\$ 4,410,811
	<u>4,269,916</u>	<u>88,548</u>	<u>52,347</u>	<u>4,410,811</u>
Total Liabilities	<u>4,269,916</u>	<u>88,548</u>	<u>52,347</u>	<u>4,410,811</u>
Fund Balances:				
Reserved for:				
Encumbrances	26,900	-	-	26,900
Prepaid items	62,062	-	-	62,062
Unreserved:				
Undesignated	1,938,376	727,727	191,400	2,857,503
	<u>2,027,338</u>	<u>727,727</u>	<u>191,400</u>	<u>2,946,465</u>
Total Fund Balances	<u>2,027,338</u>	<u>727,727</u>	<u>191,400</u>	<u>2,946,465</u>
Total Liabilities and Fund Balances	<u>\$ 6,297,254</u>	<u>\$ 816,275</u>	<u>\$ 243,747</u>	<u>\$ 7,357,276</u>

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, 2008

Fund balances - total governmental funds		\$	2,946,465
<p>Amounts reported for governmental activities in the Statement of Net Assets (Exhibit I) are different because :</p>			
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.</p>			
Governmental capital assets			5,226,554
Less accumulated depreciation			(1,904,281)
			3,322,273
<p>Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.</p>			
Compensated absences			(942,753)
Governmental leases payable			(262,319)
			(1,205,072)
Net Assets of Governmental Activities		\$	5,063,666

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, 2008

	<u>Operating Fund</u>	<u>School Community Service Fund</u>	<u>Nonmajor Governmental School Food Service Fund</u>	<u>Total Governmental Funds</u>
REVENUES				
Revenue from use of money and property	\$ 87,615	\$ 90,377	\$ 7,381	\$ 185,373
Charges for services	262,302	1,028,674	585,362	1,876,338
Miscellaneous	24,001	57,935	-	81,936
Intergovernmental:				
Federal	486,706	-	110,851	597,557
Commonwealth	4,785,003	-	7,523	4,792,526
Primary government	29,047,579	478,000	-	29,525,579
Total Revenues	34,693,206	1,654,986	711,117	37,059,309
EXPENDITURES				
Current:				
Education	33,522,264	1,337,605	710,728	35,570,597
Capital outlay	754,630	9,368	5,964	769,962
Debt service:				
Principal	137,103	-	-	137,103
Interest	17,611	-	-	17,611
Total Expenditures	34,431,608	1,346,973	716,692	36,495,273
Excess/(deficiency) of revenues over/(under) expenditures	261,598	308,013	(5,575)	564,036
Other financing sources/(uses):				
Transfers in/(out)	115,500	(85,500)	(30,000)	-
Total Other Financing Sources/(Uses)	115,500	(85,500)	(30,000)	-
Net Change in Fund Balances	377,098	222,513	(35,575)	564,036
Fund Balances at Beginning of Year	1,650,240	505,214	226,975	2,382,429
Fund Balances at End of Year	<u>\$ 2,027,338</u>	<u>\$ 727,727</u>	<u>\$ 191,400</u>	<u>\$ 2,946,465</u>

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, 2008

Net change in fund balances - total governmental funds	\$	564,036
<p>Amounts reported for governmental activities in the Statement of Activities (Exhibit II) are different because :</p> <p>Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets.</p>		
Expenditures for capital assets	237,771	
Less current year depreciation	(353,850)	(116,079)
<p>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.</p>		
Capital lease payments		137,103
<p>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.</p>		
Change in compensated absence liability		(78,065)
Change in Net Assets of Governmental Activities	\$	506,995

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, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Revenue from use of money and property	\$ 95,000	\$ 95,000	\$ 87,615	\$ (7,385)
Charges for services	228,000	228,000	262,302	34,302
Miscellaneous	322,000	322,000	24,001	(297,999)
Intergovernmental:				
Commonwealth	4,731,775	4,731,775	4,785,003	53,228
Federal	540,427	540,427	486,706	(53,721)
Primary government	28,950,605	28,973,368	29,047,579	74,211
Total Revenues	<u>34,867,807</u>	<u>34,890,570</u>	<u>34,693,206</u>	<u>(197,364)</u>
EXPENDITURES				
Current:				
Education	34,297,937	34,185,384	33,522,264	663,120
Capital outlay	595,870	758,283	754,630	3,653
Debt service:				
Principal	89,500	59,343	137,103	(77,760)
Interest	-	-	17,611	(17,611)
Total Expenditures	<u>34,983,307</u>	<u>35,003,010</u>	<u>34,431,608</u>	<u>571,402</u>
Excess/(deficiency) of revenues over/(under) expenditures	<u>(115,500)</u>	<u>(112,440)</u>	<u>261,598</u>	<u>374,038</u>
Other financing sources/(uses):				
Transfers in/(out)	<u>115,500</u>	<u>115,500</u>	<u>115,500</u>	<u>-</u>
Total Other Financing Sources/(Uses)	<u>115,500</u>	<u>115,500</u>	<u>115,500</u>	<u>-</u>
Net Change in Fund Balances	-	3,060	377,098	374,038
Fund Balances at Beginning of Year	<u>1,650,240</u>	<u>1,650,240</u>	<u>1,650,240</u>	<u>-</u>
Fund Balances at End of Year	<u>\$ 1,650,240</u>	<u>\$ 1,653,300</u>	<u>\$ 2,027,338</u>	<u>\$ 374,038</u>

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, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Revenue from use of money and property	\$ 55,025	\$ 55,025	\$ 90,377	\$ 35,352
Charges for services	1,059,146	1,059,146	1,028,674	(30,472)
Miscellaneous	80,860	80,860	57,935	(22,925)
Intergovernmental:				
Primary government	478,000	478,000	478,000	-
Total Revenues	<u>1,673,031</u>	<u>1,673,031</u>	<u>1,654,986</u>	<u>(18,045)</u>
EXPENDITURES				
Current:				
Education	1,420,531	1,438,631	1,337,605	101,026
Capital Outlay	92,000	79,300	9,368	69,932
Total Expenditures	<u>1,512,531</u>	<u>1,517,931</u>	<u>1,346,973</u>	<u>170,958</u>
Excess of revenues over expenditures	<u>160,500</u>	<u>155,100</u>	<u>308,013</u>	<u>152,913</u>
Other financing sources/(uses):				
Transfers in/(out)	<u>(85,500)</u>	<u>(85,500)</u>	<u>(85,500)</u>	<u>-</u>
Total Other Financing Sources/(Uses)	<u>(85,500)</u>	<u>(85,500)</u>	<u>(85,500)</u>	<u>-</u>
Net Change in Fund Balances	75,000	69,600	222,513	152,913
Fund Balances at Beginning of Year	<u>505,214</u>	<u>505,214</u>	<u>505,214</u>	<u>-</u>
Fund Balances at End of Year	<u>\$ 580,214</u>	<u>\$ 574,814</u>	<u>\$ 727,727</u>	<u>\$ 152,913</u>

CITY OF FALLS CHURCH, VIRGINIA
 CITY OF FALLS CHURCH PUBLIC SCHOOL BOARD
 STATEMENT OF FIDUCIARY NET ASSETS
 AGENCY FUNDS
 As of June 30, 2008

	<u>Thomas Jefferson Elementary</u>	<u>Mt. Daniel Elementary</u>	<u>Mary Ellen Henderson Middle School</u>	<u>George Mason High School</u>	<u>Total</u>
ASSETS					
Cash and cash equivalents	\$ 17,116	\$ 21,972	\$ 23,926	\$ 212,537	\$ 275,551
Total Assets	<u>\$ 17,116</u>	<u>\$ 21,972</u>	<u>\$ 23,926</u>	<u>\$ 212,537</u>	<u>\$ 275,551</u>
LIABILITIES					
Amounts held for others	\$ 17,116	\$ 21,972	\$ 23,926	\$ 212,537	\$ 275,551
Total Liabilities	<u>\$ 17,116</u>	<u>\$ 21,972</u>	<u>\$ 23,926</u>	<u>\$ 212,537</u>	<u>\$ 275,551</u>

**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, 2008**

	<u>Balances July 1, 2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balances June 30, 2008</u>
THOMAS JEFFERSON ELEMENTARY				
Assets				
Cash and cash equivalents	\$ 19,855	\$ 29,324	\$ 32,063	\$ 17,116
Total Assets	<u>\$ 19,855</u>	<u>\$ 29,324</u>	<u>\$ 32,063</u>	<u>\$ 17,116</u>
Liabilities				
Amounts held for others	\$ 19,855	\$ 29,324	\$ 32,063	\$ 17,116
Total Liabilities	<u>\$ 19,855</u>	<u>\$ 29,324</u>	<u>\$ 32,063</u>	<u>\$ 17,116</u>
MT. DANIEL ELEMENTARY				
Assets				
Cash and cash equivalents	\$ 18,781	\$ 23,614	\$ 20,423	\$ 21,972
Total Assets	<u>\$ 18,781</u>	<u>\$ 23,614</u>	<u>\$ 20,423</u>	<u>\$ 21,972</u>
Liabilities				
Amounts held for others	\$ 18,781	\$ 23,614	\$ 20,423	\$ 21,972
Total Liabilities	<u>\$ 18,781</u>	<u>\$ 23,614</u>	<u>\$ 20,423</u>	<u>\$ 21,972</u>
MARY ELLEN HENDERSON MIDDLE SCHOOL				
Assets				
Cash and cash equivalents	\$ 25,037	\$ 143,574	\$ 144,685	\$ 23,926
Total Assets	<u>\$ 25,037</u>	<u>\$ 143,574</u>	<u>\$ 144,685</u>	<u>\$ 23,926</u>
Liabilities				
Amounts held for others	\$ 25,037	\$ 143,574	\$ 144,685	\$ 23,926
Total Liabilities	<u>\$ 25,037</u>	<u>\$ 143,574</u>	<u>\$ 144,685</u>	<u>\$ 23,926</u>
GEORGE MASON HIGH SCHOOL				
Assets				
Cash and cash equivalents	\$ 196,566	\$ 614,006	\$ 598,035	\$ 212,537
Total Assets	<u>\$ 196,566</u>	<u>\$ 614,006</u>	<u>\$ 598,035</u>	<u>\$ 212,537</u>
Liabilities				
Amounts held for others	\$ 196,566	\$ 614,006	\$ 598,035	\$ 212,537
Total Liabilities	<u>\$ 196,566</u>	<u>\$ 614,006</u>	<u>\$ 598,035</u>	<u>\$ 212,537</u>
TOTAL				
Assets				
Cash and cash equivalents	\$ 260,239	\$ 810,518	\$ 795,206	\$ 275,551
Total Assets	<u>\$ 260,239</u>	<u>\$ 810,518</u>	<u>\$ 795,206</u>	<u>\$ 275,551</u>
Liabilities				
Amounts held for others	\$ 260,239	\$ 810,518	\$ 795,206	\$ 275,551
Total Liabilities	<u>\$ 260,239</u>	<u>\$ 810,518</u>	<u>\$ 795,206</u>	<u>\$ 275,551</u>

See accompanying Independent Auditors' Report.

**CITY OF FALLS CHURCH, VIRGINIA
BALANCE SHEET
NON-MAJOR COMPONENT UNITS
As of June 30, 2008**

	<u>Economic Development Authority</u>
ASSETS	
Cash and cash equivalents	\$ 223,475
Total Assets	<u>\$ 223,475</u>
 LIABILITIES AND FUND BALANCES	
Liabilities:	
Account payable	\$ 10,722
Total Liabilities	<u>10,722</u>
Fund Balances:	
Unreserved and undesignated	<u>212,753</u>
Total Fund Balances	<u>212,753</u>
Total Liabilities and Fund Balances	<u>\$ 223,475</u>
 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	<u>517,255</u>
Net Assets of Non-Major Component Units	<u><u>730,008</u></u>

**CITY OF FALLS CHURCH, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NON-MAJOR COMPONENT UNITS
For the Year Ended June 30, 2008**

	<u>Economic Development Authority</u>
REVENUES	
Revenue from use of money and property	\$ 32,290
Miscellaneous	<u>22,985</u>
Total Revenues	<u>55,275</u>
EXPENDITURES	
Current:	
Economic development	<u>20,110</u>
Total Expenditures	<u>20,110</u>
Excess/(deficiency) of revenues over expenditures	<u>35,165</u>
Net Change in Fund Balances	35,165
Fund Balances at Beginning of Year	<u>177,588</u>
Fund Balances at End of Year	<u>\$ 212,753</u>
Net change in fund balances - total governmental funds	<u>\$ 35,165</u>
Change in Net Assets of Governmental Activities	<u>\$ 35,165</u>

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**CITY OF FALLS CHURCH, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR JUNE 30, 2008**

**STATISTICAL SECTION
(Unaudited)**



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

CITY OF FALLS CHURCH, VIRGINIA
STATISTICAL SECTION (Unaudited)
Year Ended June 30, 2008

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.

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

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
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
Unrestricted	16,655,649	13,159,880	15,126,942	19,001,599	16,859,105	14,477,291
Total Governmental Activities Net Assets	<u>27,113,340</u>	<u>30,148,091</u>	<u>34,481,193</u>	<u>37,920,019</u>	<u>40,238,181</u>	<u>40,089,981</u>
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
Unrestricted	32,160,088	23,376,153	22,433,855	21,757,554	26,947,631	11,185,756
Total Business-type Activities Net Assets	<u>76,558,818</u>	<u>70,797,394</u>	<u>71,604,279</u>	<u>72,291,836</u>	<u>77,419,280</u>	<u>62,263,907</u>
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
Unrestricted	48,815,737	36,536,033	37,560,797	40,759,153	43,806,736	25,663,047
Total Primary Government Net Assets	<u>\$ 103,672,158</u>	<u>\$ 100,945,485</u>	<u>\$ 106,085,472</u>	<u>\$ 110,211,855</u>	<u>\$ 117,657,461</u>	<u>\$ 102,353,888</u>

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

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

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
Expenses						
Governmental Activities						
General government administration	\$ 3,533,147	\$ 3,883,989	\$ 3,935,683	\$ 4,129,020	\$ 4,786,763	\$ 5,482,600
Judicial administration	1,011,397	1,065,276	1,156,203	1,245,977	1,291,039	1,398,558
Public safety	6,794,693	6,638,269	7,017,277	6,995,489	7,982,071	8,195,664
Public works	4,747,665	4,150,055	4,127,607	6,332,313	5,288,565	6,489,819
Health and welfare	2,666,535	2,784,179	2,740,167	3,018,356	3,316,750	2,626,378
Education and payments to Schools	20,248,502	21,177,645	23,400,685	26,379,915	29,072,459	30,878,770
Parks, recreation, and cultural	2,759,046	2,989,439	3,158,648	3,306,719	3,598,289	3,862,621
Community development	823,760	841,264	1,163,151	1,132,733	1,700,846	2,231,172
Economic development	429,107	290,087	294,554	373,963	359,538	385,564
Interest expense	1,397,595	1,589,430	2,220,727	1,661,368	1,746,086	1,713,885
Total Governmental Activities Expenses	<u>44,411,447</u>	<u>45,409,633</u>	<u>49,214,702</u>	<u>54,575,853</u>	<u>59,142,406</u>	<u>63,265,031</u>
Business-Type Activities						
Water	15,253,871	14,442,756	14,878,376	16,289,183	17,195,584	31,372,591
Sewer	1,952,604	2,586,301	2,028,151	2,088,637	2,781,966	5,381,002
Total Business-Type Activities Expenses	<u>17,206,475</u>	<u>17,029,057</u>	<u>16,906,527</u>	<u>18,377,820</u>	<u>19,977,550</u>	<u>36,753,593</u>
Total Primary Government	<u>\$ 61,617,922</u>	<u>\$ 62,438,690</u>	<u>\$ 66,121,229</u>	<u>\$ 72,953,673</u>	<u>\$ 79,119,956</u>	<u>\$ 100,018,624</u>
Program Revenues						
Governmental Activities						
Charges for services:						
Public safety	\$ 1,001,830	\$ 1,007,262	\$ 1,414,384	\$ 773,476	\$ 970,613	\$ 606,394
Parks, recreation, and cultural	654,627	677,807	718,591	806,936	851,479	890,329
Judicial Administration	302,394	670,874	672,226	704,344	702,289	985,851
Other	315,589	348,563	403,120	362,644	376,376	478,329
Operating grants and contributions	2,705,665	3,045,368	2,806,914	3,099,444	3,661,138	3,538,063
Capital grants and contributions	749,450	-	-	-	138,488	100,534
Total Governmental Activities Program Revenues	<u>5,729,555</u>	<u>5,749,874</u>	<u>6,015,235</u>	<u>5,746,844</u>	<u>6,700,383</u>	<u>6,599,500</u>
Business-Type Activities						
Charges for services:						
Water	13,588,498	13,317,162	17,150,392	18,936,968	22,321,609	20,289,970
Sewer	1,724,179	2,009,726	2,731,556	2,581,621	3,602,944	2,504,749
Operating grants and contributions	-	115,000	-	-	-	-
Capital grants and contributions	537,310	130,691	1,907,477	1,532,935	839,993	479,911
Total Business-Type Activities Program Revenues	<u>15,849,987</u>	<u>15,572,579</u>	<u>21,789,425</u>	<u>23,051,524</u>	<u>26,764,546</u>	<u>23,274,630</u>
Total Primary Government Program Revenues	<u>\$ 21,579,542</u>	<u>\$ 21,322,453</u>	<u>\$ 27,804,660</u>	<u>\$ 28,798,368</u>	<u>\$ 33,464,929</u>	<u>\$ 29,874,130</u>
Net (Expense)/Revenue						
Governmental Activities	\$ (38,681,892)	\$ (39,659,759)	\$ (43,199,467)	\$ (48,829,009)	\$ (52,442,023)	\$ (56,665,531)
Business-Type Activities	(1,356,488)	(1,456,478)	4,882,898	4,673,704	6,786,996	(13,478,963)
Total primary government net (expense)/revenue	<u>\$ (40,038,380)</u>	<u>\$ (41,116,237)</u>	<u>\$ (38,316,569)</u>	<u>\$ (44,155,305)</u>	<u>\$ (45,655,027)</u>	<u>\$ (70,144,494)</u>

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

TABLE 2 (Continued)

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

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
General Revenues and Other Changes in Net Assets						
Governmental Activities						
Taxes:						
Real property	\$ 20,298,536	\$ 22,736,340	\$ 26,248,419	\$ 29,624,514	\$ 32,844,128	\$ 33,878,025
Personal property	2,501,478	2,700,860	3,137,750	3,327,582	3,303,768	3,287,380
Business licenses, based on gross receipts	2,343,068	2,296,618	2,913,022	2,936,648	3,053,349	3,138,550
Local sales & use	3,292,718	3,492,983	3,828,328	4,263,902	4,222,823	3,962,354
Consumer's utility	1,451,863	1,655,968	1,645,515	1,595,837	2,018,214	2,143,666
Motor vehicle decals	233,543	200,940	223,394	202,229	216,892	208,790
Real estate recordation taxes	137,924	203,335	232,243	213,868	301,751	712,026
Occupancy, tobacco, and other	2,242,346	2,305,965	2,454,441	3,150,953	2,754,408	3,468,099
Grants and contributions not restricted to specific programs	1,894,552	2,211,120	1,495,015	1,535,838	1,983,445	2,038,599
Revenue from use of money and property	252,369	122,565	546,512	569,561	855,866	466,667
Other	383,515	141,942	43,674	71,029	150,420	132,001
<i>Special item</i> - gain on sale of capital assets	-	-	-	-	-	5,000
Transfers	4,713,374	4,625,874	4,764,256	4,775,874	3,055,121	3,076,174
Total Governmental Activities	<u>39,745,286</u>	<u>42,694,510</u>	<u>47,532,569</u>	<u>52,267,835</u>	<u>54,760,185</u>	<u>56,517,331</u>
Business-Type Activities						
Revenue from use of money and property	701,016	377,777	650,041	759,782	1,361,932	1,393,656
Other	34,571	30,651	38,202	29,945	33,637	9,981
<i>Special item</i> - loss on sale of capital assets	-	-	-	-	-	(3,873)
Transfers	(4,713,374)	(4,713,374)	(4,764,256)	(4,775,874)	(3,055,121)	(3,076,174)
Total Business-Type Activities	<u>(3,977,787)</u>	<u>(4,304,946)</u>	<u>(4,076,013)</u>	<u>(3,986,147)</u>	<u>(1,659,552)</u>	<u>(1,676,410)</u>
Total Primary Government	<u>\$ 35,767,499</u>	<u>\$ 38,389,564</u>	<u>\$ 43,456,556</u>	<u>\$ 48,281,688</u>	<u>\$ 53,100,633</u>	<u>\$ 54,840,921</u>
Change in Net Assets						
Governmental Activities	\$ 1,063,394	\$ 3,034,751	\$ 4,333,102	\$ 3,438,826	\$ 2,318,162	\$ (148,200)
Business-Type Activities	(5,334,275)	(5,761,424)	806,885	687,557	5,127,444	(15,155,373)
Total Primary Government	<u>\$ (4,270,881)</u>	<u>\$ (2,726,673)</u>	<u>\$ 5,139,987</u>	<u>\$ 4,126,383</u>	<u>\$ 7,445,606</u>	<u>\$ (15,303,573)</u>

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

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

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General Fund										
Reserved	\$ 96,950	\$ 97,272	\$ 527,125	\$ 1,041,572	\$ 795,149	\$ 1,397,945	\$ 1,161,401	\$ 1,024,193	\$ 1,531,626	\$ 1,494,647
Unreserved	11,602,432	12,913,771	12,166,840	14,667,845	16,057,559	11,821,263	12,631,956	15,129,189	12,666,003	9,830,681
Total General Fund	<u>\$ 11,699,382</u>	<u>\$ 13,011,043</u>	<u>\$ 12,693,965</u>	<u>\$ 15,709,417</u>	<u>\$ 16,852,708</u>	<u>\$ 13,219,208</u>	<u>\$ 13,793,357</u>	<u>\$ 16,153,382</u>	<u>\$ 14,197,629</u>	<u>\$ 11,325,328</u>
All Other Governmental Funds										
Reserved	650,566	912,075	108,664	7,500	151,496	20,034,668	5,151,445	2,281,152	2,281,152	543,425
Unreserved, reported in:										
Capital Projects Fund	913,643	4,027,570	1,336,082	940,900	150,342	4,918,860	4,530,899	1,375,326	1,375,326	4,643,132
Affordable Dwelling Units Fund	-	-	-	-	-	-	414,219	431,941	504,325	381,159
Total All Other Governmental Funds	<u>\$ 1,564,209</u>	<u>\$ 4,939,645</u>	<u>\$ 1,444,746</u>	<u>\$ 948,400</u>	<u>\$ 301,838</u>	<u>\$ 24,953,528</u>	<u>\$ 10,096,563</u>	<u>\$ 4,088,419</u>	<u>\$ 4,160,803</u>	<u>\$ 5,567,716</u>

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									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Revenues										
General property taxes	\$ 16,779,979	\$ 17,299,289	\$ 17,894,364	\$ 21,530,436	\$ 22,502,555	\$ 24,985,137	\$ 28,777,104	\$ 33,248,625	\$ 35,601,262	\$ 37,603,499
Other local taxes	8,955,482	9,127,990	9,838,262	9,638,805	9,568,442	10,130,055	11,284,301	12,350,831	12,554,667	13,621,231
Permit, privilege fees, and regulatory licenses	195,237	207,222	268,479	311,447	415,000	361,371	479,042	442,556	757,587	440,771
Fines and forfeitures	279,158	267,043	303,416	487,510	763,707	996,688	1,302,463	649,377	344,063	482,961
Revenue from use of money and property	746,714	911,772	1,202,819	493,160	252,369	122,565	546,512	569,561	855,866	466,667
Charges for services	736,983	788,336	683,563	847,489	1,191,629	1,265,181	1,292,015	1,423,258	1,655,668	1,869,435
Miscellaneous	2,446,898	2,522,413	480,042	1,081,535	440,694	111,457	148,820	62,800	591,414	108,705
Gifts and contributions	-	-	-	-	-	-	-	-	-	1,342,652
Recovered costs	214,301	44,456	99,573	46,014	1,976,842	2,184,999	2,236,692	2,012,726	1,469,148	1,341,695
Intergovernmental:										
Commonwealth	2,325,996	3,347,692	3,277,357	4,148,580	3,763,634	4,142,091	3,018,725	4,633,990	4,025,954	4,143,211
Federal	757,737	658,037	980,451	1,369,064	1,582,673	1,083,137	851,358	1,001,162	1,105,665	207,090
Total Revenues	33,438,485	35,174,250	35,028,326	39,954,040	42,457,545	45,382,681	49,937,032	56,394,886	58,961,294	61,627,917
Expenditures										
General government administration	2,703,924	2,930,417	4,197,703	3,709,201	4,786,596	5,193,514	5,251,876	5,722,648	5,674,088	6,058,525
Judicial administration	1,001,759	900,424	873,315	967,955	962,887	1,025,090	1,094,018	1,205,050	1,230,303	1,352,188
Public safety	5,767,264	4,735,878	5,179,796	5,862,306	6,371,972	6,240,752	6,996,497	6,704,083	7,644,603	8,185,464
Public works	3,728,623	3,615,302	3,088,647	2,783,998	4,456,901	4,768,075	4,147,696	5,410,065	4,555,196	5,834,441
Health and welfare	1,775,667	1,778,124	2,754,537	3,130,689	2,664,254	2,760,756	2,719,107	3,021,934	3,143,233	2,608,446
Education and payments to Schools	14,607,478	15,997,671	18,297,381	18,413,377	19,771,459	20,702,332	22,930,601	25,076,471	27,636,683	29,567,369
Parks, recreation, and cultural	2,251,352	2,290,312	2,559,833	2,622,749	2,633,689	2,849,028	2,962,822	3,123,316	3,290,829	3,659,333
Community development	1,480,836	1,675,506	970,075	1,008,178	1,138,518	1,196,845	1,424,396	1,430,897	1,753,211	2,175,626
Economic development	-	-	-	-	428,264	277,471	292,876	369,331	353,294	378,698
Capital outlay	2,480,034	4,654,600	2,969,803	736,759	527,228	6,394,602	19,091,875	9,612,382	4,141,088	2,590,974
Debt Service										
Principal	467,365	468,816	487,685	1,645,000	1,812,957	1,907,025	2,135,828	3,350,886	3,396,430	3,547,623
Interest and other charges	345,049	393,740	645,585	1,583,317	1,419,397	1,456,499	1,956,871	1,905,769	1,826,240	1,710,747
Total Expenditures	36,609,351	39,440,790	42,024,360	42,463,529	46,974,122	54,771,989	71,004,463	66,932,832	64,645,198	67,669,434
Excess of Revenues Over (Under) Expenditures	(3,170,866)	(4,266,540)	(6,996,034)	(2,509,489)	(4,516,577)	(9,389,308)	(21,067,431)	(10,537,946)	(5,683,904)	(6,041,517)
Other Financing Sources (Uses)										
Transfers in	3,296,033	3,029,637	4,576,191	4,878,754	4,713,374	4,713,374	4,764,256	4,775,874	3,055,121	3,076,174
Proceeds from borrowing	-	5,924,000	-	-	-	25,000,000	1,875,500	1,935,000	-	2,428,800
Proceeds from issuance of refunding bonds	-	-	-	-	-	7,340,000	4,808,034	35,811	6,347,686	-
Payment to refund bonds	-	-	-	-	-	(8,258,750)	(4,660,000)	-	(6,181,352)	-
Premium on bond sale	-	-	-	-	-	1,170,146	-	70,192	44,215	-
Premium paid to refund bonds	-	-	-	-	-	-	(42,425)	-	-	-
Original issue discount	-	-	-	-	-	-	-	-	(24,351)	-
Proceeds from capital leases	-	-	-	149,841	299,932	442,728	39,250	72,950	-	6,550
Total Other Financing Sources (Uses)	3,296,033	8,953,637	4,576,191	5,028,595	5,013,306	30,407,498	6,784,615	6,889,827	3,241,319	5,511,524
Special Item										
Contributions to OPEB Trust Fund in excess of ARC	-	-	-	-	-	-	-	-	-	(376,176)
Net Change in Fund Balance	\$ 125,167	\$ 4,687,097	\$ (2,419,843)	\$ 2,519,106	\$ 496,729	\$ 21,018,190	\$ (14,282,816)	\$ (3,648,119)	\$ (2,442,585)	\$ (906,169)
Debt Service as a Percentage of Non-Capital Expenditures	2.23%	2.19%	2.91%	7.87%	6.97%	7.11%	8.00%	9.13%	8.57%	8.09%

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				
1999	\$ 835,654,891	\$ 308,051,072	\$ 70,579,085	\$ 13,181,281	\$ 1,227,466,329	\$ 1.36	\$ 1,227,466,329	100%
2000	871,304,350	334,219,178	70,221,787	17,566,513	1,293,311,828	1.35	1,293,311,828	100%
2001	975,113,253	369,511,987	76,970,590	26,637,414	1,448,233,244	1.37	1,448,233,244	100%
2002	1,161,241,023	400,343,444	86,520,783	25,220,770	1,673,326,020	1.37	1,673,326,020	100%
2003	1,328,308,558	439,902,572	67,395,046	43,633,100	1,879,239,276	1.34	1,879,239,276	100%
2004	1,567,336,942	531,362,520	107,947,427	29,484,619	2,236,131,508	1.31	2,236,131,508	100%
2005	1,919,327,908	597,294,900	96,525,026	27,654,180	2,640,802,014	1.23	2,640,802,014	100%
2006	2,237,877,000	695,254,574	98,754,264	28,887,704	3,060,773,542	1.17	3,060,773,542	100%
2007	2,416,612,400	843,540,824	92,006,545	32,870,681	3,385,030,450	1.15	3,385,030,450	100%
2008	2,450,402,450	896,737,950	84,474,526	35,890,466	3,467,505,392	1.15	3,467,505,392	100%

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

<u>Fiscal Year Ended June 30,</u>	<u>Real Property (1st half of the Fiscal Year)</u>	<u>Real Property (2nd Half of the Fiscal Year)</u>	<u>Personal Property</u>	<u>Total Direct Tax Rate (1)</u>
1999	\$ 1.11	\$ 1.11	\$ 4.71	\$ 1.36
2000	1.11	1.10	4.71	1.35
2001	1.10	1.13	4.71	1.37
2002	1.13	1.13	4.71	1.37
2003	1.13	1.13	4.71	1.34
2004	1.13	1.08	4.71	1.31
2005	1.08	1.03	4.71	1.23
2006	1.03	1.01	4.71	1.17
2007	1.01	1.01	4.71	1.15
2008	1.01	1.03	4.71	1.15

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

Taxpayer	2008			1999		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Spectrum Condominium (Under Construction)	\$77,320,100	1	2.32%			
Falls Church Country Club (Apartments)	69,728,000	2	2.09%	37,250,000	1	3.28%
Eden Center, Inc.	59,260,100	3	1.78%	23,160,000	2	2.04%
James E. Koons	32,466,300	4	0.97%	14,032,400	3	1.24%
B Franklin Kahn, et al	24,613,400	5	0.74%	12,580,000	5	1.11%
Federal Realty Investment Trust	24,203,000	6	0.73%	11,098,000	6	0.98%
West Falls Parcel, Inc	23,855,300	7	0.72%	8,590,000	8	0.76%
Aimco Merrill House, LLC	22,444,300	8	0.67%	8,800,000	7	0.78%
Kaiser Foundation Health Plan, Inc.	22,048,500	9	0.66%	13,363,900	4	1.18%
Noland Co. Inc.	21,186,300	10	0.64%	7,616,000	9	67.00%
Broadfalls Apartments				6,965,000	10	0.61%
Totals	<u>\$ 377,125,300</u>		<u>11.31%</u>	<u>\$ 143,455,300</u>		<u>12.65%</u>

Source: Fall Church Office of Real Estate Assessment. Values as 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
1999	\$ 16,722,331	NA	NA	NA	\$ 16,711,049	99.93%
2000	17,104,687	NA	NA	NA	17,092,856	99.93%
2001	18,488,130	NA	NA	NA	18,474,334	99.93%
2002	20,499,240	NA	NA	NA	20,465,371	99.83%
2003	22,970,901	NA	NA	NA	22,930,253	99.82%
2004	25,483,080	\$ 23,705,292	93.02%	\$ 1,688,721	25,394,013	99.65%
2005	28,714,219	27,539,424	95.91%	1,063,270	28,602,694	99.61%
2006	32,603,172	31,271,297	95.91%	1,176,822	32,448,119	99.52%
2007	35,897,910	34,449,695	95.97%	1,182,370	35,632,065	99.26%
2008	37,043,539	36,183,444	97.68%	-	36,183,444	97.68%

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.

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

Fiscal Year	Governmental Activities			Business-Type Activities		Total Primary Government	Percentage of Personal Income (1)	Per Capita
	General Obligation Bonds	Capital Leases	Note Payable	General Obligation Bonds				
1999	\$ 22,642,499	\$ -	\$ -	\$ -	\$ -	\$ 22,642,499	0.05%	\$ 2,242
2000	30,214,999	-	-	-	-	30,214,999	0.06%	2,912
2001	28,825,000	-	-	-	-	28,825,000	0.05%	2,644
2002	27,180,000	-	-	-	-	27,180,000	0.05%	2,471
2003	25,495,000	321,817	-	-	-	25,816,817	0.05%	2,347
2004	47,950,000	597,519	-	-	-	48,547,519	0.08%	4,580
2005	47,171,034	450,942	852,500	7,000	-	48,481,476	0.08%	4,431
2006	46,160,418	317,326	652,500	6,894	-	47,137,138	0.07%	4,252
2007	43,644,216	152,147	435,000	5,056,759	-	49,288,122	NA	4,446
2008	42,827,780	73,810	217,500	15,252,410	-	58,371,500	NA	5,266

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

TABLE 10

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

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Funds	Total	Percentage of Estimated Actual Taxable Value of Property	Per Capita
1999	\$ 22,642,499	\$ 119,061	\$ 22,523,438	1.83%	\$ 2,230
2000	30,214,999	18,038	30,196,961	2.33%	2,910
2001	28,825,000	127,280	28,697,720	1.98%	2,633
2002	27,180,000	-	27,180,000	1.62%	2,471
2003	25,495,000	-	25,495,000	1.36%	2,318
2004	47,950,000	-	47,950,000	2.14%	4,524
2005	47,171,034	-	47,171,034	1.79%	4,311
2006	46,160,418	-	46,160,418	1.51%	4,164
2007	48,700,975	-	48,700,975	1.44%	4,393
2008	58,080,190	-	58,080,190	1.67%	5,240

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

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

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Debt limit	\$ 113,414,865	\$ 122,399,675	\$ 140,472,390	\$ 179,996,377	\$ 182,071,680	\$ 232,021,812	\$ 271,054,630	\$ 339,609,980	\$ 356,527,840	\$ 359,008,750
Total net debt applicable to limit	<u>22,523,438</u>	<u>30,196,961</u>	<u>28,697,720</u>	<u>27,180,000</u>	<u>25,495,000</u>	<u>47,950,000</u>	<u>47,171,034</u>	<u>46,160,418</u>	<u>48,700,975</u>	<u>58,080,190</u>
Legal debt margin	<u>\$ 90,891,427</u>	<u>\$ 92,202,714</u>	<u>\$ 111,774,670</u>	<u>\$ 152,816,377</u>	<u>\$ 156,576,680</u>	<u>\$ 184,071,812</u>	<u>\$ 223,883,596</u>	<u>\$ 293,449,562</u>	<u>\$ 307,826,865</u>	<u>\$ 300,928,560</u>
Total net debt applicable to the limit as a percentage of debt limit	20%	25%	20%	15%	14%	21%	17%	14%	14%	16%

Legal Debt Margin Calculation for Fiscal Year 2008

Assessed value	\$ 3,357,261,000
Add back exempt real property	<u>232,826,500</u>
Total assessed value	<u>3,590,087,500</u>
Debt limit (10% of total assessed value)	359,008,750
Debt applicable to limit:	
General obligation bonds	<u>58,080,190</u>
Total net debt applicable to limit	<u>58,080,190</u>
Legal debt margin	<u>\$ 300,928,560</u>

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)
1999	10,100	\$ 46,704,869	\$ 47,306	NA	\$ 1,541	1.3
2000	10,377	50,393,190	50,036	NA	1,675	1.1
2001	10,900	52,889,102	51,938	NA	1,721	2.6
2002	11,000	53,790,886	52,512	NA	1,749	2.9
2003	11,000	55,636,102	54,117	NA	1,817	2.5
2004	10,600	59,429,981	57,547	NA	1,846	2.9
2005	10,942	64,214,621	61,837	40.1	1,848	3.4
2006	11,085	67,128,015	64,698	NA	1,845	3.0
2007	11,085	NA	NA	NA	1,870	3.0
2008	11,085	NA	NA	NA	1,905	4.4

(1) Source: Weldon Cooper Center for Public Service; numbers are estimates as of July 1; July 1, 2006 is a provisional estimate; year 2000 is based on U.S. Census estimate as of April 1, 2000. Note that 2007 uses the 2006 provisional estimate.

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

(3) Source: US Department of Commerce, Bureau of Economic Analysis. Per Capita Rate for Fairfax, Fairfax City and Falls Church.

(4) Source: Weldon Cooper Center for Public Service; numbers are estimates as of July 1.

(5) Source: City of Falls Church Public School Board

(6) Source: Virginia Employment Commission

NA - Not available.

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

TABLE 13

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

Employer	2008			2006		
	Employees (1)	Rank	Percentage of Total City Employment (2)	Employees	Rank	Percentage of Total City Employment
Kaiser Permanente	580	1	8.87%	375	2	3.95%
Falls Church City Schools	402	2	8.36%	375	1	3.95%
Falls Church City Government	289	3	4.42%	261	3	2.75%
Tax Analysts	184	4	2.81%	150	5	1.58%
Giant Food Store	146	5	2.23%	67	9	0.71%
Koon's Ford & Dodge	126	6	1.93%	196	4	2.06%
Don Beyer Volvo	98	7	1.59%	104	6	1.09%
United States Postal Service	76	8	1.16%	97	7	1.02%
Center for Multicultural Human Services	76	8	1.16%	58	10	0.61%
Knowlogy	61	10	0.93%	85	8	0.89%
Total	2,038		21.45%	1,768		18.61%

1. Source: City of Falls Church Office of Economic Development
2. Total employment estimate of 9,500 from Falls Church Planning Division
3. There is no employment data available from 1999. 2006 is the first year when this data was available.

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									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General government administration	NA	NA	NA	34.75	34.75	34.75	34.75	37.75	37.75	38.25
Judicial administration	NA	NA	NA	12.60	13.10	13.10	12.60	11.60	17.01	17.01
Public safety	NA	NA	NA	56.00	57.00	57.40	57.00	58.40	51.60	53.35
Public works	NA	NA	NA	28.16	27.41	28.41	28.41	28.96	31.58	32.58
Health and welfare	NA	NA	NA	10.12	8.84	9.09	9.09	8.00	9.75	8.85
Parks, recreation, and cultural	NA	NA	NA	44.51	43.97	43.97	42.09	44.69	34.48	36.35
Community development	NA	NA	NA	9.75	9.75	9.75	12.75	12.75	13.75	13.75
Economic development	NA	NA	NA	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Water	NA	NA	NA	51.61	51.44	53.34	52.04	52.04	52.32	52.32
Sewer	NA	NA	NA	3.70	3.70	3.75	4.05	4.10	4.10	4.10
	<u>NA</u>	<u>NA</u>	<u>NA</u>	<u>254.20</u>	<u>252.96</u>	<u>256.56</u>	<u>255.78</u>	<u>261.29</u>	<u>255.34</u>	<u>259.56</u>

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									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General government administration										
<u>Communications</u>										
Number of Media Releases	53	22	72	72	77	78	122	94	109	94
Number of Periodical Publications	NA	NA	NA	NA	5	4	6	9	10	10
eFOCUS Newsletter Subscribers	NA	NA	NA	NA	NA	NA	NA	1,628	1,580	1,454
Judicial Administration										
<u>Court Services</u>										
Aurora House Recidivism (%)	NA	NA	NA	NA	0%	0%	14%	10%	25%	16%
Aurora House Program Completion (%)	NA	NA	NA	NA	82%	88%	90%	62%	50%	83%
Court Services Juvenile Recidivism (%)	NA	NA	NA	NA	9%	4%	8%	14%	13%	9%
Court Services Adult Recidivism (%)	NA	NA	NA	NA	0%	15%	7%	22%	80%	15%
Public safety										
<u>Police</u>										
Part I Crimes (1)	480	456	463	452	405	428	370	370	365	NA
Calls for Service	22,239	22,797	22,319	19,798	18,223	22,317	25,347	25,171	26,554	NA
Accidents	328	309	296	298	295	282	278	257	230	NA
Traffic Enforcement	4,705	5,554	5,251	5,156	4,966	5,739	4,102	3,664	6,507	NA
DWI Arrests	51	84	72	45	40	40	64	52	62	NA
<u>Inspections</u>										
Plan Review	NA	NA	NA	NA	NA	371	490	490	552	577
Stop Work Orders	NA	NA	NA	NA	NA	19	21	21	11	16
Public works										
Refuse collected (Tons)	NA	NA	2,488	2,536	2,883	2,981	2,799	2,845	2,711	2,704
Recycling Collected (Tons)	NA	NA	2,963	2,921	2,994	3,257	3,261	2,728	3,618	4,544
Street resurfacing (Miles)	NA	NA		1	2	1	2	2	2	2
Health and welfare										
<u>Housing & Human Services</u>										
Information/Referral Contacts	2,397	1,525	1,618	2,766	3,137	2,287	2,375	1,786	2,674	2,555
Senior Center lunch meals served	3,003	2,303	2,661	2,725	2,504	2,789	3,028	2,360	1,760	1,824
Education										
Student membership	1,541	1,675	1,721	1,749	1,817	1,846	1,848	1,845	1,873	1,906
Parks, recreation, and cultural										
<u>Parks & Recreation</u>										
Special Events (2)	11	11	11	11	51	135	127	133	130	132
Class participants	NA	NA	NA	NA	NA	2,625	2,750	2,920	2,765	2,140
Room Reservations	NA	NA	NA	NA	6,920	6,280	6,027	6,132	6,150	6,548
Tennis Reservations	NA	NA	NA	NA	785	890	1,150	1,226	1,460	1,570
Youth Sports Participants	1,370	1,416	1,463	1,410	1,746	1,706	1,839	1,932	2,358	2,207
Adult Sports Teams	NA	NA	NA	NA	69	76	61	108	117	102
Teen Dance Participants	NA	NA	50	1,257	1,698	1,701	1,699	1,799	2,152	1,875
Teen Center Attendance	NA	NA	NA	1,400	1,820	2,000	4,428	4,851	4,976	4,250
Summer Camps Offered	NA	NA	84	140	168	168	196	224	186	196
Summer Camp Participants	NA	NA	NA	NA	NA	3,289	3,562	3,769	4,073	4,211
<u>Library</u>										
Size of collection (all formats)	109,232	122,165	110,599	107,849	119,601	123,127	127,236	130,472	150,709	154,175
Total circulation of all materials	294,314	292,328	317,647	331,663	331,371	318,775	335,912	341,626	346,637	365,861
Total visits to library (door count)	159,419	286,119	212,975	243,743	245,766	222,999	212,322	192,222	202,002	203,743
Number of registered borrowers	20,321	22,896	23,111	22,101	21,375	21,503	22,428	23,003	25,470	25,155
Number of website visits/yr (3)	NA	15,562	53,821	96,036	104,854	126,771	154,570	164,839	141,932	135,579
Number of programs/yr	221	217	247	318	286	295	351	357	312	297
Attendance at programs	7,007	7,246	7,322	8,950	9,419	10,691	10,976	11,998	11,321	12,773
Community development										
<u>Planning</u>										
Development Inquiries	NA	NA	NA	NA	NA	NA	NA	6,000	6,200	6,400
Plans Reviewed	NA	NA	NA	NA	NA	NA	NA	20	49	52
Code/ Policy Review	NA	NA	NA	NA	NA	NA	NA	25	18	35
<u>Zoning</u>										
Development Inquiries	NA	NA	NA	NA	NA	NA	NA	1,500	2,200	2,000
Permits/Plans Reviewed	NA	NA	NA	NA	NA	NA	NA	2,000	2,100	1,700
<u>Urban Forestry</u>										
Development Inquiries	NA	NA	NA	NA	NA	NA	NA	1,300	1,200	2,400
Permits/Plans Reviewed	NA	NA	NA	NA	NA	NA	NA	56	75	443
Trees Planted/removed/pruned	NA	NA	NA	NA	NA	NA	NA	369	897	859
Water										
New connection applications	NA	NA	NA	346	123	216	90	374	90	60
Water main breaks	NA	NA	123	95	151	102	102	100	172	112

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	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General government administration										
City Hall	1	1	1	1	1	1	1	1	1	1
Judicial administration (1)										
<u>Court Services</u>										
Aurora House (Facility)	1	1	1	1	1	1	1	1	1	1
Aurora House Passenger Van	1	1	1	1	1	1	1	1	1	1
Court Services Passenger Van	NA	NA	NA	NA	NA	NA	NA	1	1	1
Public safety (2)										
Fire Stations (3)	1	1	1	1	1	1	1	1	1	1
Public works										
Streets -Miles/Lane Miles	NA	NA	NA	32	32	32	32	32	32	32
Traffic signals	NA	NA	NA	30	30	30	30	30	34	34
Streetlights	NA	NA	NA	124	124	124	124	136	136	
Refuse Trucks	NA	NA	NA	4	4	4	4	4	5	5
Education										
School Buildings	3	3	3	3	3	3	3	4	4	4
Parks, recreation, and cultural										
<u>Recreation & Parks</u>										
Community Center	1	1	1	1	1	1	1	1	1	1
Gage House/Senior Center	1	1	1	1	1	1	1	1	1	1
Cherry Hill Farmhouse & Barn	1	1	1	1	1	1	1	1	1	1
Neighborhood Parks	11	11	11	11	11	11	11	12	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	2	3	3	3	3	3	3	5	6	6
<u>Library</u>										
Library (Facility)	1	1	1	1	1	1	1	1	1	1
Community development										
<u>Urban Forestry</u>										
Vehicles	-	-	-	-	-	2	2	2	3	3
Water										
Water Mains (Miles)	NA	NA	NA	485	486	489	489	491	496	497
Fire Hydrants	NA	NA	NA	3,003	3,020	3,017	3,097	3,132	3,169	3,188
Sewer										
Sanitary Sewer Mains (Miles)	NA	NA	NA	NA	43	NA	43	NA	43	43
Sanitary Sewer Manholes	NA	NA	NA	NA	988	NA	998	NA	1,001	1,001

Notes:

NA - Not available.

(1) The City Hall Serves as the City Court House

(2) The police station is located in City Hall

(3) Fire services are provided by Arlington County under contract

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