

City of Fairfax, Virginia



*Comprehensive Annual Financial
Report for the Fiscal Year Ended
June 30, 2017*

CITY OF FAIRFAX, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2017

PREPARED BY:

Department of Finance
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City of Fairfax, Virginia
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INTRODUCTORY SECTION



City of Fairfax

10455 Armstrong Street • Fairfax, VA 22030-3.630

December 7, 2017

Honorable Mayor, Members of the City Council and Citizens
City of Fairfax
Commonwealth of Virginia

We are pleased to present the City of Fairfax's (the City) Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2017. The Code of the Commonwealth of Virginia requires that all local governments shall be audited annually with a report to the Governing Body. The CAFR fulfills this reporting requirement.

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

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

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

The City's financial statements have been audited by Cherry Bekaert LLP, a certified public accounting firm. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2017, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by City management; and evaluating the overall financial statement presentation. The independent auditor's report is located at the front of the Financial Section of the CAFR.

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

FINANCIAL REPORTING ENTITY

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

The City provides a full range of governmental services including law enforcement, emergency medical response, fire protection and fire code safety; maintenance of over 70 miles of roads; judicial services; health and social services; refuse; wastewater; planning and zoning services; parks, recreation and cultural activities; and general government administration services. These services are either provided by the City or through contracts with Fairfax County. In addition, the City provides inter-County and intra-City bus service. The City also operated its own water treatment and distribution system until January 2014, when the City sold its distribution system to Fairfax County Water Authority and its water treatment plant, reservoir, and dams to Loudoun County Water Authority, effectively divesting from the water treatment and distribution business.

Discretely presented component units are reported in a separate column in the financial statements to emphasize that they are legally separate from the primary government and to differentiate their financial position and results of operations from those of the primary government. The City of Fairfax School Board is presented in its own column for financial presentation purposes as a major component unit. The City's public school program is provided through an independent school district administered by a school board and superintendent that contracts with the Fairfax County Public School system for operating the four City schools - Fairfax High, Sidney Lanier Middle, Daniels Run Elementary, and Providence Elementary. The Industrial Development Authority and Economic Development Authority are combined in one column as non-major component units.

ORGANIZATION OF GOVERNMENT

The City is governed under the Council-Manager form of government since changing from Town status in 1961. As a Virginia City, it is independent, and not a part of any county. Under this form of government, a Mayor and six Council members are elected by the citizens every two years to provide direction to the locality. The City Council employs a City Manager who is the executive officer of the City and is responsible to the Council for the proper administration of the City government.

ECONOMIC CONDITION AND OUTLOOK

An independent jurisdiction of 6.34 square miles, just 15 miles west of Washington D.C., the City lies in the heart of Northern Virginia. Bounded by Interstate 66 to the north and less than five miles west of the Capital Beltway, the City is at the crossroads of the area's major north/south and east/west highways. Two major airports, Washington Dulles International Airport and Ronald Reagan National Airport, are within 30 minutes of the City. The City-run bus system provides direct access to rail mass transit at the Vienna/Fairfax/GMU Metro station, less than three miles from the center of the City.

Local Economy

The City's economy remains healthy and stable. According to the US Bureau of Labor Statistics, the City of Fairfax was home to over 19,000 jobs in 2017. Concurrently, the City's unemployment rate fell for seventh straight year, and currently stands at an estimated 2.8%, well below state (3.6%) and national (4.2%) averages.

With 4.7 million square feet of office space, the City remains one of Northern Virginia's employment hubs. The City's office market currently has an 11.8% vacancy rate, lower than that of Fairfax County and of Northern Virginia as a whole. The retail market remains health, with a vacancy rate of only 4.9%.

Four key revenue sources are bellwethers for the local economy - general property taxes, local sales and use tax, meals tax and business professional and occupational license (BPOL) taxes. A 1.5% increase in real property assessments, a \$0.01 increase in the City's real estate tax rate and a \$0.02 increase in the commercial and industrial real estate tax rate account for an increase in general property tax revenues of \$4.2 million or 5.8% in F/Y 17 over F/Y 16 as reported in Exhibit 2. Increased real estate tax revenues were partially offset by a decrease in BPOL (1.6%). Local sales and use tax remained flat and meals tax increased just under 1.0%.

Economic Development Program

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

The City Council was the driving force behind increased outreach and communication with the business community over the last year. Understanding the significant impact small businesses have on the City's economy, City leadership formalized a component role of the Economic Development Office as that of a business ombudsman, or liaison with the business community.

Concurrently, the City's EDO has been coordinating with the EDA to grow the EDA programming and portfolio. This has included various approaches to place-based economic development and coordination with internal departments in the advancement of programs and services. This also includes a renewal of the City's commitment to small business or entrepreneurship development; during this last year the City renegotiated a new memorandum of agreement between with George Mason University for the operation of the Mason Enterprise Center – Fairfax (MEC). At the request of the Director of Economic Development, the EDA and the MEC refocused the MEC Director position to developing the image of the MEC and attracting a more diverse base of businesses.

In the past year the City's EDO, in partnership with the EDA, established a tax incentive zone with a focus on attracting technology based businesses within the City. This new technology zone provides relief and assistance for qualified businesses with BPOL taxes after entering into a performance agreement (commitment to expand within, relocate to, or create jobs within the City.) There are currently seven companies / businesses seeking participation in the new technology zone program and it is anticipated that they will enroll prior to the conclusion of C/Y 17. A similar ordinance targeting cultural arts and entertainment businesses is anticipated to be introduced in F/Y 18.

The EDO and EDA have also partnered together on a number of initiatives seeking to expand the City's profile to "out-of-city" visitors and shoppers. Currently, a joint committee of the EDA and the Chamber of Commerce has been charged by the Director of Economic Development to plan and implement a reinvigorated Restaurant Week program. This program is expected to take place in the spring of 2018.

Last winter the City EDO and EDA launched a facade improvement program. Facade improvement programs traditionally improve the quality of clustered building facades with the goal of increasing commercial traffic throughout a commercial corridor. The historic downtown was selected for the initial phase of the City's facade improvement program because of the age of the buildings and focus on leasing and redevelopment. During the initial iteration of the facade improvement program awards were issued to five downtown properties. Following the success of the initial program, a second iteration of the program is currently being deployed City-wide as a business attraction and retention tool, in addition to the revitalization priorities established during the first iteration.

Lastly, the EDO and EDA are currently playing an active role in attracting new businesses and developing multifaceted strategies to contribute to the thoughtful planning of our new commercial centers. Through work with tenant representatives, the EDO and EDA hope to develop plans that bring dynamic businesses to our numerous commercial cores to strengthen the City's commercial tax base.

Major Projects

The City continues to attract significant investment in commercial and residential redevelopment.

Commercial:

Major development projects are currently in process, and aim to fulfill the goals advocated in the City ' s Comprehensive Plan:

Fairfax Circle Plaza Shopping Center Redevelopment: Final plans to redevelop 108,000 square feet of commercial space (dating to 1964) were approved in 2014. The mixed-use development to be called ' Scout on the Circle,' will include 392 apartments and 88,000 square feet of retail space, including a 54,000 square foot grocery store. Property owner announced on 8/3/17 that Giant Food signed as the anchor tenant. Site and building plans approved pending project bonding. Groundbreaking is expected in late 2017 or early 2018.

Novus Fairfax Gateway: A 403-unit apartment building with approximately 29,000 square feet of commercial space was approved in 2015 for a former industrial site in the Kamp Washington area. Groundbreaking is expected in 2018.

Fairfax Shopping Center: Project was approved by City Council on July 11, 2017 for redevelopment. The new shopping center will include 48,000 square feet of commercial space. 30,000 square feet would be leased to a Whole Foods 365 grocery with the remainder leased to various retailers and restaurateurs. Site plan application anticipated to be submitted to the City by end-of-year 2017.

Paul VI: Development application currently under review for redevelopment the Paul VI Catholic High School site. Project proposed retains 24,000 square feet of existing school building as community/commercial space and redevelop the remainder of the site. The remaining site is proposed for 20,000 square feet of commercial space and 321 dwelling units (137 townhomes

and 184 condominiums). Public hearing and consideration of application anticipated in 2018.

Residential:

Eleven Oaks: This project is currently under construction and consists of 12 single family detached units. All of the units have been sold or are under contract.

Mount Vineyard: This project includes 132 dwelling units (94 condominiums and 38 townhouses) to replace an aged garden style apartment complex. The project is currently under construction and completion is expected in 2018. Fifty four of 132 units (21 townhouses and 33 condominiums) have sold or are under contract.

The Enclave: An 80-unit upscale condominium complex was approved for a previously undeveloped site. The project is currently under construction. Sixty one units have sold or are under contract.

Mayfair: A 25-unit luxury townhouse development adjacent to the City's downtown is currently under construction on the site of a former gas station and dry cleaners. Completion is expected in Spring 2018. Several units have sold or are under contract.

Accolades/Distinctions:

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

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

The Mason Enterprise Center at George Mason University (GMU) was recently named as one of the Top 10 U.S. and Top 20 Global University Business Incubators (UBI) by the UBI Index. A project spearheaded and supported by the City in an ongoing partnership with GMU, the Mason Enterprise Center (MEC) is an integrated network of programs and professional resources providing direct support for entrepreneurial business start-up and expansion.

Safewise, a security services aggregator, ranked the City in the top 20 safest cities in Virginia, after evaluating recent FBI Crime Report statistics and population data.

24/7 Wall Street ranked the City the 8th out of the top 10 Best Places to Live in the nation list in 2017, based on three social measures: educational attainment, poverty rate, and life expectancy.

Livability.com ranked the City the 27th out of the Top 100 Best Places to Live 2017. The City outpaced more than 2,100 cities with populations between 20,000 and 350,000 in this data-driven ranking. The City was nominated as home to George Mason University and a redeveloped and reenergized Old Town Fairfax downtown district that features six buildings on the National Register of Historic Places, also because as a city with a strong economy and an upscale quality of life. *Livability.com* also named the City the 7th among the 10 Best College Towns, 2016.

LendEDU ranked the City the 130th in the Top 250 for Best Cities for Building Wealth in 2017, based on four parameters: median earnings from income, monthly cost of home, median home value and property tax rate.

Insurance Services Office rated the City "1". The insurance industry bases its fire insurance

premiums on such ratings. A rating of “1” is the best rating possible in the US, one shared by less than 1% of jurisdictions in the US.

WalletHub.com named the City the 9th in the 82 for Best Places to Raise a Family in Virginia.

The City of Fairfax won a Silver Certification in the VML Go Green Virginia Challenge for 2016.

The City of Fairfax has received a “Bronze” designation from the national program SolSmart for taking bold steps to encourage solar energy growth and removing obstacles to solar development

The City of Fairfax Parks & Recreation Department won the National Gold Medal Award in 2011. The National Recreation and Park Association Gold Medal Award honors communities throughout the United States that demonstrate excellence in long-range planning, resource management, and agency recognition. The Parks & Recreation Department also earned the CAPRA National Accreditation in 2016, which is the only national accreditation of parks and recreation agencies.

DC Metro Area Professional (periodical) recognized City Attorney, Brian J. Lubkeman, as “2017 Lawyer of the year” for municipal law.

FINANCIAL CONDITION

The total taxable assessed value of residential and commercial real property increased by 1.5% over the prior year. The residential real estate tax rate increased by \$0.01 and the commercial and industrial real estate tax rate increased by \$0.02. In total for the year, real estate revenues increased by \$4.2 million or 5.8% over F/Y 16. School tuition costs of \$46 million were slightly higher in F/Y 17 by 1.5%, than in F/Y 16.

The gross cost for school tuition was lower than budget by \$1.2 million, and \$0.4 million less than estimated. Current estimates indicate the average daily membership (ADM), which is the population of City students in the Fairfax County Public School (FCPS) System, will grow slightly in F/Y 18 to 3,100 from 3,081 in F/Y17. Last year’s estimate was 3,222, however the actual ADM was 3,081.

The projected increase in the City's ADM would result in higher tuition and lower reimbursement for classroom rental from FCPS as the proportion of City students to County students increases.

In order to keep existing programs funded, salaries of public employees competitive, and to address the expanding program needs of the community in a healthy and stable economy, careful budgeting is required. The City strives to keep operating costs flat; however, in F/Y 17 the City provided a merit increase of up to 3.5% for eligible employees and a 1.35% cost of living adjustment (COLA) to remain competitive with surrounding jurisdictions. City Council approved a pay study in F/Y 16, the results of which were presented to City Council in early F/Y 17. The results addressed and remedied salary compression in certain positions.

The City took advantage of continued low interest rates to finance vehicle and equipment replacement, and to refund four bond issues in F/Y 17. Wastewater rates increased 10.0% due to additional debt service costs relating to the City's share of Fairfax County wastewater plant upgrades (the Noman Cole Plant, where the City's wastewater is treated). Water rates are now set by Fairfax Water, and are lower than rates previously charged by the City's former Water Utility.

The City's outstanding debt continues to decline. Though the City uses debt financing in addition to the "pay-as-you-go" approach to fund certain capital projects, the City's net direct debt to tax base ratio decreased to 1.38% at June 30, 2017 from 1.46% at June 30, 2016. The City's net

direct debt to tax base ratio has declined seven consecutive years, since 2010.

The following table shows that overall real property assessed value has more than doubled since 2002 including a 1.5% increase from 2016 to 2017. Real property taxes, which are based on assessments as of January 1st of each year, are due in two payments. The first six months of real estate tax is due on June 21st and the second half on December 5th.

Tax Year	Residential Assessed Value	Residential % Increase (Decrease)	Industrial / Commercial Assessed Value	Industrial / Commercial % Increase (Decrease)	Total Taxable Assessed Value	Total % Increase (Decrease)
2002	\$ 1,756,005,200	17.6	\$ 1,103,310,900	10.9	\$ 2,859,316,100	14.9
2003	2,111,088,700	20.2	1,206,961,700	9.4	3,318,050,400	16.0
2004	2,439,123,400	15.5	1,314,291,800	8.9	3,753,415,200	13.1
2005	3,063,115,200	25.6	1,382,126,100	5.2	4,445,241,300	18.4
2006	3,817,504,900	24.6	1,626,385,700	17.7	5,443,890,600	22.5
2007	3,723,667,700	(2.5)	1,884,634,000	15.9	5,608,301,700	3.0
2008	3,475,794,600	(6.7)	2,161,997,400	14.7	5,637,792,000	0.5
2009	3,182,468,200	(8.4)	2,177,141,900	0.7	5,359,610,100	(4.9)
2010	3,013,912,200	(5.3)	1,968,035,100	(9.6)	4,981,947,300	(7.0)
2011	3,123,099,700	3.6	1,954,294,800	(0.7)	5,077,394,500	1.9
2012	3,195,889,977	2.3	2,025,966,286	3.7	5,221, 856,263	2.8
2013	3,266,638,900	2.2	2,073,994,400	2.4	5,340,633,300	2.3
2014	3,463,135,200	6.0	2,085,815,600	0.6	5,548,950,800	3.9
2015	3,624,478,000	4.7	2,068,542,000	(0.8)	5,693,020,000	2.6
2016	3,738,914,500	3.2	2,113,115,000	2.2	5,852,029,500	2.8
2017	3,822,160,300	2.2	2,119,723,700	0.3	5,941,884,000	1.5

BOND RATING

The City's bond ratings are as follows:

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

BUDGETARY ACCOUNTING AND INTERNAL CONTROLS

The budget process begins in the fall. City Council sets guidelines for the budget, usually in November. These guidelines provide the framework for developing the new budget. Requests from departments and City offices are reviewed and evaluated for priority and, based on estimated revenues, funding is requested by the City Manager in support of those programs and services. Revenue estimates are derived from a review of current and projected economic

indicators, current and proposed federal and state legislation, knowledge of future planned events in the City, and review of historic trends. By law, local government budgets must be balanced; i.e., current expenditures may not exceed current revenues and appropriated fund balance.

The Capital Improvement Program (CIP) follows a similar process whereby departments submit requests, which are evaluated for priority and funding. The initial proposed CIP is issued in November and forwarded to the City Council and Planning Commission for joint discussion. The Planning Commission then holds a public hearing on the CIP and provides recommendations to the City Council. The City Council holds at least one public hearing on the CIP and defers action until adoption of the operating and capital budgets in April or May. The City Manager refines the initial proposed CIP based on an evaluation of operating funding requests and available resources.

A capital budget (year one of the proposed CIP) is included in the operating budget. The capital budget and operating budget together become the proposed budget.

The City Council reviews the proposed budget and holds a series of public hearings, work sessions, and outreach meetings to provide the public with an opportunity to comment, ensuring that the budget is responsive to the citizens' needs. After careful deliberation, the proposed budget, as modified for additions and deletions, is adopted by City Council.

As a management tool, budgetary control is maintained at the department level requiring the encumbrance of funds, which generates vendor purchase orders. In addition, revenues and expenditures are monitored throughout the year, enabling the City to measure actual income and expenses against those projected in the budget.

CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING

The GFOA awarded the City a Certificate of Achievement for Excellence in Financial Reporting for the City's CAFR for the 36th consecutive year. GFOA awards a certificate to governmental units that exemplify excellence in financial reporting and conform to the stringent reporting requirements promulgated by that association and various other authoritative bodies.

To earn a Certificate of Achievement a CAFR must tell its financial story clearly, thoroughly, and understandably. The report must be efficiently organized, employ certain standardized terminology and formatting conventions, minimize ambiguities and potentials for misleading inference, enhance understanding of current generally accepted accounting theory, and demonstrate a constructive "spirit of full disclosure".

A Certificate is valid for a period of only one year. The City believes its current report continues to conform to the Certificate of Achievement Program requirements and standards, and is submitting it to the GFOA to determine its eligibility for another certificate for the 2017 fiscal year.

ACKNOWLEDGMENTS

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

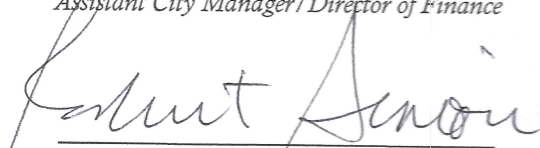
We would also like to thank the Mayor and City Council for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,



David E. Hodgkins

Assistant City Manager / Director of Finance

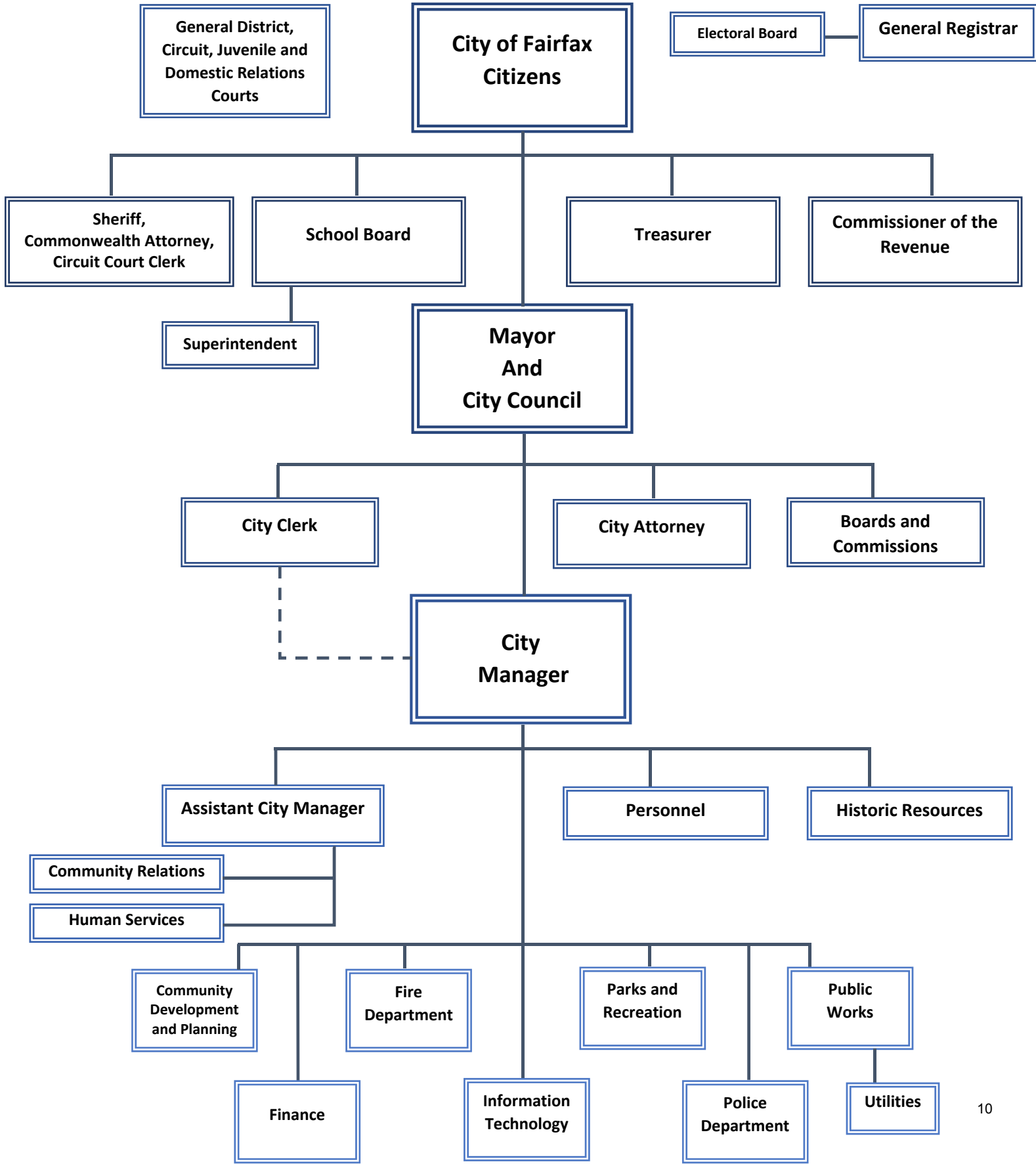


Robert L. Sisson

City Manager

City of Fairfax, Virginia

Organizational Chart



CITY OF FAIRFAX, VIRGINIA
PRINCIPAL OFFICIALS
June 30, 2017

CITY COUNCIL

David L. Meyer, Mayor¹

Michael. J. DeMarco	Janice M. Miller
Daniel L. Drummond ²	Jennifer E. Passey ²
Jeffrey C. Greenfield	Eleanor D. Schmidt
David L. Meyer ²	Jon R. Stehle

STAFF

Robert L. Sisson.....	City Manager
David E. Hodgkins.....	Assistant City Manager/Director of Finance
William Page Johnson II.....	Commissioner of Revenue ³
W. Thomas Scibilia.....	Treasurer ³
John O'Neal	Fire Chief
Carl R. Pardiny.....	Chief of Police
Brooke Hardin.....	Director of Community Development and Planning
Mark Perry	Director of Information Technology ⁵
David Summers.....	Director of Public Works
Catherine Salgado.	Director of Parks and Recreation
Sara Greer.....	Personnel Director
Thomas E. Reed.....	Real Estate Assessor
Melanie Crowder.....	City Clerk
Brenda Cabrera	General Registrar
Phyllis Pajardo, Ed. D.....	City School Superintendent ⁴

ADVISORS

Brian J. Lubkeman.	City Attorney
Cherry Bekaert, LLP.....	Independent Auditors

¹ R. Scott Silverthorne resigned on August 11, 2016. Replaced by appointed Interim Mayor and former Councilmember Stephen C. Stombres. Then current Councilmember David L. Meyer was elected Mayor 2/14/2017.

² David L. Meyer (Councilmember) resigned 2/28/2017 when he was elected Mayor. Replaced by appointed (2/28/2017-9/15/2017) interim Councilmember Daniel L. Drummond. Replaced by Jennifer E. Passey, elected 9/15/2017.

³ Elected by City voters to 4-year term. Current Term expires December 31, 2017.

⁴ Appointed August 7, 2017. Replaced Peter Noonan who retired May, 15 2017.

⁵ Replaced Lynn L. Barbour who retired July 1, 2016.



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Fairfax
Virginia**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Executive Director/CEO

FINANCIAL SECTION

Report of Independent Auditor

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Fairfax, Virginia (the “City”), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements as listed in the table of contents.

Management’s Responsibility for the Financial Statements

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

Auditor’s Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Fairfax, Virginia, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 20 to the financial statements, the net position of the business-type activities and Wastewater Fund, as of June 30, 2016, has been restated from the previously issued financial statements to reflect the correction of an error. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

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, and Statistical Section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Other Supplementary Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Other Supplementary Information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2017, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Tysons Corner, Virginia
December 7, 2017

CITY OF FAIRFAX, VIRGINIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2017

This section of the City of Fairfax, Virginia's ("City") Comprehensive Annual Financial Report (CAFR), the Management's Discussion and Analysis (MD&A), provides an overview of the City's financial activities and performance for the fiscal year ended June 30, 2017. Users of these financial statements are encouraged to consider the information presented here in conjunction with the City's basic financial statements and the information furnished in our letter of transmittal, which can be found in the introductory section.

HIGHLIGHTS OF GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Primary Government's assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources by \$84.6 million (*net position*) at the close of the most recent fiscal year ("F/Y") on June 30, 2017, an 18.3% increase from F/Y 16 (restated). The Primary Government includes both governmental and business-type activities.

- A combination of a 1.5% increase in real property assessments, a \$0.01 increase in the City's real estate tax rate and a \$0.02 increase in the commercial and industrial real estate tax rate, a \$1.3 million increase in charges for services, and a \$0.5 million increase in operating grants/contributions accounted for the majority of the increase in governmental net position. Refer to Tables 1 and 2 for more information.
- The Component Unit School Board again decreased its net position by \$1.8 million during the year as expenses outpaced revenues. While overall education costs increased by \$0.8 million from F/Y 16, tuition increased only \$0.7 million to \$46.0 million during F/Y 17. School tuition is paid quarterly based on estimates, and reconciled to actual costs by Fairfax County Public Schools (FCPS) after year-end. Since the City's quarterly payments exceeded the actual tuition costs, at the end of F/Y 17, the City recorded a receivable from FCPS of \$0.2 million for that overpayment. The \$0.2 million adjustment will be deducted from the first quarter's bill in F/Y 18.
- At the end of June 30, 2017, the City's governmental, business-type, and Component Unit School Board activities had invested \$216.7, \$26.5, \$2.4 million, net of accumulated depreciation, respectively, in a variety of capital assets. Refer to Table 4 for more information.
- The City's total governmental outstanding long-term debt is \$133.5 million, which is a decrease of \$12.6 million, driven mainly by debt retirement during the normal course of business. Total enterprise outstanding long-term debt decreased by \$0.6 million, also due to debt retirement during the year. F/Y 17 is the second year in which a principal repayment was due on the outstanding debt in the Wastewater Fund. Refer to the Outstanding Debt Table in this section or Note 7 under the Notes to the Financial Statements section of this report for additional information.

CITY OF FAIRFAX, VIRGINIA

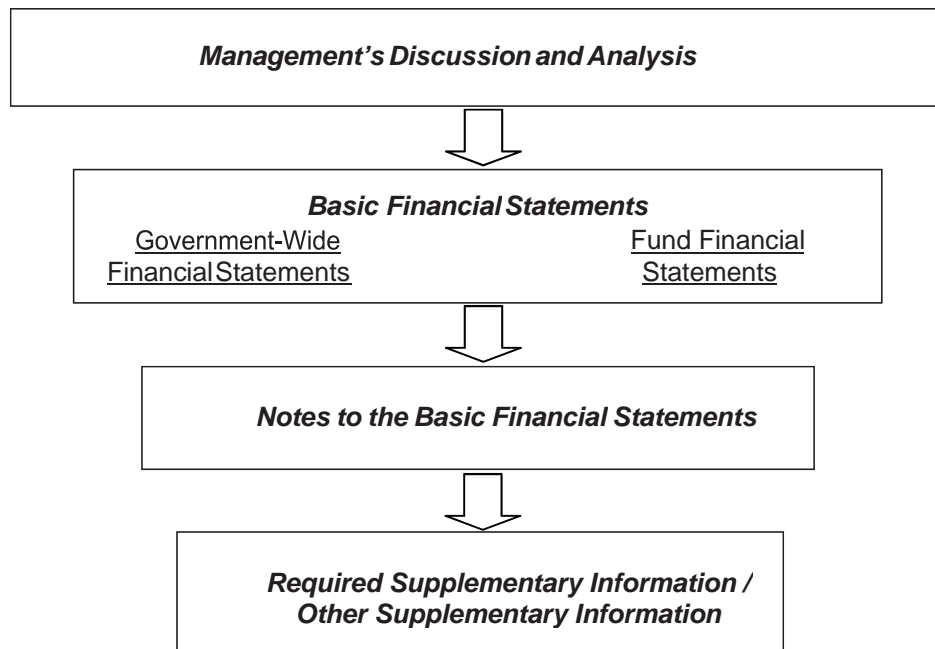
MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2017

USING THE FINANCIAL SECTION OF THE ANNUAL REPORT

- This Comprehensive Annual Financial Report is presented in four sections: introductory, financial, statistical, and compliance. The financial section is further broken down as displayed in the chart below.

COMPONENTS OF THE FINANCIAL SECTION



GOVERNMENT-WIDE STATEMENTS

The government-wide statements report information about the City as a whole using accounting methods similar to those used by most private-sector companies. The government-wide financial statements provide both long-term and short-term information about the City's overall financial status. One of the most important questions that could be asked about the City's financial position is: "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities, which are the government-wide statements, report information about the City as a whole and about its activities in a way to address this question. These statements include all assets and liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net position and changes in it. One can think of the City's net position – the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources – as one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving or declining. Other non-financial factors will need to be considered, for example, changes in the City's property tax base and the condition of the City's facilities, to assess the overall health of the City.

CITY OF FAIRFAX, VIRGINIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2017

In the Statement of Net Position and the Statement of Activities, we divide the City into the following:

Governmental Activities – Most of the City's basic services are reported here: General Government, Judicial Administration, Public Safety, Public Works, Health and Social Services, Parks, Recreation and Cultural, and Planning and Community Development. Property taxes, other local taxes, and state and federal aid finance most of these activities.

Business-type Activities – The City's Wastewater System and the City's Transit System are reported here. The City charges a fee to customers to cover all of the cost of waste-water services. In the past, a significant portion of the Transit System had been subsidized by the City, but in the last four fiscal years, the City has used "30%" state funds to subsidize its Transit operations.

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

FUND FINANCIAL STATEMENTS

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

The City has three types of funds:

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

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

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

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

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

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

CITY OF FAIRFAX, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2017

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

This section of the MD&A covers the Government-wide Financial Statements (Tables 1 and 2), which can be found in the Basic Financial Statements section of the CAFR.

Statement of Net Position

The table on the next page presents the condensed Statement of Net Position of the Primary Government and the School Board Component Unit in a comparative format:

Table 1
Summary of Statement of Net Position
June 30, 2017 and 2016
(in millions)*

	Primary Government						Major Component Unit	
	Governmental Activities		Business-type Activities		Totals		School Board	
	2017	2016	2017	2016	2017	2016	2017	2016
Assets:								
Current and other assets**	\$80.2	\$78.6	\$14.0	\$16.0	\$94.2	\$94.6	\$2.2	\$2.1
Capital assets, net	216.7	209.3	26.5	23.5	243.2	232.8	2.4	4.2
Total Assets	296.9	287.9	40.5	39.2	337.4	327.1	4.6	6.3
Deferred outflows of resources	28.1	26.6	1.0	0.9	29.1	27.5	-	-
Liabilities:								
Current and other liabilities	23.3	22.6	3.2	2.7	26.5	25.3	1.0	0.8
Long-term liabilities	185.4	191.2	26.1	26.4	211.5	217.6	0.2	0.2
Total Liabilities	208.7	213.8	29.3	29.1	238.0	242.9	1.2	1.0
Deferred inflows of resources	43.5	40.2	0.4	0.4	43.9	40.6	-	-
Net Position:								
Net investment in capital assets	90.0	71.7	16.8	13.1	106.8	84.8	2.4	4.2
Restricted	-	1.8	-	-	-	1.8	-	-
Unrestricted	-17.2	-12.9	-4.9	-2.2	-22.1	-15.1	1.1	1.1
Total net position	\$72.8	\$60.6	\$11.8	\$10.9	\$84.6	\$71.5	\$3.5	\$5.3

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

** 2016 business-type activities' balances have been restated to reflect the correction of an error – see footnote 20

Over time, net position may serve as a useful indicator of the City's financial position. For the most recently concluded fiscal year, the City's Primary Government assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$84.6 million, which is an increase of \$13.1 million from the restated net position as of June 30, 2016.

The largest portion of the City's net position reflects its investment in capital assets (e.g. land, buildings, infrastructure improvements, machinery and equipment, and construction in progress, net of accumulated depreciation) less any related outstanding debt used to acquire those assets. As of June 30, 2017, this investment totaled \$245.6 million for the entire reporting entity (\$243.2 million for the Primary Government and \$2.4 million for the School Board Component Unit). The City uses these assets to provide services to its

CITY OF FAIRFAX, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2017

citizens; consequently, these assets are not readily available for future spending.

Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves would not likely be used to liquidate these liabilities.

Statement of Activities

The following table shows the revenues and expenses of the governmental and business-type activities and the School Board Component Unit:

Table 2
Summary of Changes in Net Position
Years Ended June 30, 2017 and 2016
(in millions)*

	Primary Government						School Board Component	
	Governmental Activities		Business-type Activities		Totals		School Board	
	2017	2016	2017	2016	2017	2016	2017	2016
Revenues:								
Program revenues:								
Charges for services	\$ 5.8	\$ 5.6	\$ 8.8	\$ 7.6	\$ 14.6	\$ 13.2	\$ 0.6	0.6
Operating grants and contributions	5.2	4.8	0.8	0.7	6.0	5.5	8.2	7.8
Capital grants and contributions	11.5	11.1	-	2.5	11.5	13.6	-	-
General revenues:								
General property taxes	76.5	72.4	-	-	76.5	72.4	-	-
Other local taxes	35.7	35.7	-	-	35.7	35.7	-	-
Contribution from City	-	-	-	-	-	-	36.6	35.9
Grants and contributions not restricted to specific programs	3.4	3.4	-	-	3.4	3.4	-	-
Use of money and property	0.9	0.8	0.1	-	1.0	0.8	1.6	1.9
Miscellaneous	0.3	1.2	0.4	0.4	0.7	1.7	-	-
Total revenues	\$ 139.2	\$ 135.0	\$ 10.1	\$ 11.2	\$ 149.4	\$ 146.3	\$ 47.0	\$ 46.2
Expenses:								
General government	\$ 15.4	\$ 10.4	\$ -	\$ -	\$ 15.4	\$ 10.4	\$ -	\$ -
Judicial administration	2.6	2.8	-	-	2.6	2.8	-	-
Public safety	28.3	24.9	-	-	28.3	24.9	-	-
Public works	18.0	25.0	10.7	10.7	28.7	35.7	-	-
Health & social services	6.0	5.7	-	-	6.0	5.7	-	-
Education	39.5	39.7	-	-	39.5	39.7	48.8	47.9
Parks, recreation and cultural	7.6	7.1	-	-	7.6	7.1	-	-
Planning and community develop	2.5	2.4	-	-	2.5	2.4	-	-
Interest	5.6	5.2	-	-	5.6	5.2	-	-
Total expenses	\$ 125.5	\$ 123.2	\$ 10.7	\$ 10.7	\$ 136.2	\$ 133.9	\$ 48.8	\$ 47.9
Change in net position before transfers & special items	\$ 13.7	\$ 11.8	\$ (0.6)	\$ 0.5	\$ 13.2	\$ 12.4	\$ (1.8)	\$ (1.7)
Transfers	(1.5)	(0.8)	1.5	0.8	-	-	-	-
Special items	-	-	-	0.4	-	0.4	-	-
Change in net position	\$ 12.2	\$ 11.0	\$ 0.9	\$ 1.7	\$ 13.2	\$ 12.7	\$ (1.8)	\$ (1.7)
Net position, beginning of year	\$ 60.6	\$ 49.6	\$ 10.6	\$ 8.9	\$ 71.2	\$ 58.5	\$ 5.3	\$ 7.0
Cumulative effect of prior period adjustment **	-	-	0.3	-	\$ 0.3	-	-	-
Net position, beginning of year adjusted	\$ 60.6	\$ 49.6	\$ 10.9	\$ 8.9	\$ 71.5	\$ 58.5	\$ 5.3	\$ 7.0
Net position, ending of year	\$ 72.8	\$ 60.6	\$ 11.8	\$ 10.6	\$ 84.7	\$ 71.2	\$ 3.5	\$ 5.3

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

** Refer to Note 20 for additional details.

CITY OF FAIRFAX, VIRGINIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

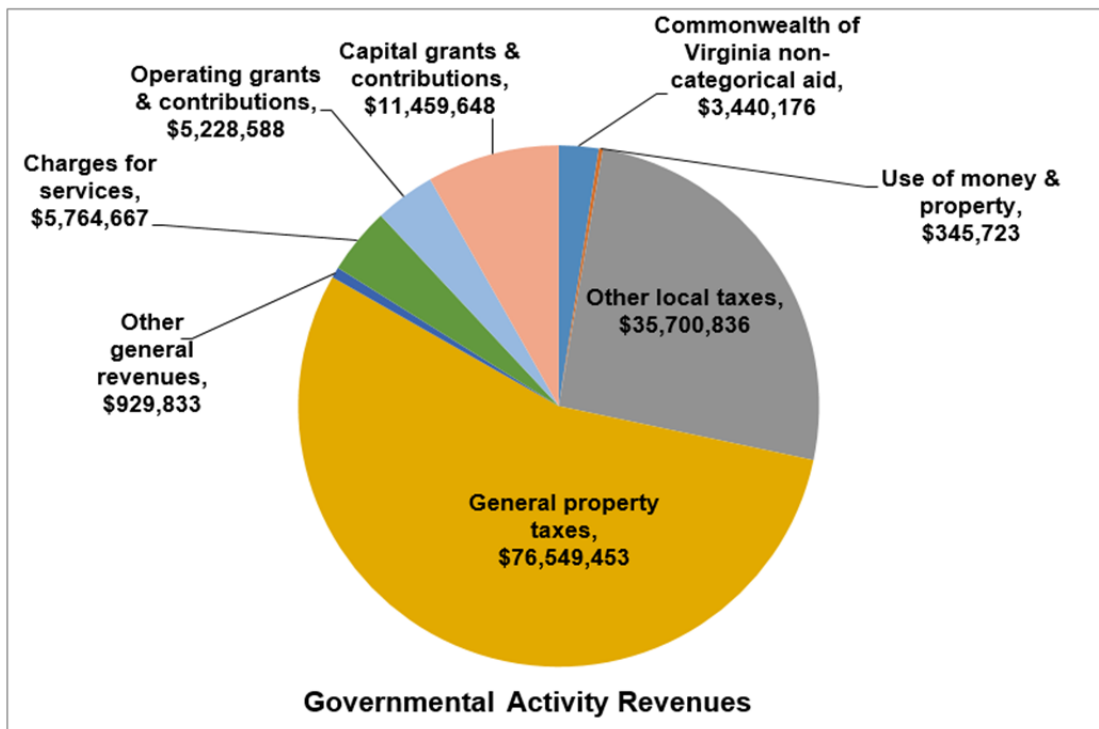
YEAR ENDED JUNE 30, 2017

Governmental Activities

Revenues for the City's governmental activities were \$139.2 million, which is an increase of \$4.2 million from the prior year.

- General property taxes are the largest revenue source for the City. A healthy 1.5% increase in assessments of taxable real property, a \$0.01 increase in the City's real estate tax rate and a \$0.02 increase in the commercial and industrial real estate tax rate, resulted in the \$4.2 million increase in these revenues.
- Other local tax revenues remained flat (\$35.7 million). Motor vehicle license tax, meals tax, transient occupancy tax and franchise tax increased, while business license taxes, consumer utility taxes, recordation tax, tobacco taxes, consumption tax and communication tax slightly decreased.
- Operating grants increased by \$0.4 million and capital grant revenues increased by \$0.4 million in F/Y 17. Federal and state revenue-sharing transportation-related grants were the main factors for the growth in the grant revenue.

The chart below shows F/Y 2017 governmental revenues by program source:



Expenses for the City's governmental activities were \$125.5 million in F/Y 17, which is an increase of \$2.3 million from F/Y 16.

- Increases in expense categories such as equipment maintenance and old town hall, decreases in many expense categories such as building maintenance, vehicle maintenance, utilities, major storm costs and contract services.
- The major driver of the increase is the internal allocation of management expenses from the governmental-type funds to the business-type funds, which increased \$1.9 million from F/Y 16.
- Personnel and fringe costs increased slightly by \$0.3 million. A \$0.5 million increase in salaries due to a merit increase of up to 3.5% for eligible employees, a 1.35% cost of living adjustment (COLA) for all

CITY OF FAIRFAX, VIRGINIA
MANAGEMENT’S DISCUSSION AND ANALYSIS

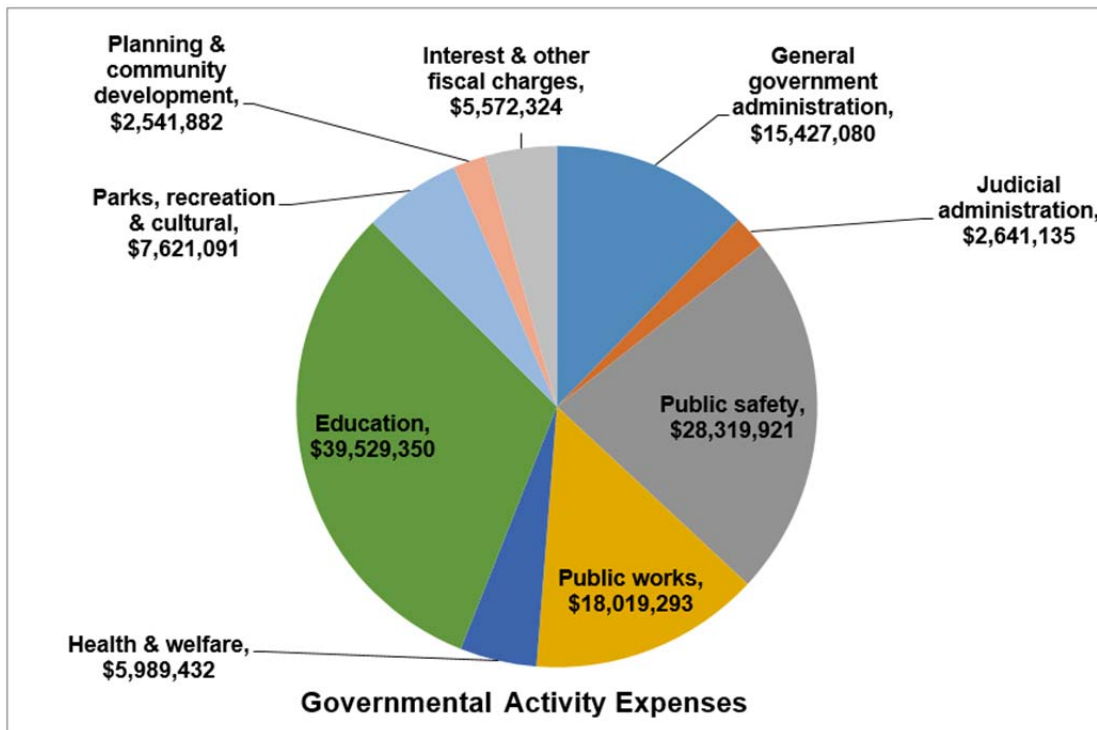
YEAR ENDED JUNE 30, 2017

employees and a \$0.4 million increase in health insurance costs were offset by an overall decrease of \$0.2 million in fringe expense driven by lower required contributions into the City’s supplemental retirement plan.

- School tuition increased by \$0.7 million in F/Y 17.

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

Governmental activity expenses by major category are as follows:



Business-type Activities

Business-type activities increased the City’s net position, by \$0.9 million, as charges for services and contributions came in higher than expenses.

The revenues decreased \$1.1 million from F/Y 16. If the factor of a \$2.5 million capital grant for the purchase of new buses in F/Y 16 is excluded, the revenues increased by \$1.4 million from F/Y 16, as a result of a \$1.2 million increase in charges for services, a \$0.1 million increase in contributions and a \$0.1 million increase in use of money and property. The expenses remain flat in F/Y 17.

Component Unit Activities

The School Board’s net position decreased by \$3.5 million during the year, primarily driven by a \$2.6 million increase in the education expenses and a \$0.3 million decrease in use of money and property revenue.

CITY OF FAIRFAX, VIRGINIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2017

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

This section of the MD&A discusses the City's Fund Financials, which as noted earlier, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Consequently, the amounts presented in Exhibits 3 through 7 in the Basic Financial Statements section of the CAFR will differ from the amounts presented in Exhibits 1 and 2. Exhibit 4 provides a reconciliation between the Balance Sheet of the Governmental Funds and the Statement of Net Position to allow the reader to understand those differences.

Governmental Funds

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$35.6 million, an increase of \$0.7 million from the prior year. Approximately 47.5% of this total amount (\$16.9 million) constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of the fund balance is classified as of non-spendable (\$1.2 million), restricted (\$3.5 million), committed (\$3.6 million), and assigned (\$10.3 million) to indicate that the funds are not available for new spending.

The General Fund is the primary operating fund of the City. The total fund balance increased by \$2.2 million (revenues of \$125.1 million less expenditures of \$113.2 million and other financing uses (net) of \$9.7 million). Approximately \$10.1 million of the financing uses represent the transfer of unassigned fund balance to the Capital Projects Funds, offset by a \$0.1 million transfer back into the General Fund. The transfers out increased by \$1.2 million from F/Y 16 as additional funds over and above budget were transferred to the General Capital Projects Fund in anticipation of more pay-as-you-go purchases from that fund in F/Y 18 and beyond.

The City's General Capital Projects Fund, Commercial Transportation Tax Fund and Other Governmental Funds reflected overall decreases of \$1.5 million in the total fund balance. The change in fund balances consist of the following: General Capital Projects Fund (\$1.4 million increase), Commercial Transportation Tax Fund (\$2.8 million decrease), and Other Governmental Funds (\$0.06 million decrease). The overall decrease in fund balances is attributable to lower transfers in from the General Fund and much higher transfer out, offset partially by related increases in capital revenues and expenditures.

The General Capital Projects, Commercial Transportation Tax, and Other Governmental fund balances are committed or assigned to capital projects, and unavailable for other spending.

Proprietary funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements for Business-type Activities, but in more detail. The City has the following proprietary funds: Wastewater Fund (major), Water Fund (non-major) and Transportation Funds (non-major). The Water Fund ceased operations in F/Y 14, and will close out once residual transactions related to the sale of the water treatment and distribution assets are complete.

Unrestricted net position deficit of the major and non-major proprietary funds at June 30, 2017 totaled (\$3.5) million and (\$1.4) million, respectively. The total proprietary fund unrestricted net position decreased by \$2.4 million from the prior year to (\$4.9) million.

CITY OF FAIRFAX, VIRGINIA
MANAGEMENT’S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2017

Major events in both the Governmental and proprietary Funds during the current fiscal year included the following:

- Significant on-going construction costs on the Northfax project, totaling \$9.9 million in F/Y 17. The construction will continue in F/Y 18. Northfax is currently the City’s largest capital project.
- Kamp Washington project expenditures totaling \$3.4 million, almost doubled from F/Y 16 as normal on-going costs to continue the construction.
- Curb gutter and sidewalk repaving project totaling \$1.1 million, slightly lower than F/Y 16 (\$0.1 million).
- Residual cash in the Water Fund once again supplementing the C&I tax rate in order to maximize receipt of “30%” transportation funding from the State. The City’s C&I tax rate of \$0.105 is still below the maximum \$0.125 allowable.
- An increase in Wastewater utility rates of 10.0% to support the City’s share of capital project costs required for the Noman M. Cole, Jr. Wastewater Treatment Plant.

General Fund Budgetary Highlights

While the previous sections discuss changes in actual results from F/Y 16 to F/Y 17, the following section provides a summarized final-budget-to-actual analysis of the General Fund to show how actual results compare to the final budget. While results may be positive year-over-year, they may still show a negative variance with the final budget.

Table 3 on the next page summarizes Exhibit 7, which can be found in the Basic Financial Statements section of the CAFR.

Table 3
General Fund Budgetary Highlights
Fiscal Year 2017
(in millions)*

	Final Budget	Actual	Actual Over/(Under) Final Budget
Revenues:			
Taxes	\$ 112.1	\$ 109.6	\$ (2.5)
Intergovernmental	5.1	8.7	3.6
Other	6.9	6.8	(0.1)
Totals	124.1	125.1	1.0
Expenditures	114.8	113.2	(1.6)
Excess of revenues over expenditures:	9.3	11.9	2.6
Other financing sources and (uses):			
Transfers out	(9.7)	(9.7)	-
Changes in fund balance	(0.4)	2.2	2.6
Fund balance, beginning	0.4	16.8	16.4
Fund balance, ending	\$ -	\$ 19.0	\$ 19.0

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

Actual General Fund revenues were over final budget amounts by \$1.0 million and actual expenditures beat the final budget by \$1.6 million. Highlights of the comparison of final budget to actual figures for the fiscal year ended June 30, 2017, include the following:

CITY OF FAIRFAX, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2017

- The overall positive revenue variance to budget of \$1.0 million is attributable mainly to general increases in property taxes.
- PPTRA of \$3.0 million is budgeted in Taxes but recorded in Intergovernmental. It is necessary to net the two variances in order to analyze performance.
- Overall expenditures came in under budget by \$1.6 million, driven mainly by lower-than-budgeted public safety (\$0.6 million), planning and community development (\$0.4 million), information technology expenditures (\$0.3 million), and cost containment in other expenditure categories (\$0.3 million).

CAPITAL ASSETS

As of June 30, 2017, the City's governmental activities, business-type activities, and the activities of the Component Unit School Board had invested \$216.7, \$26.5, \$2.4 million net of accumulated depreciation, respectively, in a variety of capital assets, as reflected in the following table.

Table 4
Statement of Capital Assets
June 30, 2017 and 2016
(in millions)*

	Primary Government						Component Unit	
	Governmental Activities		Business-type Activities		Totals		School Board	
	2017	2016	2017	2016	2017	2016	2017	2016
Land	\$ 50.4	\$ 50.1	\$ -	\$ -	\$ 50.4	\$ 50.1	\$ 1.3	\$ 1.4
Construction in Progress	29.7	16.6	3.4	2.1	33.1	18.7	-	-
Depreciable Capital Assets:								
Buildings and Improvements	57.0	56.9	1.5	1.5	58.5	58.4	44.4	40.5
Machinery and Equipment	28.1	27.6	5.1	5.1	33.2	32.7	1.5	1.4
Joint Tenancy Assets	72.4	76.2	-	-	72.4	76.2	-	-
Intangible Assets	-	-	16.8	14.6	16.8	14.6	-	-
Infrastructure	53.2	51.2	8.2	8.2	61.4	59.4	-	-
Accumulated Depreciation	(74.1)	(69.3)	(8.5)	(8.0)	(82.6)	(77.3)	(44.8)	(39.1)
Total	\$ 216.7	\$ 209.3	\$ 26.5	\$ 23.5	\$ 243.2	\$ 232.8	\$ 2.4	\$ 4.2

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

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2017, amounts to \$243.2 million, net of accumulated depreciation. This investment in capital assets includes land, construction in progress, buildings, improvements, machinery and equipment, and infrastructure. Common infrastructure items include roadways, bridges, storm drainage areas, wastewater lines, sidewalks, curbs, bike paths and traffic lights. The net increase in the City's investment in capital assets of \$9.4 million during the current fiscal year is due to new investments exceeding depreciation.

CITY OF FAIRFAX, VIRGINIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2017

Major capital asset transactions of the City during F/Y 2017 in both the governmental and business-type activities included the following:

- Additions to land via right-of-way acquisitions, totaling \$0.3 million and mainly driven by the Northfax and Kamp Washington improvement projects.
- Continued investment in the roadway infrastructure of \$3.4 million, mainly Northfax project, as construction in progress.
- Public Safety improvement of \$1.0 million results from the purchase of Fire Department capital equipment.

The City's investment in capital assets for its School Board Component Unit as of June 30, 2017, was \$2.4 million, net of accumulated depreciation, a net decrease of \$1.8 million from the prior fiscal year. Investment in buildings of \$3.8 million was offset by an additional depreciation of \$5.6 million. While the main categories of capital asset investment are the same for the School Board and the City, the School Board has a separate category called joint tenancy assets representing classroom improvements and school infrastructure costs funded by the City but attributed to the School Board Component Unit.

Additional information on the City's capital assets can be found in Note 6 of the Notes to the Financial Statements section of this report.

OUTSTANDING DEBT

Table 5
General Obligation, Revenue Bonds, and Notes Payable
(in millions)*

	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
General Obligation Bonds						
General Obligation Bonds	\$ 82.1	\$ 86.8	\$ -	\$ -	\$ 82.1	\$ 86.8
General Obligation Bonds - Premiums	2.5	7.2	-	-	2.5	7.2
Lease Revenue Bonds	37.7	29.2	-	-	37.7	29.2
Public Improvement COPs	-	10.1	-	-	-	10.1
Notes Payable	6.2	6.8	-	-	6.2	6.8
Capital Leases	4.9	5.9	-	-	4.9	5.9
Governmental Debt	\$ 133.4	\$ 146.0	\$ -	\$ -	\$ 133.4	\$ 146.0
Self-Supporting Debt						
WasteWater - Lease Revenue Bonds & Premiums	\$ -	\$ -	\$ 23.1	\$ 23.7	\$ 23.1	\$ 23.7
Total City Debt	\$ 133.4	\$ 146.0	\$ 23.1	\$ 23.7	\$ 156.5	\$ 169.7

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

Additional information on the City of Fairfax's long-term debt can be found in Note 7 of Notes to the Financial Statements section of this report.

CITY OF FAIRFAX, VIRGINIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2017

ECONOMIC FACTORS

While certain revenues, such as BPOL and local sales and use taxes performed negatively compared to budget, total revenues showed healthy increases over the prior F/Y. Additionally, real estate assessments increased by 1.5%, attributable to the residential sector. Residential assessment has increased for the 7th year and commercial assessments remain flat, indicating a steady residential sector, a stable commercial sector, and a healthy real estate market and economy as a whole.

Encouragingly, the City's unemployment rate has continued to improve, closing the fiscal year at 2.8% and remains much lower than national (4.2%) and State (3.6%) unemployment rates. The City's bond ratings, Aaa (Moody's Investor Services) and AAA (Standard and Poor's) place it in the top tier of municipal bond issuers. The City continues to maintain a strong economic base. The retail market remains strong at a vacancy rates of 4.9% in the City, among the lowest in the region. Office space vacancy has decreased to around 11.8% and is comparable to the vacancy rates in surrounding jurisdictions. The City has aggressively pursued multiple redevelopment opportunities along the Route 50/29 Corridor (Fairfax Boulevard), and has approved mixed-use development projects at Fairfax Circle, Kamp Washington, and Northfax Gateway. Several major projects have been completed along the Boulevard with many others in various stages of planning, design, and development.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

CITY OF FAIRFAX, VIRGINIA
Statement of Net Position

Exhibit 1

June 30, 2017

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	School Board	Nonmajor Component Units
ASSETS					
Current Assets:					
Cash and cash equivalents	\$ 32,107,860	\$ 13,463,106	\$ 45,570,966	\$ 2,499	\$ 940,230
Cash and cash equivalents - in custody of others	1,690,259	-	1,690,259	-	-
Receivables, net of allowance for uncollectibles:					
Property taxes	32,272,884	-	32,272,884	-	-
Accounts receivable	295,519	1,375,109	1,670,628	-	-
Other	1,026,829	-	1,026,829	-	-
Due from other governments	7,538,972	1,147,892	8,686,864	993,544	-
Due from component units	2,094,369	-	2,094,369	-	-
Interfund receivable (payable)	2,020,330	(2,020,330)	-	-	-
Inventories	806,589	-	806,589	-	862,594
Prepaid items	347,774	-	347,774	-	-
Advance to other governments	-	-	-	1,253,009	-
Total Current Assets	80,201,385	13,965,777	94,167,162	2,249,052	1,802,824
Noncurrent Assets:					
Capital assets, net of accumulated depreciation:					
Land and improvements	50,400,327	17,583	50,417,910	1,381,115	-
Buildings and improvements	56,958,691	1,491,528	58,450,219	44,351,259	-
Machinery and equipment	28,071,885	5,170,379	33,242,264	1,439,007	-
Joint tenancy assets	72,365,444	-	72,365,444	-	-
Infrastructure	53,224,719	8,228,776	61,453,495	-	-
Intangible assets	-	16,753,197	16,753,197	-	-
Construction in progress	29,751,064	3,437,044	33,188,108	-	-
Accumulated depreciation	(74,076,781)	(8,551,130)	(82,627,911)	(44,762,911)	-
Total Noncurrent Assets	216,695,349	26,547,377	243,242,726	2,408,470	-
Total Assets	296,896,734	40,513,154	337,409,888	4,657,522	1,802,824
DEFERRED OUTFLOWS OF RESOURCES					
Deferred charge on refunding	9,689,492	-	9,689,492	-	-
Deferred pension investment experience - City Plans	9,245,518	475,938	9,721,456	-	-
Deferred pension experience - City Plans	2,066,155	63,988	2,130,143	9,000	-
Deferred pension investment experience - VRS	2,694,026	128,172	2,822,198	-	-
Deferred pension experience - VRS	969,241	93,125	1,062,366	-	-
Deferred pension contributions - VRS	3,414,989	215,664	3,630,653	12,573	-
Deferred pension changes in proportion - VRS	-	-	-	2,000	-
Total Deferred Outflows of Resources	28,079,421	976,887	29,056,308	23,573	-
LIABILITIES					
Current Liabilities:					
Accounts payable and accrued liabilities	7,981,417	1,905,241	9,886,658	-	-
Retainage payable	867,287	-	867,287	-	-
Accrued interest payable	1,983,371	329,977	2,313,348	-	-
Customer deposits and other liabilities	1,435,212	314,084	1,749,296	-	-
Due to Primary Government	-	-	-	993,544	1,100,825
Unearned revenues	2,423,100	-	2,423,100	-	-
Current portion of long-term obligations	8,600,159	602,917	9,203,076	1,980	-
Total Current Liabilities	23,290,546	3,152,219	26,442,765	995,524	1,100,825
Noncurrent Liabilities:					
Noncurrent portion of long-term obligations	185,440,128	26,105,571	211,545,699	181,823	-
Total Liabilities	208,730,674	29,257,790	237,988,464	1,177,347	1,100,825
DEFERRED INFLOWS OF RESOURCES					
Deferred charge on refunding	4,625,561	-	4,625,561	-	-
Deferred Revenue - property taxes	31,458,596	-	31,458,596	-	-
Deferred pension investment experience - City Plans	3,895,608	212,293	4,107,901	-	-
Deferred pension experience - City Plans	2,664,928	123,690	2,788,618	5,000	-
Deferred pension experience - VRS	836,328	52,043	888,371	-	-
Total Deferred Inflows of Resources	43,481,021	388,026	43,869,047	5,000	-
NET POSITION					
Net investment in capital assets	89,994,608	16,760,073	106,754,681	2,408,470	-
Unrestricted	(17,230,148)	(4,915,848)	(22,145,996)	1,090,278	701,999
Total Net Position	\$ 72,764,460	\$ 11,844,225	\$ 84,608,685	\$ 3,498,748	\$ 701,999

CITY OF FAIRFAX, VIRGINIA

Statement of Activities

For the Year Ended June 30, 2017

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT				
Governmental activities:				
General government administration	\$ 15,427,080	\$ 294,818	\$ 444,375	\$ -
Judicial administration	2,641,135	1,450,925	-	-
Public safety	28,319,921	2,043,009	1,335,099	-
Public works	18,019,293	470,969	2,638,335	11,459,648
Health and welfare	5,989,432	-	-	-
Education	39,529,350	-	-	-
Parks, recreation, and cultural	7,621,091	1,278,022	810,779	-
Community development	2,541,882	226,924	-	-
Interest on long-term debt	5,572,324	-	-	-
Total Governmental Activities	125,661,508	5,764,667	5,228,588	11,459,648
Business-type activities:				
Sewer	6,532,510	7,572,436	-	-
Water	62	-	-	-
Transportation	4,211,823	1,225,567	828,000	-
Total Business-type Activities	10,744,395	8,798,003	828,000	-
Total Primary Government	\$ 136,405,903	\$ 14,562,670	\$ 6,056,588	\$ 11,459,648
COMPONENT UNITS				
School Board	\$ 48,759,533	\$ 635,693	\$ 8,168,160	\$ -
Nonmajor Component Units:				
Industrial Development Authority	860,192	-	-	-
Economic Development Authority	72,134	-	-	-
Total Nonmajor Component Units	932,326	-	-	-
Total Component Units	\$ 49,691,859	\$ 635,693	\$ 8,168,160	\$ -
General Revenues:				
General property taxes				
Local sales and use taxes				
Business license taxes				
Consumer utility taxes				
Meals tax				
Franchise tax				
Other local taxes				
Unrestricted revenues from use of money and property				
Contribution from Primary Government				
Grants and contributions not restricted to specific programs				
Miscellaneous				
Transfers				
Total General Revenues and Transfers				
Change in Net Position				
Net Position - Beginning, as restated (Note 20)				
Net Position - Ending				

Exhibit 2

Net (Expense) Revenue and Changes in Net Position			Component Units	
Primary Government				
Governmental Activities	Business-type Activities	Total	School Board	Nonmajor Component Units
\$ (14,687,887)	\$ -	\$ (14,687,887)	\$ -	\$ -
(1,190,210)	-	(1,190,210)	-	-
(24,941,813)	-	(24,941,813)	-	-
(3,450,341)	-	(3,450,341)	-	-
(5,989,432)	-	(5,989,432)	-	-
(39,529,350)	-	(39,529,350)	-	-
(5,532,290)	-	(5,532,290)	-	-
(2,314,958)	-	(2,314,958)	-	-
(5,572,324)	-	(5,572,324)	-	-
<u>(103,208,605)</u>	<u>-</u>	<u>(103,208,605)</u>	<u>-</u>	<u>-</u>
-	1,039,926	1,039,926	-	-
-	(62)	(62)	-	-
-	(2,158,256)	(2,158,256)	-	-
-	(1,118,392)	(1,118,392)	-	-
<u>\$ (103,208,605)</u>	<u>\$ (1,118,392)</u>	<u>\$ (104,326,997)</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ (39,955,680)</u>	<u>\$ -</u>
-	-	-	-	(860,192)
-	-	-	-	(72,134)
-	-	-	-	(932,326)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (39,955,680)</u>	<u>\$ (932,326)</u>
\$ 76,549,453	\$ -	\$ 76,549,453	\$ -	\$ -
11,276,435	-	11,276,435	-	-
8,698,368	-	8,698,368	-	-
1,524,189	-	1,524,189	-	-
5,972,064	-	5,972,064	-	-
2,121,336	-	2,121,336	-	-
6,108,444	-	6,108,444	-	-
929,833	93,898	1,023,731	1,569,935	1,196,236
-	-	-	36,603,922	-
3,440,176	-	3,440,176	-	-
345,723	375,765	721,488	-	-
(1,563,574)	1,563,574	-	-	-
<u>115,402,447</u>	<u>2,033,237</u>	<u>117,435,684</u>	<u>38,173,857</u>	<u>1,196,236</u>
12,193,842	914,845	13,108,687	(1,781,823)	263,910
60,570,618	10,929,380	71,499,998	5,280,571	438,089
<u>\$ 72,764,460</u>	<u>\$ 11,844,225</u>	<u>\$ 84,608,685</u>	<u>\$ 3,498,748</u>	<u>\$ 701,999</u>

CITY OF FAIRFAX, VIRGINIA
Balance Sheet - Governmental Funds

Exhibit 3

June 30, 2017

	General	General Capital Projects	Commercial Transportation Tax Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 24,655,864	\$ 6,069,922	\$ 274,076	\$ 1,107,998	\$ 32,107,860
Cash and cash equivalents - in custody of others	-	1,690,259	-	-	1,690,259
Due from other funds	450,422	2,678,754	5,500,000	1,000,000	9,629,176
Receivables, net of allowance for uncollectibles:					
Taxes, including penalties	32,272,884	-	-	-	32,272,884
Accounts	295,519	-	-	-	295,519
Other	998,923	-	-	27,906	1,026,829
Due from other governments	2,918,060	4,484,941	-	135,971	7,538,972
Due from component unit	1,934,369	160,000	-	-	2,094,369
Inventories	806,589	-	-	-	806,589
Prepaid items	347,774	-	-	-	347,774
Total Assets	\$ 64,680,404	\$ 15,083,876	\$ 5,774,076	\$ 2,271,875	\$ 87,810,231
LIABILITIES					
Accounts payable and accrued liabilities	\$ 3,433,246	\$ 4,149,700	\$ -	\$ 398,471	\$ 7,981,417
Retainage payable	-	798,632	10,000	58,655	867,287
Due to other funds	7,601,144	2,385	-	5,317	7,608,846
Customer deposits and other liabilities	1,278,562	156,650	-	-	1,435,212
Unearned revenues	1,447,760	975,340	-	-	2,423,100
Total Liabilities	13,760,712	6,082,707	10,000	462,443	20,315,862
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	31,862,312	-	-	-	31,862,312
FUND BALANCES					
Nonspendable	1,154,363	-	-	-	1,154,363
Restricted	618,971	2,446,660	-	488,258	3,553,889
Committed	-	3,659,521	-	-	3,659,521
Assigned	352,661	2,894,988	5,764,076	1,321,174	10,332,899
Unassigned	16,931,385	-	-	-	16,931,385
Total Fund Balances	19,057,380	9,001,169	5,764,076	1,809,432	35,632,057
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 64,680,404	\$ 15,083,876	\$ 5,774,076	\$ 2,271,875	\$ 87,810,231

CITY OF FAIRFAX, VIRGINIA

Exhibit 4

Reconciliation of the Balance Sheet of the Governmental Funds to the Statement of Net Position

June 30, 2017

		Primary Government
Total fund balances - governmental funds		<u>\$ 35,632,057</u>
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.:		
Capital assets	290,772,130	
Less accumulated depreciation	<u>(74,076,781)</u>	216,695,349
Unavailable revenue represents amounts that were not available to fund current expenditures and, therefore, is not reported as revenue in the governmental funds.		403,716
Deferred items:		
Deferred charge on refunding	9,689,492	
Deferred pension investment experience - City Plans	9,245,518	
Deferred pension experience - City Plans	2,066,155	
Deferred pension investment experience - VRS	2,694,026	
Deferred pension experience - VRS	969,241	
Deferred pension contributions - VRS	3,414,989	
Deferred charge on refunding	(4,625,561)	
Deferred pension investment experience - City Plans	(3,895,608)	
Deferred pension experience - City Plans	(2,664,928)	
Deferred pension experience - VRS	(836,328)	16,056,996
Interest on long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due.		
Accrued interest payable		(1,983,371)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		
General obligation bonds	(82,121,000)	
Lease revenue bonds	(37,717,000)	
Notes payable	(6,240,000)	
Capital leases	(4,871,973)	
Compensated absences	(2,577,201)	
Net pension liability - VRS	(41,740,989)	
Net pension liability - City Plans	(11,050,649)	
Net OPEB obligation	(5,216,517)	
Premiums on bonds payable	<u>(2,504,958)</u>	(194,040,287)
Net position of governmental activities		<u><u>\$ 72,764,460</u></u>

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds

For the Year Ended June 30, 2017

	General	General Capital Projects	Commercial Transportation Tax Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
General property taxes	\$ 75,138,320	\$ -	\$ -	\$ -	\$ 75,138,320
Other local taxes	34,510,161	-	2,344,739	-	36,854,900
Permits, privilege fees, and regulatory licenses	1,427,232	239,898	-	-	1,667,130
Fines and forfeitures	1,344,266	-	-	-	1,344,266
Revenue from use of money and property	890,181	39,652	-	-	929,833
Charges for services	2,753,271	-	-	-	2,753,271
Miscellaneous	345,747	-	-	7,938	353,685
Intergovernmental:					
Fairfax County	802,841	-	-	-	802,841
Commonwealth of Virginia	7,257,027	423,100	-	191,186	7,871,313
Federal	600,934	10,845,362	-	-	11,446,296
Total Revenues	125,069,980	11,548,012	2,344,739	199,124	139,161,855
Expenditures:					
Current:					
General government administration	8,968,721	1,969,162	-	-	10,937,883
Judicial administration	2,641,135	-	-	-	2,641,135
Public safety	25,242,196	1,292,390	-	-	26,534,586
Public works	11,880,112	18,023,293	6,624	1,682,770	31,592,799
Health and welfare	6,021,992	-	-	-	6,021,992
Education	36,603,922	418,297	-	-	37,022,219
Parks, recreation, and cultural Planning and community development	6,003,534	540,480	-	72,384	6,616,398
	2,530,958	-	-	-	2,530,958
Debt service:					
Principal retirement	8,172,242	-	-	-	8,172,242
Interest and other fiscal charges	5,097,492	-	-	-	5,097,492
Total Expenditures	113,162,304	22,243,622	6,624	1,755,154	137,167,704
Excess (Deficiency) of Revenues Over (Under) Expenditures	11,907,676	(10,695,610)	2,338,115	(1,556,030)	1,994,151
Other Financing Sources (Uses):					
Refunding bonds issuance	31,658,000	-	-	-	31,658,000
Payment to refunded bond escrow agent	(31,362,724)	-	-	-	(31,362,724)
Transfers in	93,500	12,070,671	2,249,582	1,587,073	16,000,826
Transfers (out)	(10,076,316)	-	(7,394,584)	(93,500)	(17,564,400)
Total Other Financing Sources (Uses), Net	(9,687,540)	12,070,671	(5,145,002)	1,493,573	(1,268,298)
Net Change in Fund Balances	2,220,136	1,375,061	(2,806,887)	(62,457)	725,853
Fund Balances, Beginning	16,837,244	7,626,108	8,570,963	1,871,889	34,906,204
Fund Balances, Ending	\$ 19,057,380	\$ 9,001,169	\$ 5,764,076	\$ 1,809,432	\$ 35,632,057

CITY OF FAIRFAX, VIRGINIA

Exhibit 6

**Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of the Governmental Funds to the
Statement of Activities**

For the Year Ended June 30, 2017

	<u>Primary Government</u>
Net change in fund balances - total governmental funds	\$ 725,853
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>	
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.</p>	
Capital outlay	16,787,756
Depreciation expense	<u>(6,932,061)</u>
	9,855,695
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is to decrease net position.	(2,456,422)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	
Unavailable taxes	257,069
<p>The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items. A summary of items supporting this adjustment is as follows:</p>	
Debt issued or incurred:	
Issuance of refunding debt	(31,658,000)
Principal repayments on debt:	
Principal retired on general obligation debt	26,749,000
Principal retired on lease revenue bonds	1,040,000
Principal retired on public improvement COPS	10,134,800
Principal retired on notes payable	510,000
Principal retired on capital lease obligations	<u>1,101,166</u>
	7,876,966
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
The following is a summary of items supporting this adjustment:	
Change in compensated absences	(285,958)
Change in net OPEB obligation	(410,910)
Net pension liability activity	(3,629,695)
Amortization of premiums on bonds payable	281,697
Amortization of gain/loss on refunding	<u>(20,453)</u>
	(4,065,319)
Change in net position of governmental activities	<u>\$ 12,193,842</u>

CITY OF FAIRFAX, VIRGINIA

Exhibit 7

**Statement of Revenues, Expenditures, and Changes in
Fund Balance - Budget and Actual - General Fund**

For the Year Ended June 30, 2017

Fund, Function, Activity, Element	General Fund			Variance with Final Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
General property taxes	\$ 76,650,469	\$ 76,650,469	\$ 75,138,320	\$ (1,512,149)
Other local taxes	35,422,637	35,422,637	34,510,161	(912,476)
Permits, privilege fees, and regulatory licenses	1,575,375	1,575,375	1,427,232	(148,143)
Fines and forfeitures	1,401,300	1,401,300	1,344,266	(57,034)
Revenue from use of money and property	697,955	697,955	890,181	192,226
Charges for services	2,755,663	2,755,663	2,753,271	(2,392)
Miscellaneous	452,017	452,017	345,747	(106,270)
Intergovernmental:				
Fairfax County	831,638	831,638	802,841	(28,797)
Commonwealth of Virginia	4,002,433	4,002,433	7,257,027	3,254,594
Federal	275,846	275,846	600,934	325,088
Total revenues	124,065,333	124,065,333	125,069,980	1,004,647
Expenditures:				
General government administration:				
Legislative:				
City Council	95,737	95,737	100,139	(4,402)
City Clerk	179,993	179,993	176,423	3,570
Total Legislative	275,730	275,730	276,562	(832)
Board of Elections:				
Electoral Coard	277,653	277,653	279,894	(2,241)
General and Financial Administration:				
City Manager	525,570	525,570	484,477	41,093
City Attorney	446,130	446,130	480,446	(34,316)
Public audit of accounts	75,464	75,464	75,144	320
Personnel	706,858	706,858	750,348	(43,490)
Community relations	180,954	181,023	184,492	(3,469)
Cable television	263,708	264,133	267,142	(3,009)
Risk management	279,946	282,975	280,670	2,305
Telephone services	119,480	119,480	142,729	(23,249)
Information technology	2,225,007	2,304,335	2,042,093	262,242
Printing and office supplies	255,455	255,455	242,894	12,561
Fleet maintenance	-	29,242	(25,173)	54,415
Finance and accounting	844,941	844,941	848,301	(3,360)
Real estate assessment	644,747	644,747	648,964	(4,217)
Treasurer	884,549	884,549	874,172	10,377
Commissioner of Revenue	1,090,449	1,090,449	1,057,550	32,899
Marketing	177,144	177,144	164,207	12,937
Salary vacancy factor	(43,724)	(43,724)	(238,047)	194,323
Retirement	132,200	132,200	124,190	8,010
Pool maintenance	27,667	27,667	28,370	(703)
Reserve for contingencies	75,000	75,000	-	75,000

Statement of Revenues, Expenditures, and Changes in
Fund Balance - Budget and Actual - General Fund

For the Year Ended June 30, 2017

Fund, Function, Activity, Element	General Fund			Variance with Final Positive (Negative)
	Original Budget	Final Budget	Actual	
Expenditures: (continued)				
Budget cuts	(47,266)	(47,266)	(20,704)	(26,562)
Total General and Financial Administration	8,864,279	8,976,372	8,412,265	564,107
Total General and Government Administration	9,417,662	9,529,755	8,968,721	561,034
Judicial Administration:				
General District Court	61,215	61,215	52,940	8,275
Joint court service	306,846	306,846	287,696	19,150
Juvenile and domestic relations	485,451	485,451	369,256	116,195
Commonwealth Attorney	117,712	117,712	99,177	18,535
Court services and custody	1,709,259	1,709,259	1,832,066	(122,807)
Total Judicial Administration	2,680,483	2,680,483	2,641,135	39,348
Public Safety:				
Police administration	1,304,730	1,304,730	1,225,975	78,755
Police services	4,401,944	4,625,481	3,907,106	718,375
Police operations	6,529,447	6,565,060	6,720,816	(155,756)
Fire and rescue administration	1,318,528	1,318,528	1,393,838	(75,310)
Fire and rescue suppression	9,947,527	9,980,091	10,254,236	(274,145)
Code enforcement	2,014,533	2,014,533	1,740,225	274,308
Total Public Safety	25,516,709	25,808,423	25,242,196	566,227
Public Works:				
Asphalt maintenance	1,132,284	1,134,064	970,357	163,707
Concrete maintenance	782,061	782,061	910,370	(128,309)
Snow and ice removal	488,795	521,679	374,523	147,156
Storm drainage	862,469	862,469	815,034	47,435
Signs, signals, and lighting	2,044,095	2,071,674	2,114,316	(42,642)
Refuse collection	2,832,331	2,832,331	2,840,074	(7,743)
Facilities maintenance	1,689,735	1,690,859	1,546,588	144,271
Street rights of way	1,104,967	1,112,330	1,081,635	30,695
Public works administration	900,003	901,598	1,007,424	(105,826)
County agent	50,039	50,039	40,261	9,778
Regional agencies	166,227	166,227	179,530	(13,303)
Total Public Works	12,053,006	12,125,331	11,880,112	245,219
Health and Welfare:				
Health service department	1,285,076	1,285,076	1,158,983	126,093
Commission for women	1,125	1,125	923	202
Community services board	1,691,995	1,691,995	1,614,654	77,341
Senior citizen tax relief	1,026,385	1,026,385	1,043,878	(17,493)
Human services coordinator	122,378	122,378	122,942	(564)
Social services	1,897,112	1,897,112	2,080,612	(183,500)
Total Health and Welfare	6,024,071	6,024,071	6,021,992	2,079

CITY OF FAIRFAX, VIRGINIA

Exhibit 7

**Statement of Revenues, Expenditures, and Changes in
Fund Balance - Budget and Actual - General Fund**

For the Year Ended June 30, 2017

Fund, Function, Activity, Element	General Fund			Variance with Final Positive (Negative)
	Original Budget	Final Budget	Actual	
Expenditures: (continued)				
Education:				
Contribution to Fairfax City School Board	36,603,922	36,603,922	36,603,922	-
Total Education	36,603,922	36,603,922	36,603,922	-
Parks, Recreation, and Cultural				
Recreation:				
Recreation - administration	1,929,467	1,929,467	2,129,149	(199,682)
Special events	683,648	692,448	654,518	37,930
Parks and recreation facilities	540,411	540,411	504,791	35,620
Parks and ball field maintenance	1,371,449	1,371,638	1,294,600	77,038
Total Recreation	4,524,975	4,533,964	4,583,058	(49,094)
Library services	831,638	831,638	802,841	28,797
Historic resources	608,702	608,702	617,635	(8,933)
Total Parks, Recreation, and Cultural	5,965,315	5,974,304	6,003,534	(29,230)
Planning and Community Development:				
Economic development	342,115	378,591	374,037	4,554
Planning design and review	1,504,180	1,506,278	1,314,834	191,444
Current planning	1,000,920	1,079,805	842,087	237,718
Total Planning and Community Development	2,847,215	2,964,674	2,530,958	433,716
Debt Service:				
Principal retirement	8,275,881	8,275,881	8,172,242	103,639
Interest and fiscal charges	4,837,560	4,837,560	5,097,492	(259,932)
Total Debt Services	13,113,441	13,113,441	13,269,734	(156,293)
Total expenditures	114,221,824	114,824,404	113,162,304	1,662,100
Excess of Revenues Over Expenditures	9,843,509	9,240,929	11,907,676	2,666,747
Other Financing Sources (Uses):				
Refunding bonds issued	-	-	31,658,000	31,658,000
Payment to refunded bond escrow agent	-	-	(31,362,724)	(31,362,724)
Transfers in	93,500	93,500	93,500	-
Transfers out	(9,778,272)	(9,778,272)	(10,076,316)	(298,044)
Total Other Financing Uses, net	(9,684,772)	(9,684,772)	(9,687,540)	2,768
Net Change in Fund Balances	158,737	(443,843)	2,220,136	2,663,979
Fund Balances, Beginning of Year	(158,737)	443,843	16,837,244	16,393,401
Fund Balances, End of Year	\$ -	\$ -	\$ 19,057,380	\$ 19,057,380

CITY OF FAIRFAX, VIRGINIA

Exhibit 8

Statement of Net Position

Proprietary Funds

June 30, 2017

	Wastewater Fund	Other Proprietary Funds	Totals
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 13,315,536	\$ 147,570	\$ 13,463,106
Due from other funds	-	500,000	500,000
Receivables, net of allowance for uncollectibles:			
Accounts receivable	1,375,109	-	1,375,109
Due from other governments	-	1,147,892	1,147,892
Total Current Assets	<u>14,690,645</u>	<u>1,795,462</u>	<u>16,486,107</u>
Noncurrent Assets:			
Capital Assets:			
Land and improvements	17,583	-	17,583
Buildings and improvements	1,264,570	226,958	1,491,528
Machinery and equipment	1,896,033	3,274,346	5,170,379
Water and sewer infrastructure	8,228,776	-	8,228,776
Intangible assets	16,753,197	-	16,753,197
Construction in progress	3,437,044	-	3,437,044
Accumulated depreciation	<u>(7,366,152)</u>	<u>(1,184,978)</u>	<u>(8,551,130)</u>
Total Noncurrent Assets	<u>24,231,051</u>	<u>2,316,326</u>	<u>26,547,377</u>
Total Assets	<u>38,921,696</u>	<u>4,111,788</u>	<u>43,033,484</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pension investment experience - City Plans	98,707	377,231	475,938
Deferred pension experience - City Plans	13,254	50,734	63,988
Deferred pension investment experience - VRS	15,997	112,175	128,172
Deferred pension experience - VRS	48,914	44,211	93,125
Deferred pension contributions - VRS	52,933	162,731	215,664
Total Deferred Outflows of Resources	<u>229,805</u>	<u>747,082</u>	<u>976,887</u>
LIABILITIES			
Current Liabilities:			
Accounts payable and accrued liabilities	1,804,868	100,373	1,905,241
Accrued interest payable	329,977	-	329,977
Due to other funds	1,980,139	540,191	2,520,330
Customer deposits and other liabilities	16,460	297,624	314,084
Compensated absences, current portion	3,188	11,694	14,882
Bonds payable, current portion	588,035	-	588,035
Total Current Liabilities	<u>4,722,667</u>	<u>949,882</u>	<u>5,672,549</u>
Noncurrent Liabilities:			
Compensated absences, net of current portion	52,598	111,091	163,689
Bonds payable, net of current portion	22,514,805	-	22,514,805
Net pension liability - VRS	653,806	1,975,282	2,629,088
Net pension liability - City Plans	54,817	209,695	264,512
Net OPEB obligation	126,812	406,665	533,477
Total Noncurrent Liabilities	<u>23,402,838</u>	<u>2,702,733</u>	<u>26,105,571</u>
Total Liabilities	<u>28,125,505</u>	<u>3,652,615</u>	<u>31,778,120</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred pension investment experience - City Plans	43,972	168,321	212,293
Deferred pension experience - City Plans	25,635	98,055	123,690
Deferred pension experience - VRS	13,150	38,893	52,043
Total Deferred Inflows of Resources	<u>82,757</u>	<u>305,269</u>	<u>388,026</u>
NET POSITION			
Net investment in capital assets	14,443,747	2,316,326	16,760,073
Unrestricted	<u>(3,500,508)</u>	<u>(1,415,340)</u>	<u>(4,915,848)</u>
Total Net Position	<u>\$ 10,943,239</u>	<u>\$ 900,986</u>	<u>\$ 11,844,225</u>

Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds

For the Year Ended June 30, 2017

	Wastewater Fund	Other Proprietary Funds	Total
Operating Revenues:			
Charges for services	\$ 7,572,436	\$ 1,225,567	\$ 8,798,003
Other operating revenues	-	-	-
Total Operating Revenues	<u>7,572,436</u>	<u>1,225,567</u>	<u>8,798,003</u>
Operating Expenses:			
Salaries	689,517	1,598,023	2,287,540
Fringe benefits	253,028	735,068	988,096
Contractual services	2,654,127	19,959	2,674,086
Internal services	589,839	1,505,962	2,095,801
Other operating expenses	290,427	82,648	373,075
Miscellaneous capital outlay	307,366	-	307,366
Depreciation and amortization	445,310	270,225	715,535
Total Operating Expenses	<u>5,229,614</u>	<u>4,211,885</u>	<u>9,441,499</u>
Income (Loss) from Operations	<u>2,342,822</u>	<u>(2,986,318)</u>	<u>(643,496)</u>
Nonoperating Revenues (Expenses):			
Investment income	93,898	-	93,898
Interest expense	(1,302,896)	-	(1,302,896)
Federal interest subsidy	375,765	-	375,765
Northern Virginia Transportation Commission	-	828,000	828,000
Total Nonoperating Revenues (Expenses), Net	<u>(833,233)</u>	<u>828,000</u>	<u>(5,233)</u>
Net Income Before Transfers	<u>1,509,589</u>	<u>(2,158,318)</u>	<u>(648,729)</u>
Transfers:			
Transfers in	-	1,945,920	1,945,920
Transfers (out)	-	(382,346)	(382,346)
Net Transfers	<u>-</u>	<u>1,563,574</u>	<u>1,563,574</u>
Change in Net Position	1,509,589	(594,744)	914,845
Total Net Position - Beginning, as restated (Note 20)	<u>9,433,650</u>	<u>1,495,730</u>	<u>10,929,380</u>
Total Net Position - Ending	<u>\$ 10,943,239</u>	<u>\$ 900,986</u>	<u>\$ 11,844,225</u>

CITY OF FAIRFAX, VIRGINIA

Exhibit 10

Statement of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2017

	Wastewater Fund	Other Proprietary Funds	Total
Cash flows from operating activities:			
Receipts from customers and users	\$ 7,543,632	\$ 905,675	\$ 8,449,307
Payments to employees, including fringe benefits	(899,820)	(2,181,197)	(3,081,017)
Payments for operating activities	(3,393,284)	(1,631,168)	(5,024,452)
Net cash provided by (used in) operating activities	<u>3,250,528</u>	<u>(2,906,690)</u>	<u>343,838</u>
Cash flows from noncapital financing activities:			
Transfers in	-	1,945,920	1,945,920
Transfers (out)	-	(382,346)	(382,346)
Interfund borrowing	1,980,139	(398,409)	1,581,730
Intergovernmental grants and reimbursements	375,765	828,000	1,203,765
Net cash provided by noncapital financing activities	<u>2,355,904</u>	<u>1,993,165</u>	<u>4,349,069</u>
Cash flows from capital and related financing activities:			
Purchase and construction of capital assets	(3,739,483)	-	(3,739,483)
Principal paid on bonds and notes	(535,000)	-	(535,000)
Interest paid on debt	(1,331,949)	-	(1,331,949)
Net cash used in capital and related financing activities	<u>(5,606,432)</u>	<u>-</u>	<u>(5,606,432)</u>
Cash flows from investing activities:			
Interest income	93,898	-	93,898
Net decrease in cash and cash equivalents	93,898	(913,525)	(819,627)
Cash and cash equivalents, beginning of year	13,221,638	1,061,095	14,282,733
Cash and cash equivalents, end of year	<u>\$ 13,315,536</u>	<u>\$ 147,570</u>	<u>\$ 13,463,106</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Cash flows from operations:			
Income (loss) from operations	\$ 2,342,822	\$ (2,986,318)	\$ (643,496)
Adjustment to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	445,310	270,225	715,535
Changes in operating accounts:			
(Increase) decrease in:			
Accounts receivable	(28,804)	-	(28,804)
Due from other governments	-	(319,892)	(319,892)
Increase (decrease) in:			
Accounts payable	448,475	(22,484)	425,991
Retainage payable	-	-	-
Compensated absences	4,675	3,884	8,559
Net OPEB obligation	8,218	32,873	41,091
Net pension activity	29,832	115,137	144,969
Customer deposits and other liabilities	-	(115)	(115)
Net cash provided by (used in) operating activities	<u>\$ 3,250,528</u>	<u>\$ (2,906,690)</u>	<u>\$ 343,838</u>

CITY OF FAIRFAX, VIRGINIA
Statement of Fiduciary Net Position
Pension Trust Funds

Exhibit 11

June 30, 2017

ASSETS

Mutual and money market funds	\$ 116,452,885
Stocks	7,872,759
Accrued interest	<u>10,795</u>
Total Assets	<u><u>124,336,439</u></u>

NET POSITION

Net position restricted for pensions	<u><u>\$ 124,336,439</u></u>
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CITY OF FAIRFAX, VIRGINIA**Exhibit 12****Statement of Changes in Fiduciary Net Position
Pension Trust Funds****For the Year Ended June 30, 2017**

Additions:	
Plan members and employer contributions	<u>\$ 3,246,751</u>
Investment Income:	
Interest and dividends earned on investments	2,049,676
Gain on sale of securities	4,915,969
Net appreciation in fair value of investments	<u>6,626,437</u>
Total Investment Loss	13,592,082
Less investment expenses	<u>(794,362)</u>
Net Investment Income	<u>12,797,720</u>
Total Additions	<u>16,044,471</u>
Deductions:	
Retirement and disability benefits	<u>7,216,509</u>
Total Deductions	<u>7,216,509</u>
Change in net position	8,827,962
Net position, beginning of year	<u>115,508,477</u>
Net position, end of year	<u><u>\$ 124,336,439</u></u>

CITY OF FAIRFAX, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Entity and Services

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

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

B. Financial Reporting Entity

As required by GAAP, the accompanying financial statements present the financial data of the City (the Primary Government) and its component units. The financial data of the component units are included in the City's basic financial statements because of the significance of their operational or financial relationships with the City. The City and its component units are together referred to herein as the reporting entity.

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

City of Fairfax School Board - The City of Fairfax School Board is responsible for educating the school age population of the City facilitated through a contractual school services agreement with the County of Fairfax, Virginia. The City of Fairfax School Board consists of five (5) qualified voters of the City elected by popular vote at large. The School Board is fiscally dependent upon the City because the City Council approves the annual budget of the School Board, levies the necessary taxes to finance operations and approves the borrowing of money and issuance of debt. Further, the City is enjoined in the School Service Agreement for tuition under the County contract. The School Board does not issue separate financial statements and, as such, they have been included in these statements. The School Board utilizes an operating and a capital projects fund:

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

CITY OF FAIRFAX, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2017

School Bond Renovation Capital Projects Fund - Accounts for and reports financial resources that are restricted, committed or assigned to expenditure for capital outlays, except for those financed by proprietary funds or for assets held in trust for individuals, private organizations, or other governments.

Industrial Development Authority (IDA) and Economic Development Authority (EDA) - These Authorities have responsibility for encouraging industrial and commercial development in the City and making recommendations to City Council. Each of these Authorities has a Board consisting of seven directors appointed by City Council. Although the Authorities are legally separate, they are fiscally dependent on the City, which also acts as their fiscal agent by paying all their personnel and administrative expenses associated with the Authorities. Separate financial statements are not issued.

Industrial Development Authority Fund - accounts for and reports the general operations of the IDA with financing provided by rental income from owned properties.

Economic Development Authority Fund - accounts for and reports the general operations of the EDA with financing provided through miscellaneous reimbursements.

Other Related Organizations not included in these Financial Statements

Fairfax Volunteer Fire Department, Inc. - Fairfax Volunteer Fire Department, Inc. is organized as a volunteer firefighting organization and is designed as a Fire Company of the City. The Department Chief is the Department Head, appointed by the City Manager, after consultation with the Board of Directors of the Fairfax Volunteer Fire Department, Inc., and with concurrence of City Council. The Department Chief has responsibility and authority for all operations and administration of the Department. The City cannot impose its will on the Volunteer Fire Department or override or modify the decisions of the Board of Directors. The Volunteer Fire Department is fiscally independent and there is no financial benefit or burden relationship with the City. Therefore, it is not included in the City's financial statements.

Historic Fairfax City, Inc. - Historic Fairfax, Inc. was incorporated in 1983 as a non-profit corporation for the purpose of promoting and preserving historic properties and increasing public awareness and appreciation of the history of the City of Fairfax and the Courthouse area. The Board consists of fourteen (14) members. Five (5) members are appointed by City Council. The Corporation is legally separate and the City cannot impose its will on the Corporation. The Corporation is fiscally independent and there is no financial benefit or burden relationship with the City. Therefore, it is not included in the City's financial statements.

Northern Virginia Regional Park Authority - The Northern Virginia Regional Park Authority (NVRPA) was created under the authority of the *Code of Virginia*, Title 15.1, Chapter 27-*Park Authorities Act*, for the purpose of planning, acquiring, developing, constructing, operating, and maintaining a system of regional parks within the geographical limits of the political subdivisions composing the said Authority. The bylaws were adopted on February 3, 1959, and amended on April 14, 1965. The NVRPA consists of twelve (12) members. Two (2) members are appointed by City Council. The NVRPA is legally separate and the City cannot impose its will on the NVRPA, which is also fiscally independent and there is no financial benefit or burden relationship with the City. Therefore, it is not included in the City's financial statements.

CITY OF FAIRFAX, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2017

C. Government-Wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. The focus is on both the City as a whole and the fund financial statements, including the major individual funds of the governmental and proprietary fund categories, as well as the fiduciary funds, (by category) and the component units. Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business-type. In the government-wide Statement of Net Position, the governmental activities columns (a) are presented on a consolidated basis and (b) are reflected on a full accrual, economic resource basis, which incorporates long-term assets as well as long-term debt and obligations. Each presentation provides valuable information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the information.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (public safety, public works, health and welfare, etc.) that are otherwise being supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions. The program revenues must be directly associated with the function (public safety, public works, health and welfare, etc.) or a business-type activity. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and 2) grants and contributions that are restricted to meeting the operation or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues. Operating grants and contributions include operating-specific and discretionary grants while the capital grants column reflects capital-specific grants. Proprietary fund operating revenues consist of charges for services and related revenues. Nonoperating revenues consist of contributions, grants, investment earnings and other revenues not directly derived from the providing of services.

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

In the fund financial statements, financial transactions and accounts of the City are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

The governmental fund statements are presented on a current financial resource and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented to briefly explain the adjustment necessary to reconcile the fund financial statements to the governmental column of the government-wide financial statements. The proprietary funds utilize the accrual basis of accounting, where the measurement focus is upon determination of net income. The City's fiduciary funds are two pension trust funds and since, by definition, these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the City, these funds are not incorporated into the government-wide statements.

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The following is a brief description of the specific funds used by the City:

- **Governmental Funds** - Account for the expendable financial resources, other than those accounted for in Proprietary and Fiduciary Funds, and utilize the modified accrual basis of accounting, where the measurement focus is upon determination of financial position and changes in financial position, rather than the determination of net income. The individual governmental funds are:

General Fund - The primary operating fund of the City and is used to account for and report all revenues and expenditures applicable to the general operations of the City, which are not accounted for in other funds. Revenues are derived primarily from property and other local taxes, licenses, permits, charges for services, use of money and property, and intergovernmental grants. Many of the more important activities of the City, including operation of the City's general service departments, street and highway maintenance, public safety, parks, cemetery, library and recreation programs, are accounted for in this fund. The General Fund is considered a major fund for financial reporting purposes.

Capital Projects Funds - Account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays, except for those financed by proprietary funds. The General Capital Projects Fund is considered a major fund. The Stormwater Fund is reported as a nonmajor fund.

Special Revenue Funds - Account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Commercial Transportation Tax Fund is a major fund. The Legacy for Fairfax Fund and Old Town Fairfax Fund are reported as nonmajor funds.

- **Proprietary Funds** - Account for operations that are financed in a manner similar to private business enterprises wherein the measurement focus is upon determination of net income, net position, and changes in net position. Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The City's enterprise funds consist of the following:

Wastewater Fund – This major fund is used to account for the operation and maintenance of the City's sanitary sewer system.

Water Utility Fund – This non-major fund is used to account for the remaining activities after the sale of the City's water system in a prior fiscal year.

Transportation Fund – This non-major fund is used to account for the operation and maintenance of the City's CUE Bus System, which receives funding through grants from the Commonwealth and the Federal government as well as Commercial Transportation Tax Fund transfers and charges for services.

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- **Fiduciary Funds** - Account for assets held by the City in a trustee capacity and utilize the accrual basis of accounting. The following funds are included in this fund type:

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

City Firefighters, Policemen, and Policewomen Pension Trust Fund - Accounts for pension funds for the City's full-time public safety personnel.

D. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the Balance Sheet in the fund statements. Long-term assets and liabilities are included in the government-wide statements. Operating statements of the governmental funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in fund balance.

The government-wide Statement of Net Position and Statement of Activities, all proprietary funds, and private purpose trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these activities are either included on the Statement of Net Position or on the Statement of Fiduciary Net Position. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net position.

The Statement of Net Position, Statement of Activities, proprietary and fiduciary funds are presented on the accrual basis of accounting. Under this method of accounting, revenues are recognized when earned and expenses are recorded when liabilities are incurred without regard to receipt or disbursement of cash.

The governmental fund financial statements, for the Primary Government and component units, are maintained and reported on the modified accrual basis of accounting using the current financial resources measurement focus. Under this method of accounting, revenues are recognized in the period in which they become measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 45 days of the end of the current period. Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectable amounts. Property taxes not collected within 45 days after year-end are reflected as deferred inflows of resources - unavailable revenues taxes. Sales and utility taxes, which are collected by the Commonwealth or utilities and subsequently remitted to the City, are recognized as revenues and receivable upon collection, which is generally one or two months preceding receipt by the City. Licenses, permits, fines, and rents are recorded revenues when received. Intergovernmental revenues, consisting primarily of Federal, state, and other grants for the purpose of funding specific expenditures, are recognized when the qualifying expenditures have been incurred and all other eligibility requirements have been met. Revenues from general-purpose grants are recognized in the period to which the grant applies. All other revenue items are considered to be measurable and available only when the City receives cash.

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Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this rule include: (1) accumulated unpaid vacation leave, sick leave, and other employee amounts (e.g., other postemployment benefits), which are recognized when paid, and (2) principal and interest payments on general long-term debt, both of which are recognized when due.

E. Stewardship, Compliance, and Accountability

Budgeting Information

The City Council's fiscal control is exercised through two distinct processes: budgeting and appropriations. The City budget is developed for informative and fiscal planning purposes only and presents an itemized listing of contemplated expenditures and estimated revenues for the ensuing fiscal year. The City Council adopts an annual budget for the General Fund. Budgets for the Capital Projects Funds, Old Town Fairfax Fund, the Commercial Transportation Tax Fund and the Stormwater Fund are prepared annually as part of a five-year plan for capital improvements and represent project-length budgets. Budgets for the enterprise funds serve as a spending guide for the City and do not constitute legally binding limitations.

When the budget becomes effective at the beginning of the fiscal year, the City Council must make appropriations before money may be expended for any budgeted program, project or operation. Appropriations are made on an annual basis with supplemental appropriations made as needed. Such appropriations may be greater than contemplated in the annual budget. All appropriations lapse at year-end.

The City's appropriated budget is prepared by fund and department. Appropriations are legally controlled at the department level. The budget is administratively controlled at the department level. The City Manager may approve all transfers within the same department. All other transfers must be approved by City Council. A supplemental appropriation which exceeds one percent of total expenditures shown in the currently adopted budget must be accomplished by publishing a notice of public hearing in a newspaper having general circulation in the City seven days prior to the hearing. The notice shall state the City's intent to amend the amounts to be appropriated and include a brief synopsis of the proposed action. The City Council approved supplemental appropriations that increased the original budget by \$1,785,999 in the various funds.

The budgets are prepared using the same accounting basis and practices as are used to account for and prepare the financial reports for the fund; thus, the budgets presented in this report for comparison to actual amounts are presented in accordance with accounting principles generally accepted in the United States of America.

Encumbrance accounting, under which purchase orders and contracts are recorded to commit that portion of the applicable appropriation, is employed as an extension of formal budgetary integration. Encumbrances outstanding at year end are not included as expenditures but are reported as commitments of fund balances in all funds and are reappropriated in the following year. Encumbrances totaled \$364,201 for the General Fund as of June 30, 2017.

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Excess of expenditures over appropriations

Expenditures exceeded appropriations for the year ended June 30, 2017 as follows:

Fund	Appropriations	Actual	Variance
General Fund			
City clerk	\$ 95,737	\$ 100,139	\$ (4,402)
Electoral board	277,653	279,894	(2,241)
City attorney	446,130	480,446	(34,316)
Personnel	706,858	750,348	(43,490)
Community relations	181,023	184,492	(3,469)
Cable television	264,133	267,142	(3,009)
Telephone services	119,480	142,729	(23,249)
Finance and accounting	844,941	848,301	(3,360)
Real estate assessment	644,747	648,964	(4,217)
Pool maintenance	27,667	28,370	(703)
Court services and custody	1,709,259	1,832,066	(122,807)
Police operations	6,565,060	6,720,816	(155,756)
Fire and rescue administration	1,318,528	1,393,838	(75,310)
Fire and rescue suppression	9,980,091	10,254,236	(274,145)
Concrete maintenance	782,061	910,370	(128,309)
Signs, signals, and lighting	2,071,674	2,114,316	(42,642)
Refuse collection	2,832,331	2,840,074	(7,743)
Public works administration	901,598	1,007,424	(105,826)
Regional agencies	166,227	179,530	(13,303)
Senior citizen tax relief	1,026,385	1,043,878	(17,493)
Human services coordinator	122,378	122,942	(564)
Social services	1,897,112	2,080,612	(183,500)
Recreation - administration	1,929,467	2,129,149	(199,682)
Historic resources	608,702	617,635	(8,933)
Interest and fiscal charges	4,837,560	5,097,492	(259,932)
Transfers out	9,778,272	10,076,616	(298,344)

F. Cash and Cash Equivalents

For purposes of reporting cash flows for proprietary-type funds, cash and cash equivalents include cash on hand, money market funds, certificates of deposit and investments with maturities of three months or less.

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

G. Inventories and Prepaid Items

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

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

H. Receivables and Payables

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

All trade and property tax receivables are shown net of an allowance for uncollectibles. The City calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to \$458,260 at June 30, 2017 and is comprised of the following:

General Fund - property taxes	\$ 369,068
Wastewater Fund	73,165
	<u>\$ 442,233</u>

Property taxes are levied as of January 1 based on the assessed value of real and personal property as of that date. The City’s legal right to collect property taxes attaches each year when the rates are approved and the taxes are assessed. Real estate taxes are collectible twice a year, on June 26 and December 5. Personal property taxes are due on October 5. Amounts not collected within 45 days after year-end are reflected as unavailable revenue.

	<u>Real Property</u>	<u>Personal Property</u>
Levy date	January 1	January 1
Due date and collection date	June 26 and December 5	October 5
Lien date for delinquent taxes	3 years from due date	Various

I. Capital Assets

Capital outlays are recorded as expenditures of the governmental funds and as assets in the proprietary funds and in the government-wide financial statements to the extent the City’s capitalizations threshold is met. The City capitalizes assets which have an initial cost of \$10,000 or more per unit (\$5,000 for assets purchased with Federal monies) and a useable life of two or more years. “Infrastructure” assets (roads, bridges, curbs, gutters, etc.) are capitalized when the initial cost exceeds \$50,000. Also, the City does not capitalize interest costs which are incurred during the construction period of general capital assets. Repairs and maintenance are charged to operations as they are incurred. Additions and betterments are capitalized. The cost of assets retired, along with accumulated depreciation, are removed from the accounts.

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

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

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

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

J. Compensated Absences

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

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

K. Deferred Outflows/Inflows of Resources

In addition to assets, the financial statements will sometimes report a separate section for deferred outflows of resources representing a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. One City deferred outflow of resources relates to the amount by which the principal and premium of a refunding bond exceed the net carrying amount of the refunded debt and is being amortized over the shorter of the life of the refunded or refunding debt. Deferred outflows for pensions include pension investment returns that exceed projected earnings, changes in proportion, pension experience, and pension contributions made subsequent to the measurement date. Investment experience, changes in proportion and pension experience amounts are deferred and amortized over a closed five-year period.

In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources representing an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources, under the modified accrual basis of accounting, representing property taxes receivable, are reported in the governmental funds' Balance Sheet. This amount is comprised of uncollected property taxes due prior to June 30, 2nd half installments levied during the fiscal year but due after June 30th, and amounts prepaid on the 2nd half installments deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, 2nd half installments levied during the fiscal year to fund the next fiscal year and amounts prepaid on the 2nd half installments are reported as deferred inflows of resources. Deferred inflows of resources are also reported for amounts related to pensions in the government-wide Statement of Net Position.

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Actuarial losses resulting from a difference in actual experience and actuarial assumptions are deferred and amortized over the remaining service life of all participants. Deferred inflows resulting from pension investment returns lower than projected earnings are also deferred and amortized over a closed five-year period.

L. Long-term Obligations

In the government-wide financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. Bonds payable are reported net of the applicable bond premium or discount.

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

M. Retirement Plan

Retirement plan contributions are actuarially determined and consist of current service costs and amortization of prior service costs over a 30-year period. The City's policy is to fund pension cost as it accrues.

N. Net Position

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

O. Net Position Flow Assumption

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

P. Component Unit-School Board Capital Asset and Debt Presentation

By law, the School Board does not have taxing authority and, therefore, it cannot incur debt through general obligation bonds to fund the acquisition, construction or improvement of its capital assets. That responsibility lies with the City who issues the debt on behalf of the School Board. However, the *Code of Virginia* requires the School Board to hold title to the capital assets (buildings and equipment) due to their responsibility for maintaining the asset.

In the Statement of Net Position, this scenario presents a dilemma for the City as debt issued on behalf of the School Board is reported as a liability of the Primary Government, thereby reducing the net position of the City. The corresponding capital assets are reported as assets of the School Board (title holder), thereby increasing its net position.

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The Virginia General Assembly amended the *Code of Virginia* to allow a tenancy in common with the School Board whenever the locality incurs a financial obligation which is payable over more than one fiscal year for any school property. The tenancy in common terminates when the associated debt has been paid in full. For financial reporting purposes, the legislation permits the locality to report the portion of the school property related to any outstanding financial obligation, thus eliminating a potential deficit from financing capital assets with debt.

Q. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources as well as the disclosure of contingent amounts at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

R. Fund Equity

The City reports fund balance in accordance with GAAP, wherein the following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- *Nonspendable Fund Balance* - Amounts that are not in spendable form (such as inventory and prepaids);
- *Restricted Fund Balance* - Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
- *Committed Fund Balance* - Amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority (e.g., Council ordinance); to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- *Assigned Fund Balance* - Amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority, and
- *Unassigned Fund Balance* - Amounts that are available for any purpose; positive amounts are only reported in the general fund.

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

City Council establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). In accordance with City policy, assigned fund balance is established by City Council or the Assistant City Manager/Director of Finance as amounts intended for specific purpose (such as the purchase of capital assets, construction, debt service, or for other purposes).

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	General Fund	General Capital Projects Fund	Commercial Transportation Tax Fund	Other Governmental Funds	Total
Fund Balances:					
Nonspendable:					
Inventories	\$ 806,589	\$ -	\$ -	\$ -	\$ 806,589
Prepays	347,774	-	-	-	347,774
Total Nonspendable Fund Balance	<u>1,154,363</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,154,363</u>
Restricted:					
Grants	561,414	-	-	-	561,414
Asset forfeiture	47,638	599,751	-	-	647,389
Legacy for Fairfax donations	-	-	-	488,258	488,258
Debt proceeds	9,919	1,690,259	-	-	1,700,178
Escrowed funds	-	156,650	-	-	156,650
Total Restricted Fund Balance	<u>618,971</u>	<u>2,446,660</u>	<u>-</u>	<u>488,258</u>	<u>3,553,889</u>
Committed:					
Kamp Washington Improvements	-	2,001,765	-	-	2,001,765
Street repaving	-	1,657,756	-	-	1,657,756
Total Committed Fund Balance	<u>-</u>	<u>3,659,521</u>	<u>-</u>	<u>-</u>	<u>3,659,521</u>
Assigned:					
Equipment replacement/maintenance	253,365	-	-	-	253,365
Contract services	92,944	-	-	-	92,944
Capital projects	-	2,894,988	5,764,076	1,321,174	9,980,238
Other purposes	6,352	-	-	-	6,352
Total Assigned Fund Balance	<u>352,661</u>	<u>2,894,988</u>	<u>5,764,076</u>	<u>1,321,174</u>	<u>10,332,899</u>
Unassigned Fund Balance	<u>16,931,385</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,931,385</u>
Total Fund Balances	<u>\$ 19,057,380</u>	<u>\$ 9,001,169</u>	<u>\$ 5,764,076</u>	<u>\$ 1,809,432</u>	<u>\$ 35,632,057</u>

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NOTE 2—DEPOSITS AND INVESTMENTS

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

Investment Policy - State statutes and the City’s investment policy authorize local governments and other public bodies to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (“World Bank”), the Asian Development Bank, the African Development Bank, “prime quality” commercial paper and certain corporate notes, bankers’ acceptances, repurchase agreements, certificates of deposit or savings accounts that are Virginia qualified depositories, mutual funds, the State non-arbitrage pool (SNAP) and the LGIP.

The LGIP is a professionally managed money market fund which invests in qualifying obligations and securities as permitted by Virginia statutes. Pursuant to Sec. 2.2-4605 of the *Code of Virginia*, the Treasury Board of the Commonwealth sponsors the LGIP and has delegated certain functions to the State Treasurer. The LGIP reports to the Treasury Board at its regularly scheduled monthly meetings.

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

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

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

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The Treasury may direct SNAP to invest bond proceeds in securities with maturities greater than one year if it is determined that such bond proceeds will be redeemed more than one year in the future. Further, investments of \$500,000 or more must be selected on a competitive basis. The Treasurer may purchase or sell investments at his discretion without competition provided that the securities involved meet all the criteria for allowed investments and do not exceed \$500,000. Consideration for the safety of capital shall be paramount over the probable income to be derived. There are also certain standards of “adequacy” and “appropriateness” set by the Treasurer, in addition to the credit worthiness of an institution that must be considered.

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

<u>Rated Debt Investments</u>	<u>Ratings</u> <u>AAAm</u>
SNAP	\$ 19,241,297
LGIP	23,708,660
Total	<u>\$ 42,949,957</u>

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

Concentration of Credit Risk - Concentration of credit risk is defined as the risk of loss attributed to the magnitude of a government’s investment in a single issuer. If certain investments in any one issuer represent 5% of total investments, there must be a disclosure for the amount and issuer. At June 30, 2017, no portion of the City’s portfolio, excluding the LGIP, SNAP, and U.S. Government money market mutual funds, exceeded 5% of the total portfolio.

Interest Rate Risk - Interest rate risk is defined as the risk that changes in interest rates will adversely affect the fair value of an investment. As a means of limiting exposure to fair value losses arising from rising interest rates, the City’s policy limits the investment of operating funds to investments with a stated maturity of no more than two years from the date of purchase. Interest rate risk does not apply to the LGIP or the SNAP.

Fair Value Measurements – The City categorizes their fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, level 2 inputs are quoted prices in active markets for similar assets, and level 3 inputs are unobservable inputs. The City gives the highest priority to unadjusted quoted prices in active markets for identical assets (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

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Investments that are measured at fair value using amortized cost in determining the net asset value per share are not classified in the fair value hierarchy. This includes investments at SNAP and LGIP.

The City's fiduciary funds had the following recurring fair value measurements at June 30, 2017:

- Mutual and money market funds of \$83,074,930 and stocks of \$7,153,803 are valued using quoted market prices, a level 1 input.
- Mutual and money market funds of \$33,377,955 and stocks of \$718,956 are valued using significant other observable inputs, a level 2 input.

NOTE 3—RECEIVABLES AND ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS

The City determines its allowances using historical collection data, specific account analysis and management's judgment. Receivables at June 30, 2017 for the City's individual major and nonmajor funds, including the applicable allowances for uncollectible accounts, are as follows:

Primary Government

	General Fund	Wastewater Fund	Nonmajor Governmental Funds
Property taxes	\$ 32,641,952	\$ -	\$ -
Trade and other accounts	1,294,442	1,448,274	27,906
Gross receivables	33,936,394	1,448,274	27,906
Less allowance for uncollectible accounts	(369,068)	(73,165)	-
Net receivables	<u>\$ 33,567,326</u>	<u>\$ 1,375,109</u>	<u>\$ 27,906</u>

Governmental funds report deferred/unavailable/unearned revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred/unavailable revenue and unearned revenue reported were as follows:

	Governmental Activities	Governmental Funds
Property taxes receivable	\$ 31,102,737	31,506,453
Prepaid property taxes	355,859	355,859
Subtotal	31,458,596	31,862,312
Other unearned	2,423,100	2,423,100
Total	<u>\$ 33,881,696</u>	<u>\$ 34,285,412</u>

CITY OF FAIRFAX, VIRGINIA
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Amounts due from other governments include the following:

	Governmental Activities			Total Primary Government	Component Unit School Board
	General	General Capital Projects Fund	Stormwater Fund		
Commonwealth of Virginia:					
Local sales tax	\$ 1,956,202	\$ -	\$ -	\$ 1,956,202	\$ 993,544
Communication sales tax	352,675	-	-	352,675	-
Other	551,614	62,536	135,971	750,121	-
Federal government	-	4,422,405	-	4,422,405	-
District Court	57,569	-	-	57,569	-
Total	<u>\$ 2,918,060</u>	<u>\$ 4,484,941</u>	<u>\$ 135,971</u>	<u>\$ 7,538,972</u>	<u>\$ 993,544</u>

Business-type activities due from other governments of \$1,147,892 consists of \$750,000 due from George Mason University and \$397,892 due from the Northern Virginia Transportation Commission.

NOTE 4—DUE TO/FROM PRIMARY GOVERNMENT BALANCES, ADVANCES AND TRANSFERS

Interfund Fund/Component Unit receivables and payables related to working capital loans at June 30, 2017 are as follows:

Component Unit / Fund	Due From	Due To
Economic Development Authority	\$ -	1,100,825
School Board	-	993,544
General Fund	2,384,791	7,601,144
General Capital Projects	2,838,754	2,385
Commercial Transportation Tax Fund	5,500,000	-
Old Town Fairfax Fund	-	5,317
Stormwater Fund	1,000,000	-
Wastewater Fund	-	1,980,139
Transportation Fund	-	540,191
Water Utility Fund	500,000	-
Total	<u>\$ 12,223,545</u>	<u>\$ 12,223,545</u>

A summary of interfund activity is presented as follows:

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	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 93,500	\$ 10,076,316
Capital Projects Fund	12,070,671	-
Old Town Fairfax Fund	192,220	93,500
Commercial Transportation Tax Fund	2,249,582	7,394,584
Stormwater Fund	1,394,853	-
Water Utility Fund	-	382,346
Transportation Fund	1,945,920	-
Total	<u>\$ 17,946,746</u>	<u>\$ 17,946,746</u>

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

NOTE 5—INVENTORY

At June 30, 2017, the City has inventory recorded in the General Fund (\$806,589 of expendable supplies) and Economic Development Authority (\$862,594 of land and building held for resale).

NOTE 6—CAPITAL ASSETS

The following is a summary of capital asset activity for the year ended June 30, 2017:

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2017</u>
Primary Government				
Governmental Activities:				
Capital assets, not being depreciated				
Land	\$ 50,125,593	274,734	\$ -	\$ 50,400,327
Construction in progress	16,564,449	15,126,556	(1,372,197)	30,318,808
Total capital assets, not being depreciated	<u>66,690,042</u>	<u>15,401,290</u>	<u>(1,372,197)</u>	<u>80,719,135</u>
Capital assets, being depreciated				
Buildings and improvements	56,958,691	-	-	56,958,691
Machinery and equipment	27,550,897	1,326,466	(805,478)	28,071,885
Jointly-owned assets	76,198,148	-	(3,832,704)	72,365,444
Infrastructure	51,224,778	1,432,197	-	52,656,975
Total capital assets, being depreciated	<u>211,932,514</u>	<u>2,758,663</u>	<u>(4,638,182)</u>	<u>210,052,995</u>
Accumulated Depreciation:				
Buildings and improvements	15,259,687	1,556,416	-	16,816,103
Machinery and equipment	17,493,182	1,769,297	(624,785)	18,637,694
Jointly-owned assets	16,438,503	2,507,131	(1,556,975)	17,388,659
Infrastructure	20,135,108	1,099,217	-	21,234,325
Total accumulated depreciation	<u>69,326,480</u>	<u>6,932,061</u>	<u>(2,181,760)</u>	<u>74,076,781</u>
Total capital assets, being depreciated, net	<u>142,606,034</u>	<u>(4,173,398)</u>	<u>(2,456,422)</u>	<u>135,976,214</u>
Governmental Activities' capital assets, net	<u>\$ 209,296,076</u>	<u>\$ 11,227,892</u>	<u>\$ (3,828,619)</u>	<u>\$ 216,695,349</u>

CITY OF FAIRFAX, VIRGINIA
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	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Business-type Activities				
Wastewater Fund:				
Land and land improvements	\$ 17,583	\$ -	\$ -	\$ 17,583
Construction in progress	2,102,049	1,334,995	-	3,437,044
Total capital assets, not being depreciated	<u>2,119,632</u>	<u>1,334,995</u>	<u>-</u>	<u>3,454,627</u>
Capital assets, being depreciated				
Buildings and improvements	1,264,570	-	-	1,264,570
Machinery and equipment	1,826,378	69,655	-	1,896,033
Intangibles	18,536,149	2,334,832	-	20,870,981
Infrastructure	8,228,776	-	-	8,228,776
Total capital assets, being depreciated	<u>29,855,872</u>	<u>2,404,487</u>	<u>-</u>	<u>32,260,360</u>
Accumulated Depreciation:				
Buildings and improvements	229,411	25,291	-	254,702
Machinery and equipment	1,420,659	107,701	-	1,528,360
Intangibles	3,938,186	179,600	-	4,117,786
Infrastructure	5,450,370	132,718	-	5,583,088
Total accumulated depreciation	<u>11,038,626</u>	<u>445,310</u>	<u>-</u>	<u>11,483,936</u>
Total capital assets, being depreciated, net	<u>18,817,246</u>	<u>1,959,177</u>	<u>-</u>	<u>20,776,424</u>
Net capital assets	<u>\$ 20,936,878</u>	<u>\$ 3,294,172</u>	<u>\$ -</u>	<u>\$ 24,231,051</u>

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Transportation Fund				
Capital Assets, being depreciated:				
Buildings and improvements	\$ 226,958	\$ -	\$ -	\$ 226,958
Machinery and equipment	3,302,295	-	(27,949)	3,274,346
Total capital assets, not being depreciated	<u>3,529,253</u>	<u>-</u>	<u>(27,949)</u>	<u>3,501,304</u>
Accumulated Depreciation:				
Buildings and improvements	54,469	4,539	-	59,008
Machinery and equipment	888,233	265,686	(27,949)	1,125,970
Total accumulated depreciation	<u>942,702</u>	<u>270,225</u>	<u>(27,949)</u>	<u>1,184,978</u>
Total capital assets, being depreciated	<u>2,586,551</u>	<u>(270,225)</u>	<u>-</u>	<u>2,316,326</u>
Net capital assets	<u>\$ 2,586,551</u>	<u>\$ (270,225)</u>	<u>\$ -</u>	<u>\$ 2,316,326</u>

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Discretely Presented Component Unit - School Board	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Capital Assets, not being depreciated				
Land	\$ 1,381,115	\$ -	\$ -	\$ 1,381,115
Total capital assets, not being depreciated	<u>1,381,115</u>	<u>-</u>	<u>-</u>	<u>1,381,115</u>
Capital Assets, being depreciated:				
Buildings and improvements	40,518,555	3,832,704	-	44,351,259
Machinery and equipment	1,464,562	32,560	(58,115)	1,439,007
Total capital assets, being depreciated	<u>41,983,117</u>	<u>3,865,264</u>	<u>(58,115)</u>	<u>45,790,266</u>
Accumulated Depreciation:				
Buildings and improvements	38,188,284	5,590,351	-	43,778,635
Machinery and equipment	960,448	81,943	(58,115)	984,276
Total accumulated depreciation	<u>39,148,732</u>	<u>5,672,294</u>	<u>(58,115)</u>	<u>44,762,911</u>
Total capital assets, being depreciated, net	<u>2,834,385</u>	<u>(1,807,030)</u>	<u>-</u>	<u>1,027,355</u>
Net capital assets	<u>\$ 4,215,500</u>	<u>\$ (1,807,030)</u>	<u>\$ -</u>	<u>\$ 2,408,470</u>

CITY OF FAIRFAX, VIRGINIA
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Depreciation expense was charged to functions/programs as follows:

Governmental Activities:

General government administration	\$	622,424
Public safety		537,861
Public works		2,250,257
Education		2,507,131
Parks, recreation and cultural		1,014,388
Total Governmental Activities	\$	<u>6,932,061</u>

Business-type Activities:

Sewer utility	\$	445,310
Transportation		270,225
Total Business-type Activities	\$	<u>715,535</u>

Component Unit - School Board:

Education	\$	<u>5,672,294</u>
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CITY OF FAIRFAX, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 7—LONG-TERM OBLIGATIONS

The following is a summary of long-term obligation transactions of the City for the year ended June 30, 2017:

	Balance at July 1, 2016	Issuances/ Increases	(Retirements)/ (Decreases)	Balance at June 30, 2017	Amounts Due Within One Year
Primary Government					
Governmental Activities:					
General obligation bonds	\$ 86,764,000	\$ 22,106,000	\$ (26,749,000)	\$ 82,121,000	\$ 4,973,000
Lease revenue bonds	29,205,000	9,552,000	(1,040,000)	37,717,000	1,284,000
Public improvement COPS	10,134,800	-	(10,134,800)	-	-
Notes payable	6,750,000	-	(510,000)	6,240,000	520,000
Capital leases	5,973,139	-	(1,101,166)	4,871,973	1,101,462
Compensated absences	2,291,243	1,240,669	(954,711)	2,577,201	440,000
Net pension liability - VRS	35,026,903	13,104,659	(6,390,573)	41,740,989	-
Net pension liability - City Plans	12,818,422	13,507,953	(15,275,726)	11,050,649	-
Net OPEB obligation	4,805,607	892,838	(481,928)	5,216,517	-
Premiums on bonds payable	7,242,380	-	(4,737,422)	2,504,958	281,697
Total	<u>\$201,011,494</u>	<u>\$ 60,404,119</u>	<u>\$ (67,375,326)</u>	<u>\$ 194,040,287</u>	<u>\$ 8,600,159</u>
Enterprise Funds:					
Wastewater Fund:					
Lease revenue bonds	\$ 23,085,000	\$ -	\$ (535,000)	\$ 22,550,000	\$ 565,000
Premium on bonds payable	575,875	-	(23,035)	552,840	23,035
Net pension liability - VRS	542,994	216,284	(105,472)	653,806	-
Net pension liability - City Plans	85,550	128,496	(159,229)	54,817	-
Net OPEB obligation	118,594	17,857	(9,639)	126,812	-
Compensated absences	51,111	12,512	(7,837)	55,786	3,188
Total	<u>\$ 24,459,124</u>	<u>\$ 375,149</u>	<u>\$ (840,212)</u>	<u>\$ 23,994,061</u>	<u>\$ 591,223</u>
Transportation Fund:					
Net pension liability - VRS	\$ 1,669,022	\$ 597,764	\$ (291,504)	\$ 1,975,282	\$ -
Net pension liability - City Plans	327,340	491,871	(609,516)	209,695	-
Net OPEB obligation	373,792	71,427	(38,554)	406,665	-
Compensated absences	118,901	57,430	(53,546)	122,785	11,694
Total	<u>\$ 2,489,055</u>	<u>\$ 1,218,492</u>	<u>\$ (993,120)</u>	<u>\$ 2,714,427</u>	<u>\$ 11,694</u>
Total Enterprise Funds	<u>\$ 26,948,179</u>	<u>\$ 1,593,641</u>	<u>\$ (1,833,332)</u>	<u>\$ 26,708,488</u>	<u>\$ 602,917</u>
Discretely Presented Component Units					
School Board:					
Net pension liability - VRS	\$ 150,000	\$ 46,000	\$ (32,000)	164,000	\$ -
Compensated absences	41,841	19,817	(41,855)	19,803	1,980
Total	<u>\$ 191,841</u>	<u>\$ 65,817</u>	<u>\$ (73,855)</u>	<u>\$ 183,803</u>	<u>\$ 1,980</u>

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

CITY OF FAIRFAX, VIRGINIA
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Fund are used to pay its compensated absences.

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

Year Ending June 30,	Governmental Activities Obligations							
	Bonds		Lease Revenue Bonds		Notes Payable		Capital Leases	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 6,257,000	\$ 4,017,203	\$ 565,000	\$ 1,305,224	\$ 520,000	\$ 140,093	\$ 1,101,462	\$ 85,792
2019	6,087,000	3,844,987	595,000	1,275,064	535,000	128,017	971,829	69,605
2020	6,477,000	3,645,276	625,000	1,243,344	545,000	115,650	767,602	54,731
2021	6,759,000	3,366,667	660,000	1,209,934	560,000	102,993	453,743	42,338
2022	6,530,000	3,108,280	685,000	1,176,552	570,000	90,046	269,401	34,332
2023 - 2027	30,122,000	12,361,991	3,790,000	5,325,178	2,455,000	258,041	987,749	92,830
2028 - 2032	29,891,000	7,806,884	4,600,000	4,107,449	1,055,000	39,458	320,187	9,719
2033 - 2037	27,715,000	2,255,066	5,630,000	2,550,272	-	-	-	-
2038 - 2041	-	-	5,400,000	680,018	-	-	-	-
Total	<u>\$ 119,838,000</u>	<u>\$ 40,406,354</u>	<u>\$ 22,550,000</u>	<u>\$ 18,873,035</u>	<u>\$ 6,240,000</u>	<u>\$ 874,298</u>	<u>\$ 4,871,973</u>	<u>\$ 389,347</u>

CITY OF FAIRFAX, VIRGINIA
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Details of Long-Term Obligations:

Primary Government

Governmental Activities:

General Obligations Bonds:

\$11,975,000 school refunding bonds, issued March 17, 2005, due in annual maturities of \$30,000 to \$1,360,000 through April 2018, plus interest at 2.5% to 5.0%.	\$ 1,295,000
\$32,480,000 refunding bonds issued March 25, 2010 due in annual maturities of \$110,000 to \$3,520,000 beginning July 15, 2010 through July 15, 2026, plus interest at 1.75% to 5.0%.	23,180,000
\$35,685,000 refunding bonds issued September 26, 2012 due in periodic maturities of \$1,675,000 to \$5,295,000 beginning January 15, 2020 through January 15, 2037, interest due semiannually ranging from 3.00% to 4.00%.	35,685,000
\$18,871,000 refunding bonds issued August 2016, due in periodic maturities of \$175,000 to \$3,730,000 beginning January 15, 2017 through January 15, 2030, interest due semiannually at 1.82%	18,726,000
\$3,235,000 refunding bonds issued August 2016, due in periodic maturities of \$41,000 to \$1,505,000 beginning July 15, 2017 through July 15, 2024, interest due semiannually at 1.1%.	3,235,000
Total General Obligation Bonds	<u>82,121,000</u>

CITY OF FAIRFAX, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2017

Lease Revenue Bonds:

\$9,552,000 lease revenue bonds dated April 2017, due in semi-annual maturities of \$96,000 to \$577,000 beginning July 15, 2017 through January 15, 2027, interest at 2.14%.

9,552,000

\$33,105,000 lease revenue bonds dated June 2012, due in annual maturities of \$910,000 to \$2,390,000 beginning October 1, 2012 through October 1, 2033, interest at 2.125% to 5.125%.

28,165,000

Total Lease Revenue Bonds

37,717,000

Notes Payable:

\$7,250,000 financing lease agreement dated April 2014, due in annual maturities of \$325,000 to \$615,000 through August 1, 2029, interest payable semi-annually at 2.10% to 2.47%.

6,240,000

Capital Leases:

\$875,000 capital lease for financing the acquisition of equipment, due in annual maturities of \$149,300 through January 2017, including interest at 1.07%.

147,664

\$1,300,000 capital lease for financing the acquisition of equipment, due in annual maturities of \$222,673 through July 2018, including interest at 1.26%.

437,068

\$1,708,450 capital lease for financing energy efficient improvements, due in various semi-annual maturities through January 2029, including interest at 2.40%.

1,481,800

\$1,586,000 capital lease for various equipment due in various annual maturities through 2019, including interest at 1.4%.

962,306

\$1,235,430 capital lease for tower fire truck due in annual maturities of \$166,351 through 2024, including interest at 1.81%.

1,084,672

\$954,050 capital lease for various equipment due in annual maturities of \$196,130 through 2021, including interest at 1.37%.

758,463

Total Capital Leases

4,871,973

Compensated absences

2,577,201

Net Pension Liabilities

52,791,638

Net OPEB obligations

5,216,517

Premium on bonds payable

2,504,958

Total Governmental Activities

\$ 194,040,287

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

Year Ending June 30,	Enterprise Funds	
	Lease Revenue Bonds	
	Principal	Interest
2018	\$ 565,000	\$ 1,305,224
2019	595,000	1,275,064
2020	625,000	1,243,344
2021	660,000	1,209,934
2022	685,000	1,176,552
2023-2027	4,640,000	6,255,615
2028-2032	4,785,000	3,822,485
2033-2037	5,865,000	2,197,371
2038-2041	4,130,000	387,444
Total	\$ 22,550,000	\$ 18,873,033

Details of Long-Term Obligations

Wastewater Fund:

Lease Revenue Bonds:

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

\$ 22,550,000

NOTE 8—PENSION PLANS

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

A. Plan Description – Virginia Retirement System

Name of Plan: Virginia Retirement System (VRS)
 Identification of Plan: Agent (City) and Cost-Sharing Multiple-Employer Pension Plan (School Board)
 Administering Entity: Virginia Retirement System (System)

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

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

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VRS - PLAN 1

1. **Plan Overview** - VRS Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.
2. **Eligible Members** - Employees are in VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.
3. **Hybrid Opt-In Election** - VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

The Hybrid Retirement Plan's effective date for eligible VRS Plan 1 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and had prior service under VRS Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 1 or ORP.

4. **Retirement Contributions** - Members contribute up to 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.
5. **Creditable Service** - Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.
6. **Vesting** - Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.

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

7. **Calculating the Benefit** - The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement. An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.

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

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

10. Normal Retirement Age - Age 65.

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

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

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

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

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

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

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

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

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16. **Disability Coverage** – Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased, or granted. Most state employees are covered under the VSDP, and are not eligible for disability retirement. VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.
17. **Purchase of Prior Service** – Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave, or VRS refunded service as creditable service in their plan. Prior creditable service counts towards vesting, eligibility for retirement and the health insurance credit. Only active members eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.

VRS - PLAN 2

1. **Plan Overview** - VRS Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.
2. **Eligible Members** - Employees are in VRS Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.
3. **Hybrid Opt-In Election** - VRS Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

The Hybrid Retirement Plan's effective date for eligible VRS Plan 2 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and have prior service under VRS Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 2 or ORP.

4. **Retirement Contributions** - Same as VRS Plan 1 – Refer to Section 4.
5. **Creditable Service** – Same as VRS Plan 1 – Refer to Section 5.
6. **Vesting** - Same as VRS Plan 1 – Refer to Section 6.
7. **Calculating the Benefit** - Same as VRS Plan 1 – Refer to Section 7.
8. **Average Final Compensation** - A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.
9. **Service Retirement Multiplier** - Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.

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

Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.
12. **Earliest Reduced Retirement Eligibility** - Members may retire with a reduced benefit as early as age 60 with at least five year (60 months) of creditable service.
13. **Cost of Living Adjustment (COLA) in Retirement** - The Cost of Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.
14. **Eligibility** – Same as VRS Plan 1 – Refer to Section 14.
15. **Exceptions to COLA Effective Dates** – Same as VRS Plan 1 – Refer to Section 15.
16. **Disability Coverage** – Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased, or granted. Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement. VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.
17. **Purchase of Prior Service** - Same as VRS Plan 1 – Refer to Section 17.

HYBRID RETIREMENT PLAN

1. **Plan Overview** - The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as VRS Plan 1 and VRS Plan 2 members who were eligible and opted into the plan during a special election window. (See “Eligible Members”)
 - The defined benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula.
 - The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.
 - In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.
2. **Eligible Members** - Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:

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- State employees*
 - School division employees
 - Political subdivision employees*
 - Judges appointed or elected to an original term on or after January 1, 2014
 - Members in VRS Plan 1 or VRS Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014
- 3. Non-Eligible Members** - Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:
- Members of the State Police Officers' Retirement System (SPORS)
 - Members of the Virginia Law Officers' Retirement System (VaLORS)
 - Political subdivision employees who are covered by enhanced benefits for hazardous duty employees

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

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

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

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

6. Vesting

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

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

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

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

- After two years, a member is 50% vested and may withdraw 50% of employer contributions.
- After three years, a member is 75% vested and may withdraw 75% of employer contributions.
- After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.
- Distribution is not required by law until age 70½.

7. Calculating the Benefit

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

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

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

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

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

10. Normal Retirement Age

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

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

11. Earliest Unreduced Retirement Eligibility

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

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

12. Earliest Reduced Retirement Eligibility

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

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

13. Cost of Living Adjustment (COLA) in Retirement

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

Defined Contribution Component - Not Applicable.

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

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

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

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

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

17. Purchase of Prior Service

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

Defined Contribution Component - Not Applicable.

VRS City Employees by Class:

Retirees or beneficiaries currently receiving benefits:

Inactive Members:	300
Vested inactive members	70
Non-vested inactive members	47
Inactive members active elsewhere in VRS	65
Total inactive members	<u>182</u>
Active Employees:	<u>364</u>
Total	<u><u>846</u></u>

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Contributions

Members and employers are required to contribute to the retirement plans as provided by Title 51.1 of the *Code of Virginia* (1950), as amended. The member contribution is 5% of compensation contributed by members or employers. The City and School Board are required to contribute the remaining amounts necessary to fund the pension plans using the entry age normal actuarial cost method adopted by the VRS Board of Trustees. The System's actuary computed the amount of contributions to be provided by the City and School Board. The contribution rates for fiscal year 2017 were based on the actuary's valuation as of June 30, 2015. In addition, the actuary computed a separate contribution requirement for the School Board for the teacher cost-sharing pool using the same valuation date.

The City's contractually required contribution rate for the year ended June 30, 2017 was 12.73% of covered employee compensation. This rate was based on actuarially determined rate from an actuarial valuation as of June 30, 2015. This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan for the years ended June 30, 2017 and June 30, 2016, respectively were \$3.6 million and \$3.5 million.

The School Board's contractually required contribution rate for the Teacher Retirement Plan for the year ended June 30, 2017 was \$12,573 or 14.66% of covered employee compensation. This rate was based on actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarial rate for the Teacher Retirement Plan was 16.32%.

Net Pension Liability

The most recent actuarial valuation to determine the net pension liabilities for the City and School Board was prepared as of June 30, 2015. The total pension liability was determined based on that actuarial valuation using updated actuarial assumptions applied to all periods included in the measurement, and rolled forward to the measurement date of June 30, 2016. The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	VRS General City Employees	VRS Public Safety Employees	VRS School Board Teacher Retirement Plan Employees
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal
Investment Rate of Return, net of pension plan investment expense, including inflation	7.00%	7.00%	7.0%
Inflation	2.5%	2.5%	2.5%
Projected Salary Increases	3.5% - 5.35%	3.5% - 4.75%	3.5% - 5.95%
Mortality Rates (% of deaths assumed to be service related)	14%	60%	N/A

General City Employees:

Pre-Retirement:

RP-2000 Employee Mortality Table with Scale AA to 2020 with males set forward 4 years and females were set back 2 years.

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- Post-Retirement:
 - RP-2000 Combined Mortality Table with Scale AA to 2020 with males set forward 1 year.
- Public Safety Employees:
 - Pre-Retirement:
 - RP-2000 Employee Mortality Table with Scale AA to 2020 with males set forward 5 years and females set back 3 years.
 - Post-Retirement:
 - RP-2000 Combined Mortality Table with Scale AA to 2020 with females set back 1 year.
 - Post-Disablement:
 - RP-2000 Disability Life Mortality Table with males set back 3 years and no provision for future mortality improvement.
- Teacher Plan Employees:
 - Pre-Retirement:
 - RP-2000 Employee Mortality Table with Scale AA to 2020 with males set back 3 years and females set back 5 years.

 - Post-Retirement:
 - RP-2000 Combined Mortality Table with Scale AA to 2020 with m males set back 2years and females set back 3 years.
 - Post-Disablement:
 - RP-2000 Disability Life Mortality Table projected to 2020 with males set back 1 year and no provision for future mortality improvement.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions for the VRS Local Plans as a result of the experience study include updating mortality tables; decreasing rates of service retirement; decreasing rates of disability retirement; reducing rates of salary increases by 0.25% per year and increasing rates of withdrawals for 3 through 9 years of service.

The long-term expected rate of return on pension plan investments was determined using log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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Asset Class:	Target Allocation:	VRS Plans	
		Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Rate of Return:
U.S. Equity	19.50%	6.46%	1.26%
Developed Non U.S Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	1.00%	(1.50)%	(0.02)%
Total	<u>100.00%</u>		<u>5.83%</u>
	Inflation		<u>2.50%</u>
	**Expected arithmetic nominal return		<u>8.33%</u>

** Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces and expected real return of 8.33%, but also has a high standard deviation, which means there is high volatility. Over larger time horizons, the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the employer for the City's retirement plan will be subject to the portion of the VRS Board-certified rates that are funding by the Virginia General Assembly. From July 1, 2018 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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Changes in the City Employees' VRS Net Pension Liability

	Increase/(Decrease)		
	City VRS Pension Plan		
	Total Pension Liability	Fiduciary Net Position	Net Pension Liability
Balances at 7/1/2015	\$ 147,316,782	\$ 110,077,863	\$ 37,238,919
Changes for the Year:			
Service cost	2,423,842	-	2,423,842
Interest	10,049,084	-	10,049,084
Difference between expected and actual experience	1,376,065	-	1,376,065
Contributions -- employer	-	3,527,021	(3,527,021)
Contributions -- employee	-	1,393,173	(1,393,173)
Net investment income	-	1,867,356	(1,867,356)
Benefit payments including refunds of employee contributions	(7,516,872)	(7,516,872)	-
Administrative expense	-	(68,917)	68,917
Other changes	-	(800)	800
Net Changes	6,332,119	(799,039)	7,131,158
Balances at 6/30/2016	\$ 153,648,901	\$ 109,278,824	\$ 44,370,077

In accordance with the requirements of GAAP, regarding the sensitivity of the net pension liability to changes in the discount rate, the table below presents the VRS related net pension liability for the City and School Board calculated using the discount rate of 7.00%, as well as what it would be at a discount rate 1.00% lower and 1.00% higher.

	1.00% Lower 6.00%	Current Discount Rate: 7.00%	1.00% Higher 8.00%
City's Net Pension Liability	\$64,806,196	\$44,370,077	\$27,437,851
School Board's Net Pension Liability	\$234,000	\$164,000	\$106,000

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2017, the City recognized pension expense of \$3,457,465 related to VRS.

At June 30, 2017, the School Board Teacher Retirement Plan reported a liability of \$164,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, based on the annual actuarial valuation performed on June 30, 2015, which was actuarially rolled forward to the measurement date. The School Board's proportionate share of net pension liability was based on actual contributions made to the plan during the measurement period. At June 30, 2016, the School Board Teacher Retirement Plan's proportion was 0.00117% as compared to

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0.00115% at June 30, 2015. There were no changes in assumptions or benefit terms since the prior measurement period. There were no changes between the measurement date of the collective net pension liability and the School Board's reporting date.

For the year ended June 30, 2017, the School Board's Teacher Retirement plan recognized pension expense of \$15,000.

At June 30, 2017, the City and School Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	City VRS Pension Plan		School Board Teacher Retirement Plan	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 2,822,198	\$ -	\$ 9,000	\$ -
Changes in proportion	-	-	2,000	-
Net difference between expected and actual experience	1,062,366	888,371	-	5,000
Contributions to the plan subsequent to the measurement date	3,630,653	-	12,573	-
Total	\$ 7,515,217	\$ 888,371	\$ 23,573	\$ 5,000

\$3,630,653 and \$12,573 reported as deferred outflows of resources related to pensions resulting from the City's and School Board's Teacher Retirement plan, respectively, contributions subsequent to the measurement date will be recognized as a reduction of the respective net pension liability in the year ending June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended	City VRS Pension Plan	School Board Teacher Retirement Plan
June 30		
2018	\$ (79,879)	\$ -
2019	(70,905)	-
2020	1,998,023	4,000
2021	1,148,954	3,000
2022	-	(1,000)

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Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2016 Comprehensive Annual Financial Report (CAFR). A copy of the 2016 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2016-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

B. Plan Description – City Supplemental Pension Plans

The City's Supplemental Retirement Plans cover all full-time employees and permanent part-time employees hired between March 1, 2004 and June 30, 2014 of the City except police officers and firefighters who are covered under a separate plan for police and firefighters. Permanent part-time employees hired after June 30, 2014 are not eligible to participate in the City's Supplemental Retirement Plan. Both plans are single-employer, defined benefit pension plans, authorized by the City Council, and administered by the City Retirement Committee composed of nine individuals appointed by the Mayor and Council.

Upon retirement, a participant in the two City plans would receive a monthly retirement allowance which is determined based on a certain percentage of the participant's average final compensation at the date of retirement and the number of years of the participant's credited service. In the event of death prior to retirement, the beneficiary receives the same monthly benefit that would have been payable to the participant, assuming the joint and 100% survivor option was elected.

Membership

According to the last available actuary statement, the membership in the City Supplemental Retirement (General) Plan and the Firefighters, Policemen, and Policewomen (Public Safety) Plan at June 30, 2017 is as follows:

	City General Plan	City Public Safety
Retirements and beneficiaries	215	108
Terminated vested members	34	7
Active members	251	137
Total	<u>500</u>	<u>252</u>

Significant Accounting Policies

Basis of Accounting - The City's Supplemental Retirement Plans' financial statements are prepared using the accrual basis of accounting.

Reporting - The Plans are accounted for as a pension trust fund of the City. A separate actuarial report for each plan is generated by the Actuary each year. There were no separate financial statements for the plans.

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Investment Policy - The Plans' policy in regard to the allocation of invested assets is established and may be amended by the Plan Board by a majority vote of its members. It is the policy of the Plans' Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The Plans' investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. As of June 30, 2017, the asset allocation policy was as follows:

<u>Asset Class</u>	<u>Target Allocation</u>
Large Cap Equities	20.00%
Small/Mid Cap Equities	5.00%
International Equities	12.00%
Emerging International Equities	8.00%
Core Bonds	10.00%
Global Multi-Sector Fixed Income	10.00%
Real Assets (Liquid)	5.00%
Global Asset Allocation	15.00%
Risk Parity	15.00%
Total	100%

Investment Valuation and Income Recognition - Shares of registered investment companies (mutual funds), corporate bonds, and stocks are reported at fair value based on the quoted market price of the investment, which represents the fair value of the shares held by the Plan.

Payment of Benefits - Benefits are recorded when paid.

Refunds - In the event that a participant terminates employment with the City before reaching normal retirement age, other than by death or disability, and has less than five years (or seven years if hired after July 1, 2014) of credited service, the participant's accumulated contributions including credited interest will be refunded. Participants with at least five years (or seven years if hired after July 1, 2014) of credited service will be eligible for a deferred retirement benefit if accumulated contributions remain in deposit in the plan.

Administrative Costs - Administrative costs are financed from investment earnings.

Contributions

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

Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected

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inflation. Best estimates of arithmetic real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Large Cap Equities	5.92%
Small/Mid Cap Equities	6.71%
International Equities (Unhedged)	6.71%
International Equities (Hedged)	6.61%
International Small Cap Equities (Unhedged)	7.36%
Emerging International Equities	9.70%
Emerging International Small Cap Equities	10.58%
TIPS	1.17%
Core Bonds	1.38%
Global Multi-Sector Fixed Income	2.79%
GMO Real Return Global Balanced	4.80%
PIMCO All Asset	4.45%
Risk Parity	5.04%

For the year ended June 30, 2017, the annual money-weighted rate of return, which expresses investments performance, net of investment expense, adjusted for the changing amounts actually invested on pension plan investments, net of pension plan investment expense, was 11.29%.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension Liabilities: The components of the pension liabilities at June 30, 2017, were as follows:

	<u>General</u>	<u>Public Safety</u>	<u>Total</u>
Total pension liability	\$ 60,856,745	\$ 74,794,855	\$ 135,651,600
Plan fiduciary net position	(58,308,787)	(66,027,652)	(124,336,439)
Net Pension Liability	<u>\$ 2,547,958</u>	<u>\$ 8,767,203</u>	<u>\$ 11,315,161</u>
Plan fiduciary net position as a percentage of the total pension liability	95.81%	88.28%	91.66%

Pension Expense: For the year ended June 30, 2017, the City recognized pension expense of \$2,173,981 (General) and \$2,840,156 (Public Safety).

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Deferred outflows of resources and deferred inflows of resources related to pensions: Deferred outflows of resources and deferred inflows of resources related to pensions were reported from the following sources:

	City General Plan		City Public Safety Plan		Total	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between expected and actual experience	\$ 616,457	\$ 1,191,442	\$ 1,513,686	\$ 1,597,176	\$ 2,130,143	\$ 2,788,618
Net difference between projected and actual earnings on pension plan investments	4,583,727	2,045,215	5,137,729	2,062,686	9,721,456	4,107,901
Total	\$ 5,200,184	\$ 3,236,657	\$ 6,651,415	\$ 3,659,862	\$ 11,851,599	\$ 6,896,519

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30	City General Pension Plan	City Public Safety Plan
2018	\$ 1,066,689	\$ 1,382,273
2019	1,066,687	1,382,273
2020	239,221	373,272
2021	(431,235)	(475,807)
2022	22,165	282,831
Thereafter	-	46,711

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Changes in the Net Pension Liability

	City General Pension Plan		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at 7/1/2016	\$ 58,074,861	\$ 54,097,439	\$ 3,977,422
Changes for the Year:			
Service cost	1,353,611	-	1,353,611
Interest	3,857,917	-	3,857,917
Contributions -- employer	-	745,267	(745,267)
Contributions -- employee	-	508,749	(508,749)
Difference between expected and actual experience of the Total Pension Liability	765,030	-	765,030
Net investment income	-	6,142,906	(6,142,906)
Benefit payments including refunds of employee contributions	(3,194,674)	(3,194,674)	-
Administrative expense	-	-	-
Other changes	-	9,100	(9,100)
Net Changes	2,781,884	4,211,348	(1,429,464)
Balances at 6/30/2017	\$ 60,856,745	\$ 58,308,787	\$ 2,547,958

	City Public Safety Plan		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at 7/1/2016	\$ 70,664,928	\$ 61,411,038	\$ 9,253,890
Changes for the Year:			
Service cost	1,654,690	-	(1,654,690)
Interest	4,689,991	-	(4,689,991)
Contributions -- employer	-	1,173,293	1,173,293
Contributions -- employee	-	800,484	800,484
Net investment income	-	6,654,814	6,654,814
Difference between expected and actual experience of the Total Pension Liability	1,807,081	-	(1,807,081)
Benefit payments including refunds of employee contributions	(4,021,835)	(4,021,835)	-
Administrative expense	-	-	-
Other changes	-	9,858	9,858
Net Changes	4,129,927	4,616,614	486,687
Balances at 6/30/2017	\$ 74,794,855	\$ 66,027,652	\$ 8,767,203

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Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2017, using the entry age actuarial cost method, a level percent of payroll and the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0%
Salary increases	4.0% - 8.5% including inflation
Investment rate of return	6.75%
Remaining amortization period	10 years

The mortality table used to measure non-disabled retired life mortality is the RP-2000 Combined Healthy Mortality Table for males and females projected to 2020 using projection scale AA. The base table is the RP-2000 Combined Healthy Mortality Table projected to the valuation date and the provision for future mortality improvement is the projection to 2020. The mortality tables used to measure disabled retired life mortality were the same as described above, set-forward 10-years.

Discount Rate

A Single Discount Rate of 6.75% was used to measure the total pension liability. This Single Discount Rate was based on an expected rate of return on pension plan investments of 6.75% and a municipal bond rate of 2.85%. The projection of cash flows used to determine this Single Discount Rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position and future contributions were sufficient to finance the benefit payments through the year 2087. As a result, the long-term expected rate of return on the Plans' investments was applied to projected benefit payments through the year 2087, and the municipal bond rate was applied to all benefit payments after that date.

Sensitivity of Net Pension Liability to Changes in Discount Rate

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

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
General Plan			
Net pension liability(asset)	\$ 9,805,265	\$ 2,547,958	\$ (3,552,787)
Public Safety Plan			
Net pension liability	18,285,468	8,767,203	867,118

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

	Pension Trust Funds		
	City Supplemental Pension Trust Fund	Firefighters, Policemen, and Policewomen Pension Trust Fund	Total
Assets			
Mutual and money market funds	\$ 54,611,717	\$ 61,841,168	\$ 116,452,885
Stocks	3,692,008	4,180,751	7,872,759
Accrued interest	5,062	5,733	10,795
Total Assets	<u>\$ 58,308,787</u>	<u>\$ 66,027,652</u>	<u>\$ 124,336,439</u>
Net Position			
Net position restricted for pension benefits	<u>\$ 58,308,787</u>	<u>\$ 66,027,652</u>	<u>\$ 124,336,439</u>
Additions			
Plan members' and employer contributions	\$ 1,263,116	\$ 1,983,635	\$ 3,246,751
Investment income:			
Interest and dividends earned on investments	983,845	1,065,831	2,049,676
Gain on sale of securities	2,359,665	2,556,304	4,915,969
Net appreciation in fair value of investments	3,180,690	3,445,747	6,626,437
Total Investment Income	<u>6,524,200</u>	<u>7,067,882</u>	<u>13,592,082</u>
Less investment expenses	<u>(381,294)</u>	<u>(413,068)</u>	<u>(794,362)</u>
Net Investment Loss	<u>6,142,906</u>	<u>6,654,814</u>	<u>12,797,720</u>
Total Additions	<u>7,406,022</u>	<u>8,638,449</u>	<u>16,044,471</u>
Deductions			
Retirement and disability benefits	3,194,674	4,021,835	7,216,509
Total Deductions	<u>3,194,674</u>	<u>4,021,835</u>	<u>7,216,509</u>
Change in Net Position	4,211,348	4,616,614	8,827,962
Net Position, Beginning	<u>54,097,439</u>	<u>61,411,038</u>	<u>115,508,477</u>
Net Position, Ending	<u>\$ 58,308,787</u>	<u>\$ 66,027,652</u>	<u>\$ 124,336,439</u>

Concentrations

At June 30, 2017, the Plans' assets were comprised of cash and cash equivalents, stocks, corporate bonds, and mutual funds. The following table presents the fair value of the investments in the Plans. Single investments representing more than 5% of the Plans' net position as of June 30, 2017 are separately identified. Investments at fair value as determined by quoted market prices are as follows:

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Mutual Funds:		
Oberweis International Opportunities	\$	6,692,748
SSGA Funds		18,819,897
GMO Strategic Opportunities		13,809,677
Wellington Core Bond Plus		13,808,174
Strategic Fixed Income		12,216,663
Putnam Total Return		12,450,413
Other investments individually less than 5% of Plan assets		46,538,867
Total	\$	<u>124,336,439</u>

NOTE 9—FAIRFAX COUNTY AGREEMENTS

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

<u>Description</u>		
Joint court service	\$	225,523
Juvenile & domestic court		368,033
Commonwealth Attorney		75,364
Jail/custody service		1,736,825
Fire operations		174,970
Health		1,158,983
Social Services		1,123,496
Library services		802,841
Education		46,048,509
Refuse collection		394,739
Extension services		40,261
Sewage treatment		2,604,576
	\$	<u>54,754,120</u>

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

The City pays tuition to Fairfax County Public Schools (FCPS) quarterly, based on estimates provided by FCPS. After the end of each fiscal year, FCPS provides a reconciliation of actual expenditures to estimates, and either increases or decreases the amount due from the City for the first quarter’s tuition for the following fiscal year as a result. As of June 30, 2017, the City had recorded a receivable of approximately \$177,000 for overpayment of tuition during fiscal year 2017. This amount will be subtracted by FCPS from the first quarter’s invoice for fiscal year 2018.

NOTE 10—TRANSPORTATION CONTRACTS

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

CUE Bus – CUE Bus is an intra-city bus service operations in cooperation with George Mason University. Funding received from George Mason University was \$750,000 for the fiscal year ended June 30, 2017.

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Washington Metropolitan Area Transit Authority - The City contracts on an annual basis for rail service from the Washington Metropolitan Area Transit Authority (“WMATA”). The City’s share of WMATA’s capital and operating for bus and rail service for the year ended June 30, 2017 was \$2,304,183. This amount was paid from the City’s account at the Northern Virginia Transportation Commission (“NVTC”).

Northern Virginia Transportation Commission (“NVTC”) – NVTC receives funds designated for the City and it also disburses the designated funds for the City. As of June 30, 2017, the balance designated for the City is \$3,409,128. The NVTC received \$3,455,499 and disbursed \$3,657,030 on behalf of the City for the fiscal year ended June 30, 2017.

NOTE 11—MAJOR CUSTOMER

The City has one major sewer customer and for the year ended June 30, 2017, sewer revenue from this customer was approximately \$175,000.

NOTE 12—SURETY BOND

	<u>Coverage</u>
City Funds:	
WML Insurance Programs:	
Tom Sicilia - City Treasurer	\$ 250,000
City Council and all employees	250,000
City of Fairfax School Board	250,000
State Funds:	
Tom Scibilia - City Treasurer	500,000
William Page Johnson, II - Commission of the Revenue	450,000
Commonwealth of Virginia Performance of Duty Bond Self Insurance Plan:	
All employees of constitutional officers - blanket bond - each loss	250,000

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

NOTE 13—OTHER POSTEMPLOYMENT BENEFITS HEALTH INSURANCE

Plan Description - In addition to the pension benefits described in Note 8, through a single employer defined benefit plan, the City provides postemployment health care insurance benefits for employees who are eligible for retirement benefits. General Government employees are eligible for normal retirement if they have attained the age of 60 with 5 years of service. Public Safety employees are eligible for normal retirement if they have attained the age of 50 with 5 years of service or have 20 years of service. General Government employees are eligible for early retirement if they have attained the age of 50 years with 5 years of service or have 25 years of service. Disabled individuals must have completed 5 years of service to be eligible to participate in the plan.

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Funding Policy - The City establishes employer contribution rates for plan participants as part of the budgetary process each year. The City also determines how the plan will be funded each year, whether it will partially fund the plan or fully fund the plan. Again this is determined annually as part of the budgetary process. For participating retirees which retired before July 1, 2004 the Retiree pays 100% of the monthly premium. For participating retirees which retired on or after July 1, 2004 the City pays a stipend ranging from \$50 to \$175 per month depending on years of service towards the monthly premium and the retiree contributes remaining funds towards the monthly premium. Retirees pay 100% of spousal premiums. Surviving spouses can stay in the plan, but must pay the entire premium.

Annual OPEB Cost and Net OPEB Obligation - The City's annual other postemployment benefit ("OPEB") cost (expense) is calculated based on the annual required contribution of the employer ("ARC"), an amount actuarially determined in accordance with the parameters of GAAP. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation:

Annual required contribution	\$ 946,802
Interest on net OPEB obligation	211,920
Adjustment to annual required contribution	(176,600)
Annual OPEB cost	<u>982,122</u>
Contributions made	(530,121)
Increase in net OPEB obligation	<u>452,001</u>
Net OPEB obligation - beginning of year	5,297,993
Net OPEB obligation - end of year	<u>\$ 5,749,994</u>

Funded Status and Funding Progress - The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the next OPEB obligation for the current and two preceding years are as follows:

Ended Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2015	\$ 987,573	50%	\$ 4,864,566
June 30, 2016	1,011,557	57%	5,297,993
June 30, 2017	982,122	54%	5,749,994

The funded status of the plan as of June 30, 2016 is as follows:

Actuarial accrued liability (AAL)	\$ 12,610,281
Actuarial value of plan assets	-
Unfunded actuarial accrued liability	12,610,281
Funded ratio (actuarial value of plan assets / AAL)	-
Covered payroll (active plan members)	28,326,863
UAAL as a percentage of covered payroll	44.52%

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Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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

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

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

Interest Assumptions - In the June 30, 2016 most recent actuarial valuation, the actuarial assumptions included a 4% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 9% initially, reduced by decrements to an ultimate rate of 3.5% after ten years. Both rates included a 3.5% inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2016, was thirty years.

NOTE 14—RISK MANAGEMENT

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

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

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the proportion which the premium of each bears to the total premiums of all members in the year in which such deficit occurs.

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

NOTE 15—COMMITMENTS AND CONTINGENCIES

Federal programs in which the City participates were audited in accordance with the provisions of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Pursuant to the CFR, the City’s major program was tested for compliance with applicable grant requirements.

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

In fiscal year 2014, the City entered into an agreement to sell certain water assets to Fairfax County Water Authority. The City has potential liability related to any material adverse effects of the sale on the Authority. As of June 30, 2017, management is unaware of any liabilities related to this part of the sale agreement.

NOTE 16—LITIGATION

At June 30, 2017, the City was named as a defendant in various matters. It is not known what liability, if any, the City faces.

NOTE 17—CONSTRUCTION COMMITMENTS

At June 30, 2017, the City had several major projects under construction which are summarized below:

	Contract Amount	Expenditures as of June 30, 2017	Contract Balance
Primary Government:			
Kamp Washington	\$ 5,330,230	\$ 3,328,465	\$ 2,001,765
Street repaving	2,467,323	241,822	2,225,501
Total	<u>\$ 7,797,553</u>	<u>\$ 3,570,287</u>	<u>\$ 4,227,266</u>

CITY OF FAIRFAX, VIRGINIA

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NOTE 18—DEFEASED DEBT

During the year ended June 30, 2017, the City issued the following refunding debt:

- \$18,871,000 General Obligation Refunding Bond, Series 2016A to current refund \$18,735,957 of the City's General Obligation Refunding Bond, Series 2012. The refunding will reduce debt service payments by \$1,651,106, resulting in an economic gain of \$1,465,390.
- \$3,235,000 General Obligation Refunding Bond, Series 2016B to current refund \$3,235,000 of the City's General Obligation Refunding Bond, Series 2011. The refunding will reduce debt service payments by \$258,369, resulting in an economic gain of \$242,515.
- \$9,552,000 Lease Revenue Refunding Bond (City Projects), Series 2017 to current refund \$9,391,767 of the City's 2011B and 2011C Certificates of Participation. The refunding will reduce debt service payments by \$967,716, resulting in an economic gain of \$952,828.

In prior years, the City defeased certain general obligations and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. At June 30, 2017, the City had \$66,809,800 of bonds outstanding and considered defeased from refunding transactions in prior years.

NOTE 19—NEW ACCOUNTING STANDARDS

The GASB has issued the following statements, which are not yet effective.

GASB Statement No. 75, *Accounting and Reporting for Postemployment Benefits Other Than Pensions*, addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. The statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources and expense. This statement is effective for the fiscal year ending June 30, 2018.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, provides recognition and measurement guidance for situations in which a government is a beneficiary of a split-interest agreement. This statement is effective for the fiscal year ending June 30, 2018.

GASB Statement No. 83, *Certain Asset Retirement Obligations*, addresses accounting and financial reporting for certain asset retirement obligations. This statement is effective for the fiscal year ending June 30, 2019.

GASB Statement No. 84, *Fiduciary Activities*, improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This statement is effective for the fiscal year ending June 30, 2020.

GASB Statement No. 85, *Omnibus 2017*, addresses practice issues that have been identified during implementation and application of certain GASB Statements. This statement is effective for the fiscal year ending June 30, 2018.

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GASB Statement No. 86, *Certain Debt Extinguishment Issues*, improves consistency in accounting and financial reporting for in-substance defeasance of debt. This statement is effective for the fiscal year ending June 30, 2018.

GASB Statement No. 87, *Leases*, addresses accounting and financial reporting for leases by governments. This statement is effective for the fiscal year ending June 30, 2021.

Management has not yet evaluated the effects, if any, of adopting these standards.

NOTE 20—PRIOR PERIOD ADJUSTMENT

The City has restated the beginning net position of the Business-type Activities and Wastewater Fund to correct an understatement of accounts receivable reported in previously issued financial statements. The impact on the 2016 change in net position was immaterial.

	Business-type Activities	Wastewater Fund
Net Position - Beginning, as previously reported	\$ 10,619,969	\$ 9,124,239
Prior period adjustment	309,411	309,411
Net Position - Beginning, as restated	<u>\$ 10,929,380</u>	<u>\$ 9,433,650</u>

NOTE 21—SUBSEQUENT EVENTS

The City has evaluated events and transactions through December 7, 2017, the date the financial statements were available to be issued. No recognition or disclosure was required.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF FAIRFAX, VIRGINIA
Schedule of OPEB Funding Progress

Exhibit 13

Last Five Valuations

The following Schedule of Funding Progress is presented as unaudited required supplementary information applicable to the participation of the City's employees in a single employer defined benefit plan for other postemployment benefits, as described in the footnotes of the accompanying basic financial statements. GAAP requires presentation of this information in employer financial statements. This information is intended to help users assess the funded status of the plan and the progress made in accumulating sufficient assets to pay benefits when due.

(1)	(2)	(3)	(4)	(5)	(6)	(7)	
Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded (Excess Funded) Actuarial Accrued Liability	Funded Ratio (2) / (3)	Annual Covered Payroll	UAAL as % of Payroll (4) / (6)	
Other Postemployment Benefits							
6/30/2016	\$	-	\$ 12,610,281	\$ 12,610,281	0.00%	\$ 28,326,863	44.52%
6/30/2014		-	13,333,658	13,333,658	0.00%	21,611,954	61.70%
6/30/2012		-	13,668,557	13,668,557	0.00%	25,901,110	52.77%
6/30/2010		-	14,931,043	14,931,043	0.00%	26,381,262	56.60%
6/30/2008		-	13,001,916	13,001,916	0.00%	25,784,857	50.42%

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

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

Interest Assumptions - In the June 30, 2016 the most recent actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 4% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 9% initially, reduced by decrements to an ultimate rate of 3.5% after ten years. Both rates included a 3.5% inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2016, was thirty years.

CITY OF FAIRFAX, VIRGINIA

Schedule of Changes in Net Pension Liability and Related Ratios

For the Year Ended June 30,

	City - VRS		
	2017 *	2016 *	2015 *
Total Pension Liability			
Service cost	\$ 2,423,842	\$ 2,409,740	\$ 2,553,033
Interest	10,049,084	9,813,324	9,430,342
Benefit changes	-	65,193	-
Differences between expected and actual experience	1,376,065	(1,785,717)	-
Benefit payments, including refunds of member contributions	(7,516,872)	(6,752,212)	(6,272,188)
Net change in total pension liability	6,332,119	3,750,328	5,711,187
Total pension liability, beginning of year	147,316,782	143,566,454	137,855,267
Total pension liability, end of year (a)	153,648,901	147,316,782	143,566,454
Plan Fiduciary Net Pension			
Contributions - employer	3,527,021	3,485,306	3,659,625
Contributions - member	1,393,173	1,355,267	1,374,989
Net investment income	1,867,356	4,869,624	14,717,193
Benefit payments, including refunds of member contributions	(7,516,872)	(6,752,212)	(6,272,188)
Other	(800)	(1,026)	776
Administrative expenses	(68,917)	(67,435)	(79,665)
Net change in plan fiduciary net position	(799,039)	2,889,524	13,400,730
Plan fiduciary net position, beginning of year	110,077,863	107,188,339	93,787,609
Plan fiduciary net position, end of year (b)	109,278,824	110,077,863	107,188,339
Net pension liability (a - b)	\$ 44,370,077	\$ 37,238,919	\$ 36,378,115
Plan fiduciary net position as a percentage of the total pension liability	71.12%	74.72%	74.66%
Covered - employee payroll	\$ 27,718,964	\$ 26,602,347	\$ 26,210,225
Net pension liability as a percentage of covered - employee payroll	160.07%	139.98%	138.79%

Note: The City implemented GASB 67 and GASB 68 in fiscal years 2014 and 2015, respectively. Information for the previous years is unavailable.

* CAFR reporting year, measurement date June 30 of prior year

Exhibit 14

City - General				City - Public Safety			
2017	2016	2015	2014	2017	2016	2015	2014
\$ 1,353,611	\$ 1,321,396	\$ 1,223,136	\$ 1,238,483	\$ 1,654,690	\$ 1,660,398	\$ 1,687,952	\$ 1,721,480
3,857,917	3,825,762	3,724,963	3,693,905	4,689,991	4,608,292	4,549,584	4,482,529
	-	-	40,012	-	-	-	143,528
765,030	(1,571,490)	(517,432)	(1,277,224)	1,807,081	(1,105,294)	(1,642,507)	(1,925,872)
(3,194,674)	(3,036,116)	(2,936,859)	(3,517,912)	(4,021,835)	(3,878,524)	(3,544,481)	(3,278,507)
2,781,884	539,552	1,493,808	177,264	4,129,927	1,284,872	1,050,548	1,143,158
58,074,861	57,535,309	56,041,501	55,864,237	70,664,928	69,380,056	68,329,508	67,186,350
60,856,745	58,074,861	57,535,309	56,041,501	74,794,855	70,664,928	69,380,056	68,329,508
745,267	758,268	1,064,636	876,511	1,173,293	1,359,471	1,854,639	1,772,644
508,749	489,511	478,806	512,116	800,484	777,157	781,168	816,864
6,142,906	(861,774)	(598,006)	6,985,339	6,654,814	(933,589)	(647,840)	7,567,450
(3,194,674)	(3,036,116)	(2,936,859)	(3,517,912)	(4,021,835)	(3,878,524)	(3,544,481)	(3,278,507)
9,100	30,167	23,402	24,368	9,858	32,681	25,352	26,399
-	-	-	-	-	-	-	-
4,211,348	(2,619,944)	(1,968,021)	4,880,422	4,616,614	(2,642,804)	(1,531,162)	6,904,850
54,097,439	56,717,383	58,685,404	53,804,982	61,411,038	64,053,842	65,585,004	58,680,154
58,308,787	54,097,439	56,717,383	58,685,404	66,027,652	61,411,038	64,053,842	65,585,004
\$ 2,547,958	\$ 3,977,422	\$ 817,926	\$ (2,643,903)	\$ 8,767,203	\$ 9,253,890	\$ 5,326,214	\$ 2,744,504
95.81%	93.15%	98.58%	104.72%	88.28%	86.90%	92.32%	95.98%
\$ 17,308,380	\$ 16,835,961	\$ 16,374,172	\$ 15,346,754	\$ 11,787,583	\$ 11,490,902	\$ 11,474,760	\$ 11,561,315
14.72%	23.62%	5.00%	(17.23%)	74.38%	80.53%	46.42%	23.74%

CITY OF FAIRFAX, VIRGINIA
Schedule of Contributions

Exhibit 15

For the Year Ended June 30,

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
General Plan **:				
Actuarially determined contribution	\$ 745,267	\$ 758,268	\$ 1,064,636	\$ 876,511
Contributions in relation to the actuarially determined contribution	<u>745,267</u>	<u>758,268</u>	<u>1,064,636</u>	<u>876,511</u>
Contribution excess	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered - employee payroll	\$ 17,308,380	\$ 16,835,961	\$ 16,374,172	\$ 15,346,754
Contributions as a percentage of covered - employee payroll	4.31%	4.50%	6.50%	5.71%
Public Safety Plan **:				
Actuarially determined contribution	\$ 1,173,293	\$ 1,359,471	\$ 1,854,639	\$ 1,772,644
Contributions in relation to the actuarially determined contribution	<u>1,173,293</u>	<u>1,359,471</u>	<u>1,854,639</u>	<u>1,772,644</u>
Contribution excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered - employee payroll	\$ 11,787,583	\$ 11,490,902	\$ 11,474,760	\$ 11,561,315
Contributions as a percentage of covered - employee payroll	9.95%	11.83%	16.16%	15.33%
City - VRS *				
Contractually required contribution	\$ 3,630,653	\$ 3,643,219	\$ 3,547,379	
Contributions in relation to the contractually required contribution	<u>3,630,653</u>	<u>3,643,219</u>	<u>3,547,379</u>	
Contribution excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Covered - employee payroll	\$ 27,718,964	\$ 26,602,347	\$ 26,210,225	
Contributions as a percentage of covered - employee payroll	13.10%	13.70%	13.53%	
School Board - VRS *				
Contractually required contribution	\$ 12,573	\$ 12,404	\$ 9,925	
Contributions in relation to the contractually required contribution	<u>12,573</u>	<u>12,404</u>	<u>9,925</u>	
Contribution excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Covered - employee payroll	\$ 93,276	\$ 89,423	\$ 85,118	
Contributions as a percentage of covered - employee payroll	13.48%	13.87%	11.66%	

Notes to Schedule

Valuation date:

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

Methods and assumptions used to determine contribution rates:

	<u>General Plan and Public Safety Plan</u>	<u>City and School Board - VRS</u>
Actuarial cost method	Entry age actuarial cost method	Entry age normal actuarial cost met
Amortization method	Level percent of payroll	Level percent of payroll
Remaining amortization period	9 years	28 years
Asset valuation method	5-year smoothed market	5-year smoothed market
Inflation	3.00%	2.50%
Salary increases	4.0% to 8.5% including inflation	3.5% to 5.95% , per annum, compo
Investment rate of return	6.75%	7.00%

There have been no significant changes to the benefit provisions since the prior actuarial valuation.

* Schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, with a 2014 measurement date, no other data is available. However, additional years will be included as they become available.

** The City implemented GASB 67 and GASB 68 in fiscal years 2014 and 2015, respectively. Information for the previous years is unavailable.

CITY OF FAIRFAX, VIRGINIA

Exhibit 16

Schedule of City Investment Returns and School Board's Proportionate Share of Net Pension Liability

For the Year Ended June 30,

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
City Supplemental Retirement Plans				
Annual money-weighted rate of return, net of investment expense	<u>11.29%</u>	<u>(1.50%)</u>	<u>(1.40%)</u>	<u>14.50%</u>
School Board's Proportionate Share of Net Pension Liability in VRS *				
Proportion of the net pension liability	0.00117%	0.00115%	0.00116%	
Proportionate share of the net pension liability	\$ 164,000	\$ 150,000	\$ 140,000	
Covered-employee payroll	\$ 93,276	\$ 89,423	\$ 85,118	
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	175.82%	167.74%	164.48%	
Plan fiduciary net position as a percentage of the total pension liability	68.28%	70.68%	70.88%	

* The amounts presented have a measurement date of the previous fiscal year.

Note: The City implemented GASB 67 and GASB 68 in fiscal years 2014 and 2015, respectively. Information for the previous years is unavailable.

OTHER SUPPLEMENTARY INFORMATION

CITY OF FAIRFAX, VIRGINIA
Combining Balance Sheet -
Nonmajor Governmental Funds

Exhibit 17

June 30, 2017

	Special Revenue Funds		Capital	Total Nonmajor Governmental Funds
	Legacy for Fairfax	Old Town Fairfax Fund	Projects Fund Stormwater Fund	
ASSETS				
Cash and cash equivalents	\$ 488,258	\$ 581,357	\$ 38,383	\$ 1,107,998
Due from other funds	-	-	1,000,000	1,000,000
Accounts receivable, net of allowance for uncollectibles	-	27,906	-	27,906
Due from other governmental units	-	-	135,971	135,971
Total Assets	<u>\$ 488,258</u>	<u>\$ 609,263</u>	<u>\$ 1,174,354</u>	<u>\$ 2,271,875</u>
LIABILITIES				
Accounts payable	\$ -	-	\$ 398,471	\$ 398,471
Retainage payable	-	460	58,195	58,655
Due to other funds	-	5,317	-	5,317
Total Liabilities	<u>-</u>	<u>5,777</u>	<u>456,666</u>	<u>462,443</u>
FUND BALANCES				
Restricted	488,258	-	-	488,258
Assigned	-	603,486	717,688	1,321,174
Total Fund Balances	<u>488,258</u>	<u>603,486</u>	<u>717,688</u>	<u>1,809,432</u>
Total Liabilities and Fund Balances	<u>\$ 488,258</u>	<u>\$ 609,263</u>	<u>\$ 1,174,354</u>	<u>\$ 2,271,875</u>

CITY OF FAIRFAX, VIRGINIA

Exhibit 18

**Combining Statement of Revenues, Expenditures, and Changes
in Fund Balances - Nonmajor Governmental Funds**

For the Year Ended June 30, 2017

	Special Revenue Funds		Capital Projects	Total Nonmajor Governmental Funds
	Legacy for Fairfax	Old Town Fairfax Fund	Fund	
			Stormwater Fund	
Revenues:				
Miscellaneous	\$ 7,938	\$ -	\$ -	\$ 7,938
Intergovernmental:				
Commonwealth	-	-	191,186	191,186
Total Revenues	7,938	-	191,186	199,124
Expenditures:				
Current:				
Public works	-	149,117	1,533,653	1,682,770
Parks, recreation, and cultural	72,384	-	-	72,384
Total Expenditures	72,384	149,117	1,533,653	1,755,154
Deficiency of Revenues Under Expenditures	(64,446)	(149,117)	(1,342,467)	(1,556,030)
Other Financing Sources (Uses):				
Transfers in	-	192,220	1,394,853	1,587,073
Transfers (out)	-	(93,500)	-	(93,500)
Total Other Financing Sources, Net	-	98,720	1,394,853	1,493,573
Net Changes in Fund Balances	(64,446)	(50,397)	52,386	(62,457)
Fund Balances, Beginning of Year	552,704	653,883	665,302	1,871,889
Fund Balances, End of Year	\$ 488,258	\$ 603,486	\$ 717,688	\$ 1,809,432

CITY OF FAIRFAX, VIRGINIA
Combining Statement of Net Position -
Nonmajor Proprietary Funds

Exhibit 19

June 30, 2017

	<u>Enterprise Funds</u>		Total Nonmajor Proprietary Funds
	<u>Transportation Fund</u>	<u>Water Utility Fund</u>	
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 3	\$ 147,567	\$ 147,570
Due from other funds	-	500,000	500,000
Due from other governments	1,147,892	-	1,147,892
Total Current Assets	<u>1,147,895</u>	<u>647,567</u>	<u>1,795,462</u>
Noncurrent Assets:			
Capital Assets:			
Buildings and improvements	226,958	-	226,958
Machinery and equipment	3,274,346	-	3,274,346
Accumulated depreciation	(1,184,978)	-	(1,184,978)
Total Noncurrent Assets	<u>2,316,326</u>	<u>-</u>	<u>2,316,326</u>
Total Assets	<u>3,464,221</u>	<u>647,567</u>	<u>4,111,788</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pension investment experience - City Plans	377,231	-	377,231
Deferred pension experience - City Plans	50,734	-	50,734
Deferred pension investment experience - VRS	112,175	-	112,175
Deferred pension experience - VRS	44,211	-	44,211
Deferred pension contributions - VRS	162,731	-	162,731
Total Deferred Outflows of Resources	<u>747,082</u>	<u>-</u>	<u>747,082</u>
LIABILITIES			
Current Liabilities:			
Accounts payable and accrued liabilities	100,282	91	100,373
Due to other funds	540,191	-	540,191
Customer deposits and other liabilities	-	297,624	297,624
Compensated absences, current portion	11,694	-	11,694
Total Current Liabilities	<u>652,167</u>	<u>297,715</u>	<u>949,882</u>
Noncurrent Liabilities:			
Compensated absences, net of current portion	111,091	-	111,091
Net pension liability - VRS	1,975,282	-	1,975,282
Net pension liability - City Plans	209,695	-	209,695
Net OPEB obligation	406,665	-	406,665
Total Noncurrent Liabilities	<u>2,702,733</u>	<u>-</u>	<u>2,702,733</u>
Total Liabilities	<u>3,354,900</u>	<u>297,715</u>	<u>3,652,615</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred pension investment experience - City Plans	168,321	-	168,321
Deferred pension experience - City Plans	98,055	-	98,055
Deferred pension experience - VRS	38,893	-	38,893
Total Deferred Inflows of Resources	<u>305,269</u>	<u>-</u>	<u>305,269</u>
NET POSITION			
Net investment in capital assets	2,316,326	-	2,316,326
Unrestricted	(1,765,192)	349,852	(1,415,340)
Total Net Position	<u>\$ 551,134</u>	<u>\$ 349,852</u>	<u>\$ 900,986</u>

CITY OF FAIRFAX, VIRGINIA

Exhibit 20

Combining Statement of Revenues, Expenses, and Changes
in Fund Net Position - Nonmajor Proprietary Funds

For the Year Ended June 30, 2017

	<u>Enterprise Funds</u>		Total Nonmajor Proprietary Funds
	Transportation Fund	Water Utility Fund	
Operating Revenues:			
Charges for services	\$ 1,225,567	\$ -	\$ 1,225,567
Total Operating Revenues	<u>1,225,567</u>	<u>-</u>	<u>1,225,567</u>
Operating Expenses:			
Salaries	1,598,023	-	1,598,023
Fringe benefits	735,068	-	735,068
Contractual services	19,959	-	19,959
Internal services	1,505,962	-	1,505,962
Other operating expenses	82,586	62	82,648
Depreciation and amortization	270,225	-	270,225
Total Operating Expenses	<u>4,211,823</u>	<u>62</u>	<u>4,211,885</u>
Loss from Operations	<u>(2,986,256)</u>	<u>(62)</u>	<u>(2,986,318)</u>
Nonoperating Revenues:			
Northern Virginia Transportation Commission	828,000	-	828,000
Total Nonoperating Revenues	<u>828,000</u>	<u>-</u>	<u>828,000</u>
Net Loss Before Transfers	<u>(2,158,256)</u>	<u>(62)</u>	<u>(2,158,318)</u>
Transfers:			
Transfers in	1,945,920	-	1,945,920
Transfers (out)	-	(382,346)	(382,346)
Net Transfers	<u>1,945,920</u>	<u>(382,346)</u>	<u>1,563,574</u>
Change in Net Position	(212,336)	(382,408)	(594,744)
Total Net Position - Beginning	763,470	732,260	1,495,730
Total Net Position - Ending	<u>\$ 551,134</u>	<u>\$ 349,852</u>	<u>\$ 900,986</u>

Combining Statement of Cash Flows - Nonmajor Proprietary Funds

For the Year Ended June 30, 2017

	Enterprise Funds		Total Nonmajor Proprietary Funds
	Transportation Fund	Water Utility Fund	
Cash flows from operating activities:			
Receipts from customers and users	\$ 905,675	\$ -	\$ 905,675
Payments to employees, including fringe benefits	(2,181,197)	-	(2,181,197)
Payments for operating activities	(1,618,558)	(12,610)	(1,631,168)
Net cash used in operating activities	(2,894,080)	(12,610)	(2,906,690)
Cash flows from noncapital financing activities:			
Transfers in	1,945,920	-	1,945,920
Transfers (out)	-	(382,346)	(382,346)
Interfund borrowing	101,591	(500,000)	(398,409)
Intergovernmental grants and reimbursements	828,000	-	828,000
Net cash provided by (used in) noncapital financing activities	2,875,511	(882,346)	1,993,165
Cash flows from capital and related financing activities:			
Purchase and construction of capital assets	-	-	-
Net decrease in cash and cash equivalents	(18,569)	(894,956)	(913,525)
Cash and cash equivalents, beginning of year	18,572	1,042,523	1,061,095
Cash and cash equivalents, end of year	\$ 3	\$ 147,567	\$ 147,570
Reconciliation of operating loss to net cash used in operating activities:			
Cash flows from operations:			
Loss from operations	\$ (2,986,256)	\$ (62)	\$ (2,986,318)
Adjustment to reconcile operating loss to net cash used in operating activities:			
Depreciation and amortization	270,225	-	270,225
Changes in operating accounts:			
(Increase) decrease in:			
Due from other governments	(319,892)	-	(319,892)
Increase (decrease) in:			
Accounts payable	(10,051)	(12,433)	(22,484)
Retainage payable	-	-	-
Compensated absences	3,884	-	3,884
Net OPEB obligation	32,873	-	32,873
Net pension activity	115,137	-	115,137
Customer deposits and other liabilities	-	(115)	(115)
Net cash used in operating activities	\$ (2,894,080)	\$ (12,610)	\$ (2,906,690)

CITY OF FAIRFAX, VIRGINIA

Exhibit 22

Combining Statement of Fiduciary Net Position -
Fiduciary Funds

June 30, 2017

	City Supplemental Pension Trust Fund	Firefighters, Policemen and Policewoman Pension Trust Fund	Totals
ASSETS			
Mutual and money market funds	\$ 54,611,717	\$ 61,841,168	\$ 116,452,885
Stocks	3,692,008	4,180,751	7,872,759
Accrued interest	5,062	5,733	10,795
Total Assets	<u>58,308,787</u>	<u>66,027,652</u>	<u>124,336,439</u>
NET POSITION			
Net position restricted for pensions	<u>\$ 58,308,787</u>	<u>\$ 66,027,652</u>	<u>\$ 124,336,439</u>

CITY OF FAIRFAX, VIRGINIA

Exhibit 23

**Combining Statement of Changes in Fiduciary Net Position -
Fiduciary Funds**

For the Year Ended June 30, 2017

	City Supplemental Pension Trust Fund	Firefighters, Policemen and Policewoman Pension Trust Fund	Totals
Additions:			
Plan members and employer contributions	\$ 1,263,116	\$ 1,983,635	\$ 3,246,751
Investment Income:			
Interest and dividends earned on investments	983,845	1,065,831	2,049,676
Gain on sale of securities	2,359,665	2,556,304	4,915,969
Net appreciation in fair value of investments	3,180,690	3,445,747	6,626,437
Total Investment Income	6,524,200	7,067,882	13,592,082
Less investment expenses	(381,294)	(413,068)	(794,362)
Net Investment Income	6,142,906	6,654,814	12,797,720
Total Additions	7,406,022	8,638,449	16,044,471
Deductions:			
Retirement and disability benefits	3,194,674	4,021,835	7,216,509
Total Deductions	3,194,674	4,021,835	7,216,509
Change in Net Position	4,211,348	4,616,614	8,827,962
Net Position, Beginning of Year	54,097,439	61,411,038	115,508,477
Net Position, End of Year	<u>\$ 58,308,787</u>	<u>\$ 66,027,652</u>	<u>\$ 124,336,439</u>

CITY OF FAIRFAX, VIRGINIA

Exhibit 24

Combining Balance Sheet -

Discretely Presented Component Unit - School Board

June 30, 2017

	School Operating Fund	School Bond Renovation Fund	Total
ASSETS			
Cash and cash equivalents	\$ -	\$ 2,499	\$ 2,499
Advance to Fairfax County Public Schools	-	1,253,009	1,253,009
Due from other governments	993,544	-	993,544
Total Assets	<u>\$ 993,544</u>	<u>\$ 1,255,508</u>	<u>\$ 2,249,052</u>
LIABILITIES			
Due to Primary Government	993,544	-	993,544
Total Liabilities	<u>993,544</u>	<u>-</u>	<u>993,544</u>
FUND BALANCES			
Nonspendable - advance	-	1,253,009	1,253,009
Assigned - capital projects	-	2,499	2,499
Total Fund Balances	<u>-</u>	<u>1,255,508</u>	<u>1,255,508</u>
Total Liabilities and Fund Balances	<u>\$ 993,544</u>	<u>\$ 1,255,508</u>	<u>\$ 2,249,052</u>

CITY OF FAIRFAX, VIRGINIA

Exhibit 25

Reconciliation of the Balance Sheet of the Governmental Funds to
the Statement of Net Position -

Discretely Presented Component Unit - School Board

June 30, 2017

	Governmental Funds
Total fund balances - governmental funds	\$ 1,255,508
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds:	
Capital assets:	
Land	\$ 1,381,115
Buildings and improvements	44,351,259
Machinery and equipment	1,439,007
Less accumulated depreciation	<u>(44,762,911)</u>
	2,408,470
Deferred items:	
Pension - deferred outflows	23,573
Pension - deferred inflows	(5,000)
Long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds:	
Compensated absences	(19,803)
Net pension liability	<u>(164,000)</u>
Net position of governmental activities	<u>\$ 3,498,748</u>

CITY OF FAIRFAX, VIRGINIA

Exhibit 26

Statement of Revenues, Expenditures, and
 Changes in Fund Balances -
 Discretely Presented Component Unit - School Board

For the Year Ended June 30, 2017

	School Operating Fund	School Bond Renovation Fund	Total
Revenues:			
Revenue from use of money and property	\$ 1,569,935	\$ -	\$ 1,569,935
Charges for services	635,693	-	635,693
Intergovernmental:			
City contribution to the School Board	36,603,922	-	36,603,922
Commonwealth of Virginia	8,168,160	-	8,168,160
Total Revenues	<u>46,977,710</u>	<u>-</u>	<u>46,977,710</u>
Expenditures:			
Current:			
Education	<u>46,977,710</u>	<u>-</u>	<u>46,977,710</u>
Total Expenditures	<u>46,977,710</u>	<u>-</u>	<u>46,977,710</u>
Net Changes in Fund Balances	-	-	-
Fund Balances, Beginning of Year	-	1,255,508	1,255,508
Fund Balances, End of Year	<u>\$ -</u>	<u>\$ 1,255,508</u>	<u>\$ 1,255,508</u>

CITY OF FAIRFAX, VIRGINIA

Exhibit 27

Reconciliation of Statement of Revenues, Expenditures, and Changes
in Fund Balances of Governmental Funds to the Statement of Activities -
Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2017

	<u>Governmental Funds</u>
Amounts reported for governmental activities in the Statement of Activities are different because:	
Net changes in fund balances - total governmental funds	\$ -
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the depreciation expense exceeded capital outlay in the current period.	
Depreciation expense	(5,672,294)
Transfer of joint tenancy assets from Primary Government to Component Unit School Board, net	3,865,264
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	
Change in compensated absences	22,038
Change in pension related items	3,169
	<u>25,207</u>
Change in net position of governmental activities	<u>\$ (1,781,823)</u>

CITY OF FAIRFAX, VIRGINIA

Exhibit 28

Combining Statement of Net Position -
Discretely Presented Nonmajor Component Units

June 30, 2017

	Industrial Development Authority	Economic Development Authority	Total
ASSETS			
Cash and cash equivalents	\$ 622,153	\$ 318,077	\$ 940,230
Inventory - property held for resale	-	862,594	862,594
Total Assets	<u>\$ 622,153</u>	<u>\$ 1,180,671</u>	<u>\$ 1,802,824</u>
LIABILITIES			
Current Liabilities:			
Due to Primary Government	\$ -	\$ 1,100,825	\$ 1,100,825
Total Liabilities	<u>-</u>	<u>1,100,825</u>	<u>1,100,825</u>
NET POSITION			
Unrestricted	<u>622,153</u>	<u>79,846</u>	<u>701,999</u>
Total Net Position	<u>622,153</u>	<u>79,846</u>	<u>701,999</u>
Total Liabilities and Net Position	<u>\$ 622,153</u>	<u>\$ 1,180,671</u>	<u>\$ 1,802,824</u>

CITY OF FAIRFAX, VIRGINIA

Combining Statement of Activities -

Discretely Presented Nonmajor Component Units

For the Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues
Nonmajor Component Units:		
Industrial Development Authority	\$ 860,192	\$ -
Economic Development Authority	72,134	-
Total Nonmajor Component Units	<u>\$ 932,326</u>	<u>\$ -</u>

General Revenues:

Unrestricted revenues from use of money and property

Total General Revenues

Change in net position

Net position, beginning of year

Net position, end of year

Exhibit 29

Net Revenue (Expense)		
Industrial Development Authority	Economic Development Authority	Total
\$ (860,192)	\$ -	\$ (860,192)
-	(72,134)	(72,134)
<u>(860,192)</u>	<u>(72,134)</u>	<u>(932,326)</u>
<u>937,420</u>	<u>258,816</u>	<u>1,196,236</u>
<u>937,420</u>	<u>258,816</u>	<u>1,196,236</u>
<u>77,228</u>	<u>186,682</u>	<u>263,910</u>
<u>544,925</u>	<u>(106,836)</u>	<u>438,089</u>
<u>\$ 622,153</u>	<u>\$ 79,846</u>	<u>\$ 701,999</u>

CITY OF FAIRFAX, VIRGINIA

Exhibit 30

Combining Balance Sheet -

Discretely Presented Nonmajor Component Units

June 30, 2017

	Industrial Development Authority	Economic Development Authority	Total
ASSETS			
Cash and cash equivalents	\$ 622,153	\$ 318,077	\$ 940,230
Total Assets	<u>\$ 622,153</u>	<u>\$ 318,077</u>	<u>\$ 940,230</u>
LIABILITIES			
Due to Primary Government	\$ -	\$ 1,100,825	\$ 1,100,825
Total Liabilities	<u>-</u>	<u>1,100,825</u>	<u>1,100,825</u>
FUND BALANCES			
Unassigned	<u>622,153</u>	<u>(782,748)</u>	<u>(160,595)</u>
Total Fund Balances	<u>622,153</u>	<u>(782,748)</u>	<u>(160,595)</u>
Total Liabilities and Fund Balances	<u>\$ 622,153</u>	<u>\$ 318,077</u>	<u>\$ 940,230</u>

CITY OF FAIRFAX, VIRGINIA**Exhibit 31**

Combining Reconciliation of the Balance Sheet of the Governmental
 Funds to the Statement of Net Position -
 Discretely Presented Nonmajor Component Units

June 30, 2017

	Industrial Development Authority	Economic Development Authority	Totals
Total fund balances - governmental funds	\$ 622,153	\$ (782,748)	\$ (160,595)
Amounts reported for governmental activities in the Statement of Net Position are different because:			
Assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds:			
Inventory held for resale	-	862,594	862,594
Net position of governmental activities	<u>\$ 622,153</u>	<u>\$ 79,846</u>	<u>\$ 701,999</u>

CITY OF FAIRFAX, VIRGINIA**Exhibit 32**Statement of Revenues, Expenditures, and
Changes in Fund Balances -

Discretely Presented Nonmajor Component Units

For the Year Ended June 30, 2017

	Industrial Development Authority	Economic Development Authority	Totals
Revenues:			
Revenue from use of money and property	\$ 937,420	\$ 258,816	\$ 1,196,236
Total Revenues	<u>937,420</u>	<u>258,816</u>	<u>1,196,236</u>
Expenditures:			
Current:			
Planning and community development	<u>860,192</u>	<u>72,134</u>	<u>932,326</u>
Total Expenditures	<u>860,192</u>	<u>72,134</u>	<u>932,326</u>
Excess of Revenues Over Expenditures	<u>77,228</u>	<u>186,682</u>	<u>263,910</u>
Net Changes in Fund Balances	77,228	186,682	263,910
Fund Balances, Beginning of Year	544,925	(969,430)	(424,505)
Fund Balances, End of Year	<u>\$ 622,153</u>	<u>\$ (782,748)</u>	<u>\$ (160,595)</u>

STATISTICAL SECTION

CITY OF FAIRFAX, VIRGINIA

**STATISTICAL SECTION
TABLE OF CONTENTS**

The statistical section of the City's comprehensive annual financial report presents detailed information as a context for understanding what the information presented in the financial statements, note disclosures and required supplementary information say about the City's overall financial health. This information has not been audited by the independent auditor.

Contents	Table Number
Financial Trends These tables contain trend information to help the reader understand how the City's financial performance and well being have changed over time.	1 to 5
Revenue Capacity These tables contain information to help the reader assess the City's most significant local revenue sources, the property tax, as well as other revenue sources.	6 to 10
Debt Capacity These tables present information to help the reader assess the affordability of the City's current level of outstanding debt and the City's ability to issue additional debt in the future.	11 to 13
Demographic and Economic Information These tables offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	14
Operating Information These tables contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	15 to 18

Sources:

Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial report for the relevant year.

Note - the following statistical table recommended by the National Council on Governmental Accounting is not included for the reason stated below:

The City of Fairfax, Virginia has no overlapping debt with any other government within its boundaries. Cities in the Commonwealth of Virginia are not part of the surrounding counties, and cities have no political subdivisions.

City of Fairfax, Virginia
Net Position By Component
Last Ten Fiscal Years
(accrual basis of accounting) - (unaudited)

For the Year Ended June 30,

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Governmental Activities:				
Net investment in capital assets	\$ 38,986,748	\$ 34,396,876	\$ 39,308,283	\$ 39,486,639
Restricted	-	-	-	-
Unrestricted	12,750,610	23,158,474	25,359,148	24,969,176
Total Governmental Activities Net Position	<u>\$ 51,737,358</u>	<u>\$ 57,555,350</u>	<u>\$ 64,667,431</u>	<u>\$ 64,455,815</u>
Business-type Activities:				
Net investment in capital assets	\$ 20,264,835	\$ 24,450,435	\$ 24,498,812	\$ 22,938,374
Unrestricted	7,224,926	2,854,098	3,697,754	4,709,709
Total Business-type Activities Net Position	<u>\$ 27,489,761</u>	<u>\$ 27,304,533</u>	<u>\$ 28,196,566</u>	<u>\$ 27,648,083</u>
Primary Government:				
Net investment in capital assets	\$ 59,251,583	\$ 58,847,311	\$ 63,807,095	\$ 62,425,013
Restricted	-	-	-	-
Unrestricted (deficit)	19,975,536	26,012,572	29,056,902	29,678,885
Total Primary Government Net Position	<u>\$ 79,227,119</u>	<u>\$ 84,859,883</u>	<u>\$ 92,863,997</u>	<u>\$ 92,103,898</u>
Component Units:				
Component Unit - School Board:				
Net investment in capital assets	\$ 13,005,785	\$ 13,508,352	\$ 14,268,025	\$ 13,162,745
Unrestricted	6,517,420	2,947,883	2,401,691	1,664,486
Total Component Unit - School Board Net Position	<u>\$ 19,523,205</u>	<u>\$ 16,456,235</u>	<u>\$ 16,669,716</u>	<u>\$ 14,827,231</u>
Component Unit - All Other Aggregate:				
Unrestricted	(27,149)	(106,376)	(170,104)	(10,165)
Total Component Unit - All Other Aggregate Net Position	<u>\$ (27,149)</u>	<u>\$ (106,376)</u>	<u>\$ (170,104)</u>	<u>\$ (10,165)</u>
Component Units:				
Net investment in capital assets	\$ 13,005,785	\$ 13,508,352	\$ 14,268,025	\$ 13,162,745
Unrestricted	6,490,271	2,841,507	2,231,587	1,654,321
Total Component Units Net Position	<u>\$ 19,496,056</u>	<u>\$ 16,349,859</u>	<u>\$ 16,499,612</u>	<u>\$ 14,817,066</u>
Total Reporting Entity:				
Net investment in capital assets	\$ 72,257,368	\$ 72,355,663	\$ 78,075,120	\$ 75,587,758
Restricted	-	-	-	-
Unrestricted (deficit)	26,465,807	28,854,079	31,288,489	31,333,206
Total Reporting Entity Net Position	<u>\$ 98,723,175</u>	<u>\$ 101,209,742</u>	<u>\$ 109,363,609</u>	<u>\$ 106,920,964</u>

Table 1

2012	2013	2014	2015	2016	2017
\$ 50,255,490	\$ 53,890,492	\$ 63,399,428	\$ 65,367,317	\$ 71,652,799	\$ 89,994,608
-	-	-	-	1,853,012	-
20,076,021	20,325,737	18,424,001	(15,838,209)	(12,935,193)	(17,230,148)
<u>\$ 70,331,511</u>	<u>\$ 74,216,229</u>	<u>\$ 81,823,429</u>	<u>\$ 49,529,108</u>	<u>\$ 60,570,618</u>	<u>\$ 72,764,460</u>
\$ 23,422,114	\$ 25,745,684	\$ 7,100,899	\$ 12,154,408	\$ 13,084,192	\$ 16,760,073
2,536,617	1,471,619	3,678,285	(3,269,148)	(2,464,223)	(4,915,848)
<u>\$ 25,958,731</u>	<u>\$ 27,217,303</u>	<u>\$ 10,779,184</u>	<u>\$ 8,885,260</u>	<u>\$ 10,619,969</u>	<u>\$ 11,844,225</u>
\$ 73,677,604	\$ 79,636,176	\$ 70,500,327	\$ 77,521,725	\$ 84,736,991	\$ 106,754,681
-	-	-	-	1,853,012	-
22,612,638	21,797,356	22,102,286	(19,107,357)	(15,399,416)	(22,145,996)
<u>\$ 96,290,242</u>	<u>\$ 101,433,532</u>	<u>\$ 92,602,613</u>	<u>\$ 58,414,368</u>	<u>\$ 71,190,587</u>	<u>\$ 84,608,685</u>
\$ 9,923,786	\$ 8,786,215	\$ 7,567,026	\$ 5,943,493	\$ 4,215,500	\$ 2,408,470
1,345,893	1,350,904	1,323,608	1,060,848	1,065,071	1,090,278
<u>\$ 11,269,679</u>	<u>\$ 10,137,119</u>	<u>\$ 8,890,634</u>	<u>\$ 7,004,341</u>	<u>\$ 5,280,571</u>	<u>\$ 3,498,748</u>
(16,352)	427,561	537,986	501,631	438,089	701,999
<u>\$ (16,352)</u>	<u>\$ 427,561</u>	<u>\$ 537,986</u>	<u>\$ 501,631</u>	<u>\$ 438,089</u>	<u>\$ 701,999</u>
\$ 9,923,786	\$ 8,786,215	\$ 7,567,026	\$ 5,943,493	\$ 4,215,500	\$ 2,408,470
1,329,541	1,778,465	1,861,594	1,562,479	1,503,160	1,792,277
<u>\$ 11,253,327</u>	<u>\$ 10,564,680</u>	<u>\$ 9,428,620</u>	<u>\$ 7,505,972</u>	<u>\$ 5,718,660</u>	<u>\$ 4,200,747</u>
\$ 83,601,390	\$ 88,422,391	\$ 78,067,353	\$ 83,465,218	\$ 88,952,491	\$ 109,163,151
-	-	-	-	1,853,012	-
23,942,179	23,575,821	23,963,880	(17,544,878)	(13,896,256)	(20,353,719)
<u>\$ 107,543,569</u>	<u>\$ 111,998,212</u>	<u>\$ 102,031,233</u>	<u>\$ 65,920,340</u>	<u>\$ 76,909,247</u>	<u>\$ 88,809,432</u>

City of Fairfax, Virginia
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting) - (Unaudited)

Table 2a

For the Year Ended June 30,

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses:										
Governmental Activities:										
General government administration	\$ 5,790,057	\$ 7,477,262	\$ 7,163,564	\$ 7,909,199	\$ 7,724,635	\$ 6,866,783	\$ 7,903,372	\$ 10,251,105	\$ 10,396,072	\$ 15,427,080
Judicial administration	1,672,007	1,739,567	2,032,559	1,810,335	2,005,982	2,066,544	2,527,823	2,566,975	2,760,270	2,641,135
Public safety	22,370,185	22,617,672	22,569,030	23,001,352	23,066,551	24,072,403	25,761,694	24,773,928	24,685,951	28,319,921
Public works	15,056,333	12,547,792	10,373,323	14,190,482	15,213,056	15,425,436	18,350,340	18,944,387	25,058,080	18,019,293
Health and social services	4,874,994	4,790,384	4,839,913	4,715,869	4,811,623	5,168,971	5,287,258	5,591,135	5,755,718	5,989,432
Parks, recreation, and cultural	9,104,464	5,012,481	4,735,093	7,490,623	4,832,756	5,067,701	6,239,803	42,165,145	39,722,829	7,621,091
Planning and community development	3,435,986	2,101,996	2,108,858	2,072,584	2,414,662	2,761,343	2,096,919	8,089,994	7,111,958	2,541,882
Education	19,030,288	30,778,612	35,884,552	35,635,880	35,682,802	40,413,546	42,997,193	2,444,565	2,468,106	39,529,350
Interest	7,950,084	7,299,070	6,863,092	7,580,448	5,802,938	6,311,082	5,932,138	5,209,890	5,261,694	5,572,324
Total Government Activities Expenses	89,284,398	94,364,836	96,569,984	104,406,772	101,555,005	108,153,809	117,096,540	120,037,124	123,220,678	125,661,508
Business-type Activities:										
Sewer	3,876,585	3,960,547	3,770,579	4,417,029	4,768,856	4,145,887	5,396,798	5,445,448	6,357,667	6,532,510
Water	7,859,380	8,420,622	8,503,675	9,706,260	9,286,729	9,116,938	7,199,246	102,544	96,419	62
Transportation	3,137,971	3,048,667	2,981,900	2,977,867	2,977,927	3,126,339	3,472,495	3,481,209	6,646,669	4,211,823
Total Business-type Activities Expenses	14,873,936	15,429,836	15,256,154	17,101,156	17,033,512	16,389,164	16,068,539	9,029,201	13,100,755	10,744,395
Total Primary Government Expenses	104,158,334	109,794,672	111,826,138	121,507,928	118,588,517	124,542,973	133,165,079	129,066,325	136,321,433	136,405,903
Program Revenue:										
Governmental Activities:										
Charges for Services:										
General Government Administration	221,030	239,652	263,865	291,048	386,170	323,121	242,671	318,520	310,464	294,818
Judicial administration	771,992	768,841	855,289	1,005,567	1,026,807	944,447	1,011,907	1,331,838	1,369,624	1,450,925
Public safety	735,565	1,571,900	1,675,070	1,700,143	2,633,859	2,628,651	2,251,606	1,979,808	1,924,837	2,043,009
Public works	343,431	345,774	378,634	624,368	382,035	369,964	436,455	433,037	424,200	470,969
Parks, recreation, and cultural	780,237	918,688	946,381	1,027,621	1,075,741	991,345	996,192	1,103,761	1,292,436	1,278,022
Planning and community development	261,461	284,462	386,282	282,954	358,896	288,651	336,430	377,567	277,677	226,924
Operating Grants and Contributions:										
General Government Administration	347,860	335,316	301,953	262,777	271,658	260,485	276,398	335,323	344,923	444,375
Public safety	1,312,710	1,361,192	1,480,939	1,278,573	969,851	912,478	1,340,855	-	1,093,181	1,335,099
Public works	2,026,573	2,092,878	2,120,166	2,193,594	2,277,255	2,557,748	2,459,170	1,196,520	2,548,618	2,638,335
Parks, recreation, and cultural	5,000	5,000	30,499	23,084	19,245	-	32,500	2,449,215	801,116	810,779
Planning and community development	32,052	79,307	-	-	-	3,527	-	-	-	-
Capital Grants and Contributions:										
Public works	467,991	2,437,582	595,393	1,662,535	2,138,099	1,576,275	3,193,417	7,035,270	11,132,480	11,459,648
Total Governmental Activities Program Revenue	7,305,902	10,440,592	9,034,471	10,352,264	11,539,616	10,856,692	12,577,601	16,560,859	21,519,556	22,452,903
Business-type Activities:										
Charges for Services:										
Sewer	2,989,180	3,323,391	3,532,646	4,178,752	4,499,929	5,221,887	4,752,802	6,095,415	6,346,155	7,572,436
Water	7,468,413	8,893,201	9,319,840	9,141,327	7,765,200	9,835,466	5,418,292	-	-	-
Transportation	705,693	846,825	811,570	1,195,092	1,153,240	1,332,652	1,298,553	1,309,277	1,282,670	1,225,567
Operating Grants and Contributions:										
Sewer	-	-	-	-	-	209,767	284,508	-	-	-
Water	-	-	-	-	-	193,631	89,845	-	-	-
Transportation	1,094,448	1,103,651	1,707,647	1,814,754	1,039,435	1,122,784	224,602	855,874	3,045,305	828,000
Capital Grants and Contributions:										
Sewer	-	-	-	92,064	209,767	-	-	-	-	-
Water	-	-	-	84,982	193,631	-	-	-	-	-
Transportation	-	-	-	-	-	-	-	-	2,536,210	-
Total Business-type Activities Program Revenue	12,257,734	14,167,068	15,371,703	16,506,971	14,861,202	17,916,187	12,068,602	8,260,566	13,210,340	9,626,003
Total Primary Government Program Revenues	19,563,636	24,607,660	24,406,174	26,859,235	26,400,818	28,772,879	24,646,203	24,821,425	34,729,896	32,078,906
Net (Expense) Revenue:										
Governmental activities	(81,978,496)	(83,924,244)	(87,535,513)	(94,054,508)	(90,015,389)	(97,297,117)	(104,518,939)	(103,476,265)	(101,701,122)	(103,208,605)
Business-type activities	(2,616,202)	(1,262,768)	115,549	(594,185)	(2,172,310)	1,527,023	(3,999,937)	(768,635)	109,585	(1,118,392)
Total Primary Government Net Expense	(84,594,698)	(85,187,012)	(87,419,964)	(94,648,693)	(92,187,699)	(95,770,094)	(108,518,876)	(104,244,900)	(101,591,537)	(104,326,997)

City of Fairfax, Virginia
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting) - (Unaudited)

Table 2b

For the Year Ended June 30,

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Revenues and Other Changes in Net Position:										
Governmental Activities:										
Taxes:										
General property	\$ 50,795,457	\$ 56,197,375	\$ 56,195,202	\$ 56,379,581	\$ 57,215,662	\$ 65,024,377	\$ 66,643,189	\$ 68,867,941	\$ 72,363,196	\$ 76,549,453
Local Sales	13,433,256	8,831,495	10,644,038	9,907,063	10,200,696	10,263,955	11,580,673	11,181,909	11,283,271	11,276,435
Business license	8,599,019	8,375,552	7,485,809	8,151,072	8,554,669	8,932,634	8,709,712	8,740,824	8,838,556	8,698,368
Consumer utility	1,459,146	1,512,860	1,547,114	1,551,010	1,727,091	1,704,649	1,653,003	1,710,251	1,680,434	1,524,189
Meals	4,628,046	4,646,735	4,654,171	4,938,869	5,252,922	5,553,975	5,703,399	5,771,239	5,918,534	5,972,064
Other local taxes	6,203,308	5,713,597	3,760,252	4,117,253	4,513,531	4,353,693	4,436,047	4,567,148	8,068,674	8,229,780
Intergovernmental, other than grants	3,307,841	3,288,406	5,673,620	5,691,383	5,656,930	5,679,569	5,674,059	5,676,034	3,428,813	3,440,176
Gain/(loss) on disposal of capital assets	-	-	2,915,936	-	-	582,790	-	-	-	-
Use of money and property	2,595,320	946,400	350,867	282,100	161,424	130,632	628,143	896,735	734,272	929,833
Miscellaneous	298,029	1,244,816	2,200,585	2,845,072	372,970	491,046	7,088,666	2,462,153	1,221,634	345,723
Transfers	218,686	(1,015,000)	(780,000)	(20,511)	(428,000)	(115,181)	9,248	(310,186)	(774,752)	(1,563,574)
Total Governmental Activities	91,538,108	89,742,236	94,647,594	93,842,892	93,227,895	102,602,139	112,126,139	109,564,048	112,742,632	115,402,447
Business-type Activities:										
Use of money and property	59,947	62,540	(3,516)	25,191	54,958	48,589	26,106	24,836	428,437	93,898
Special items	-	-	-	-	-	-	(12,455,040)	666,219	421,935	-
Miscellaneous	-	-	-	-	-	-	-	-	-	375,765
Transfers	(218,686)	1,015,000	780,000	20,511	428,000	115,181	(9,248)	310,186	774,752	1,563,574
Total Business-type Activities	(158,739)	1,077,540	776,484	45,702	482,958	163,770	(12,438,182)	1,001,241	1,625,124	2,033,237
Total Primary Government	91,379,369	90,819,776	95,424,078	93,888,594	93,710,853	102,765,909	99,687,957	110,565,289	114,367,756	117,435,684
Changes in Net Position:										
Governmental activities	9,559,612	5,817,992	7,112,081	(211,616)	3,212,506	5,305,022	7,607,200	6,087,783	11,041,510	12,193,842
Business-type activities	(2,774,941)	(185,228)	892,033	(548,483)	(1,689,352)	1,690,793	(16,438,119)	232,606	1,734,709	914,845
Total Primary Government	6,784,671	5,632,764	8,004,114	(760,099)	1,523,154	6,995,815	(8,830,919)	6,320,389	12,776,219	13,108,687
Component Units:										
Component unit - School Board:										
Expenses:										
Instruction	39,724,887	39,197,375	37,627,755	39,703,706	44,884,486	47,853,635	48,786,613	50,362,924	47,936,225	48,759,533
Total Expenses	39,724,887	39,197,375	37,627,755	39,703,706	44,884,486	47,853,635	48,786,613	50,362,924	47,936,225	48,759,533
Program Revenues:										
Charges for services	377,503	396,955	406,213	421,973	445,037	490,199	500,072	532,062	605,906	635,693
Operating grants and contributions	7,023,599	6,970,754	6,156,427	6,309,784	6,795,139	7,329,947	7,115,499	7,562,576	7,785,439	8,168,160
Total Program Revenues	7,401,102	7,367,709	6,562,640	6,731,757	7,240,176	7,820,146	7,615,571	8,094,638	8,391,345	8,803,853
Net Expense	(32,323,785)	(31,829,666)	(31,065,115)	(32,971,949)	(37,644,310)	(40,033,489)	(41,171,042)	(42,268,286)	(39,544,880)	(39,955,680)
General Revenues and Other Changes in Net Position:										
Component Unit-School Board:										
Grants and contributions not restricted to specific programs										
Use of money and property	18,632,758	30,408,392	29,634,913	29,514,032	32,493,659	37,291,280	37,852,745	38,700,601	35,872,072	36,603,922
Use of money and property	1,557,078	1,480,065	1,623,683	1,595,432	1,573,099	1,589,649	2,071,812	1,839,392	1,949,038	1,569,935
Gain/(loss) on disposal of capital assets	-	(3,145,761)	-	-	-	-	-	-	-	-
Miscellaneous	20,000	20,000	20,000	20,000	20,000	20,000	-	-	-	-
Total General Revenues and Other Changes in Net Position	20,209,836	28,762,696	31,278,596	31,129,464	34,086,758	38,900,929	39,924,557	40,539,993	37,821,110	38,173,857
Total Component Unit - School Board Change in Net Position	(12,113,949)	(3,066,970)	213,481	(1,842,485)	(3,557,552)	(1,132,560)	(1,246,485)	(1,728,293)	(1,723,770)	(1,781,823)
Component Unit - All Others Aggregate										
Expenses:										
Renaissance Housing Corporation	-	-	-	-	-	-	-	-	-	-
Industrial Development Authority	784,763	783,726	821,075	834,312	760,708	474,560	866,228	42,028	1,025,749	860,192
Economic Development Authority	182,692	203,086	195,187	85,840	170,861	59,406	3,487	10,593	3,892	72,134
Total Expenses	967,455	986,812	1,016,262	920,152	931,569	533,966	869,715	52,621	1,029,641	932,326
General Revenues and Other Changes in Net Position:										
Use of money and property										
Miscellaneous	10,418	4,711	1,012	332	388	174	18,504	16,201	966,099	1,196,236
Charges for services	40,000	27,000	25,617	50,100	85,986	-	-	-	-	-
Charges for services	865,148	875,874	925,905	1,029,659	789,008	795,560	961,636	65	-	-
Total General Revenues and Other Changes in Net Position	915,566	907,585	952,534	1,080,091	875,382	795,734	980,140	16,266	966,099	1,196,236
Total Component Unit - All Others Aggregate Change in Net Position	(51,889)	(79,227)	(63,728)	159,939	(56,187)	261,768	110,425	(36,355)	(63,542)	263,910
Total Component Units Change in Net Position	(12,165,838)	(3,146,197)	149,753	(1,682,546)	(3,613,739)	(870,792)	(1,136,060)	(1,764,648)	(1,787,312)	(1,517,913)
Total Reporting Entity Change in Net Position	\$ (5,381,167)	\$ 2,486,567	\$ 8,153,867	\$ (2,442,645)	\$ (2,090,585)	\$ 6,125,023	\$ (9,966,979)	\$ 4,555,741	\$ 10,988,907	\$ 11,590,774

Notes:

(1) Net (expense) revenue is the difference between the expenses and program revenues. This difference indicates the degree to which a function or program is supported with its own fees and program-specific grants versus its reliance upon funding from taxes and other general revenues. Numbers in a parentheses are net expenses indicating that expenses were greater than program revenues and, therefore, general revenues were needed to finance that function or program. Numbers without parentheses are net revenues, demonstrating that program revenues were more than sufficient to cover expenses.

City of Fairfax, Virginia
Program Revenues by Function/Program
Last Ten Fiscal Years
(accrual basis of accounting) - (Unaudited)

For the Year Ended June 30,

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Primary Government:					
Governmental Activities:					
General government administration	\$ 568,890	\$ 574,968	\$ 565,818	\$ 553,825	\$ 657,828
Judicial administration	771,992	768,841	855,289	1,005,567	1,026,807
Public safety	2,048,275	2,933,092	3,156,009	2,978,716	3,603,710
Public works	2,837,995	4,876,234	3,094,193	4,480,497	4,797,389
Parks, recreation, and cultural	785,237	923,688	976,880	1,050,705	1,094,986
Planning and community development	293,513	363,769	386,282	282,954	358,896
Total Governmental Activities	<u>7,305,902</u>	<u>10,440,592</u>	<u>9,034,471</u>	<u>10,352,264</u>	<u>11,539,616</u>
Business-type Activities:					
Sewer	2,989,180	3,323,391	3,532,646	4,270,816	4,709,696
Water	7,468,413	8,893,201	9,319,840	9,226,309	7,958,831
Transportation	1,800,141	1,950,476	2,519,217	3,009,846	2,192,675
Total Business-type Activities	<u>12,257,734</u>	<u>14,167,068</u>	<u>15,371,703</u>	<u>16,506,971</u>	<u>14,861,202</u>
Total Government	<u>19,563,636</u>	<u>24,607,660</u>	<u>24,406,174</u>	<u>26,859,235</u>	<u>26,400,818</u>
Component Units:					
Component Unit - School Board:					
Instruction	<u>7,401,102</u>	<u>7,367,709</u>	<u>7,186,929</u>	<u>6,731,757</u>	<u>7,240,176</u>
Component Units - All Others Aggregate:					
Industrial Development Authority	815,602	819,095	866,044	963,797	747,255
Economic Development Authority	49,546	56,779	59,861	65,862	66,753
Total Nonmajor Component Units	<u>865,148</u>	<u>875,874</u>	<u>925,905</u>	<u>1,029,659</u>	<u>814,008</u>
Total Reporting Entity	<u>\$ 27,829,886</u>	<u>\$ 32,851,243</u>	<u>\$ 32,519,008</u>	<u>\$ 34,620,651</u>	<u>\$ 34,455,002</u>

Table 3

	2013	2014	2015	2016	2017
\$	583,606	\$ 519,069	\$ 653,843	\$ 655,387	\$ 739,193
	944,447	1,011,907	1,331,838	1,369,624	1,450,925
	3,610,023	3,592,461	3,176,328	3,018,018	3,378,108
	4,435,093	6,089,042	9,917,522	14,105,298	14,568,952
	991,345	1,028,692	1,103,761	2,093,552	2,088,801
	292,178	336,430	377,567	277,677	226,924
	<u>10,856,692</u>	<u>12,577,601</u>	<u>16,560,859</u>	<u>21,519,556</u>	<u>22,452,903</u>
	5,431,654	5,037,310	6,095,415	6,346,155	7,572,436
	10,029,097	5,508,137	-	-	-
	2,455,436	1,523,155	2,165,151	4,546,880	2,053,567
	<u>17,916,187</u>	<u>12,068,602</u>	<u>8,260,566</u>	<u>10,893,035</u>	<u>9,626,003</u>
	<u>28,772,879</u>	<u>24,646,203</u>	<u>24,821,425</u>	<u>32,412,591</u>	<u>32,078,906</u>
	<u>7,820,146</u>	<u>7,615,571</u>	<u>8,094,638</u>	<u>8,391,345</u>	<u>8,803,853</u>
	782,732	961,636	65	-	-
	12,828	-	-	-	-
	<u>795,560</u>	<u>961,636</u>	<u>65</u>	<u>-</u>	<u>-</u>
\$	<u><u>37,388,585</u></u>	<u><u>33,223,410</u></u>	<u><u>32,916,128</u></u>	<u><u>40,803,936</u></u>	<u><u>40,882,759</u></u>

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

For the Year Ended June 30,

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
General Fund:					
Reserved	\$ 811,052	\$ 1,278,465	\$ 1,254,535	\$ -	\$ -
Unreserved	16,312,240	14,420,568	15,569,904	-	-
Nonspendable	-	-	-	810,071	705,866
Restricted	-	-	-	66,439	4,598,270
Assigned	-	-	-	470,845	597,541
Unassigned	-	-	-	15,171,679	13,205,665
Total General Fund	<u>\$ 17,123,292</u>	<u>\$ 15,699,033</u>	<u>\$ 16,824,439</u>	<u>\$ 16,519,034</u>	<u>\$ 19,107,342</u>
All Other Governmental Funds:					
Reserved	\$ 4,505,089	\$ 8,581,428	\$ 6,682,971	\$ -	\$ -
Unreserved, reported in:					
Capital projects funds	17,927,671	10,360,928	10,959,407	-	-
Nonspendable	-	-	-	4,056,171	4,075,739
Restricted	-	-	-	135,766	169,362
Committed	-	-	-	590,673	2,454,002
Assigned	-	-	-	10,662,464	6,202,671
Unassigned*	-	-	-	-	-
Total Reporting Entity	<u>\$ 22,432,760</u>	<u>\$ 18,942,356</u>	<u>\$ 17,642,378</u>	<u>\$ 15,445,074</u>	<u>\$ 12,901,774</u>

NOTE: The City implemented GASB 54 beginning with fiscal year 2011 - see Note 1 in the Notes to the Basic Financial Statements section of the report.

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

Table 4

2013*	2014	2015	2016	2017
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
724,455	793,671	834,723	1,037,026	1,154,363
188,048	230,671	623,913	557,948	618,971
4,422,688	381,377	484,181	507,402	352,661
16,288,209	15,130,848	13,429,441	14,734,868	16,931,385
<u>\$ 21,623,400</u>	<u>\$ 16,536,567</u>	<u>\$ 15,372,258</u>	<u>\$ 16,837,244</u>	<u>\$ 19,057,380</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
4,061,007	-	61,611	5,065	-
192,927	514,198	4,272,822	2,478,724	2,934,918
579,763	7,534,934	3,507,814	5,304,227	3,659,521
4,766,255	10,788,822	9,131,829	10,280,944	9,980,238
(568,873)	-	-	-	-
<u>\$ 9,031,079</u>	<u>\$ 18,837,954</u>	<u>\$ 16,974,076</u>	<u>\$ 18,068,960</u>	<u>\$ 16,574,677</u>

City of Fairfax, Virginia

Changes in Fund Balances, Governmental Funds

Last Ten Fiscal Years (modified accrual basis of accounting) - (Unaudited)

For the Year Ended June 30,

	2008	2009	2010	2011
Revenues:				
General property taxes	\$ 50,687,883	\$ 55,639,263	\$ 56,070,278	\$ 56,771,987
Other local taxes	34,322,775	29,080,239	28,091,384	28,665,267
Permits, privilege fees, and licenses	1,206,160	1,228,451	1,484,843	1,434,252
Fines and forfeitures	893,190	873,601	919,492	1,041,171
Use of money and property	2,595,320	946,400	350,867	282,100
Charges for services	1,014,366	2,027,265	2,101,186	2,456,278
Miscellaneous	298,029	1,244,816	2,200,585	2,845,072
Recovered costs	-	420,009	3,244,991	-
Intergovernmental	8,487,759	10,552,826	11,024,414	11,806,319
Total Revenues	99,505,482	102,012,870	105,488,040	105,302,446
Expenditures:				
General government administration	7,369,660	6,954,234	7,123,209	7,120,746
Judicial administration	1,672,007	1,720,033	1,950,422	1,728,595
Public safety	22,375,860	21,745,756	21,821,855	22,457,743
Public works	16,274,979	15,269,159	17,229,424	15,846,187
Health and welfare	4,874,283	4,746,065	4,787,163	4,666,290
Education	27,571,892	27,724,105	28,571,397	30,181,608
Parks, recreation, and cultural	12,319,692	8,977,780	7,401,377	7,938,260
Planning and community development	3,452,197	3,505,001	3,988,566	3,322,835
Debt service:				
Principal	6,515,101	6,951,253	7,003,215	7,549,852
Interest and fiscal charges	8,661,866	8,319,147	8,482,176	7,890,102
Total Expenditures	111,087,537	105,912,533	108,358,804	108,702,218
Excess of Revenues (Under) Expenditures	(11,582,055)	(3,899,663)	(2,870,764)	(3,399,772)
Other Financing Sources (Uses):				
Transfers in	2,554,297	3,383,729	5,441,825	3,570,275
Transfers out	(2,335,611)	(4,398,729)	(6,221,825)	(3,590,786)
Issuance of debt	4,189,927	-	-	690,807
Proceeds from the sale of capital assets	-	-	3,129,357	-
Issuance of refunding bonds	-	-	32,480,000	19,905,800
Payment to refunded bond escrow agent	-	-	(35,442,932)	(19,679,033)
Premium on issuance debt	-	-	3,309,767	-
Total Other Financing Sources (Uses), net	4,408,613	(1,015,000)	2,696,192	897,063
Net Changes in Fund Balance	\$ (7,173,442)	\$ (4,914,663)	\$ (174,572)	\$ (2,502,709)
Debt Service as a Percentage of Noncapital Expenditures:				
Primary Government:				
Total debt service	\$ 15,176,967	\$ 15,270,400	\$ 15,485,391	\$ 15,439,954
Total Expenditures	111,087,537	105,912,533	108,358,804	108,702,218
Less capital outlay - Primary Government	18,442,278	9,842,310	11,609,406	5,712,018
Noncapital Expenditures	\$ 92,645,259	\$ 96,070,223	\$ 96,749,398	\$ 102,990,200
Debt Service as a Percentage of Noncapital Expenditures	16.38%	15.90%	16.01%	14.99%
Component Units: (2)				
Expenditures:				
School board	\$ 51,631,725	\$ 41,994,373	\$ 37,941,520	\$ 39,434,345
All other aggregate	942,378	986,812	1,018,335	935,843
Less capital outlay - school board	300,793	1,532,448	227,897	-
Noncapital Expenditures	52,273,310	41,448,737	38,731,958	40,370,188
Total Reporting Entity:				
Total Noncapital Expenditures (3)	\$ 144,918,569	\$ 107,789,125	\$ 106,925,459	\$ 113,118,045
Debt Service as a Percentage of Noncapital Expenditures	10.47%	14.17%	14.48%	13.65%

Notes:

- (1) For fiscal years 2008 through 2017, the amounts used for capital outlay were obtained from the Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities.
- (3) For the reporting entity totals, expenditures have been reduced by the amounts given to the public schools and the other component units so that the expenditures are not counted twice.

Table 5

	2012	2013	2014	2015	2016	2017
\$	57,920,903	\$ 64,350,723	\$ 66,650,305	\$ 68,513,720	\$ 72,377,725	\$ 72,039,315
	30,248,908	30,808,906	32,082,834	31,971,371	36,900,641	36,854,900
	1,843,288	1,638,948	1,612,136	1,300,349	1,584,549	1,667,130
	1,288,332	1,148,262	1,113,718	1,233,802	1,232,773	1,344,266
	379,849	582,790	628,143	896,735	734,272	929,833
	2,731,888	2,758,969	2,549,407	2,767,312	2,781,916	2,753,271
	372,970	491,046	7,088,666	2,603,713	1,238,009	353,685
	-	-	-	-	-	-
	12,023,789	11,727,058	13,720,623	17,534,748	19,332,756	23,219,455
	106,809,927	113,506,702	125,445,832	126,821,750	136,182,641	139,161,855
	7,342,947	7,479,585	7,858,184	11,032,996	12,772,823	10,937,883
	1,920,697	1,990,262	2,431,157	2,524,409	2,760,270	2,641,135
	22,542,972	23,422,922	25,324,764	25,729,580	24,755,406	26,534,586
	16,711,634	19,022,312	22,956,008	27,421,472	30,837,567	31,592,799
	4,757,819	5,139,751	5,243,811	5,499,532	5,755,718	6,021,992
	32,168,415	34,822,695	35,482,847	36,363,877	35,973,538	37,022,219
	5,556,258	5,372,128	6,865,979	6,996,194	6,492,492	6,616,398
	2,777,070	2,702,948	2,139,855	2,390,017	2,551,354	2,530,958
	12,125,002	8,627,619	16,884,749	7,923,005	8,006,433	8,172,242
	7,645,385	6,007,069	5,806,134	5,244,669	5,131,898	5,097,492
	113,548,199	114,587,291	130,993,488	131,125,751	135,037,499	137,167,704
	(6,738,272)	(1,080,589)	(5,547,656)	(4,304,001)	1,145,142	1,994,151
	4,802,436	4,834,425	12,756,654	8,482,156	10,595,449	16,000,826
	(5,230,436)	(4,949,606)	(12,747,406)	(8,792,342)	(11,370,201)	(17,564,400)
	6,819,091	875,000	10,258,450	1,586,000	2,189,480	-
	-	150,000	-	-	-	-
	64,066,000	35,685,000	-	-	-	31,658,000
	(63,673,811)	(35,826,362)	-	-	-	(31,362,724)
	-	619,778	-	-	-	-
	6,783,280	1,388,235	10,267,698	1,275,814	1,414,728	(1,268,298)
\$	45,008	\$ 307,646	\$ 4,720,042	\$ (3,028,187)	\$ 2,559,870	\$ 725,853
\$	19,770,387	\$ 14,634,688	\$ 22,690,883	\$ 13,167,674	\$ 13,138,331	\$ 13,269,734
	113,548,199	114,587,291	130,993,488	131,125,751	135,037,499	137,167,704
	4,991,167	7,549,604	7,796,757	11,475,931	14,936,926	16,787,756
\$	108,557,032	\$ 107,037,687	\$ 123,196,731	\$ 119,649,820	\$ 120,100,573	\$ 120,379,948
	18.21%	13.67%	18.42%	11.01%	10.94%	11.02%
\$	41,509,575	\$ 44,122,119	\$ 44,900,191	\$ 46,358,234	\$ 46,212,455	\$ 46,997,710
	935,843	528,269	1,528,441	52,621	1,029,641	932,326
	2,473,840	-	-	-	3,726,550	3,865,264
	39,971,578	44,650,388	46,428,632	46,410,855	43,515,546	44,064,772
\$	116,444,823	\$ 116,995,751	\$ 134,428,790	\$ 129,696,798	\$ 127,642,581	\$ 127,422,501
	16.98%	12.51%	16.88%	10.15%	10.29%	10.41%

(2) In Virginia, the City issues debt to finance the construction of school facilities for the public schools because the public schools do not have borrowing or taxing authority. Therefore, the debt service payments related to school facilities are presented as debt service of that component unit. Debt service as a percentage of noncapital expenditures for the total reporting entity more appropriately reflects the unique Virginia school debt requirement.

City of Fairfax, Virginia

Table 6

Tax Revenues by Source, Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting) - Unaudited

For the Year Ended June 30,

Fiscal Year June 30,	Property	Local Sales	Business License	Consumer Utility	Meals	Tobacco	Other	Totals
2008	\$ 50,687,883	\$ 13,433,256	\$ 8,599,019	\$ 1,459,146	\$ 4,628,046	\$ 778,192	\$ 5,425,116	\$ 85,010,658
2009	55,639,263	8,831,495	8,375,552	1,512,860	4,646,735	775,714	4,937,883	84,719,502
2010	56,070,278	10,644,038	7,485,809	1,547,114	4,654,171	829,555	2,930,697	84,161,662
2011	56,771,987	9,907,063	8,151,072	1,551,010	4,938,869	1,028,992	3,088,261	85,437,254
2012	57,920,903	10,200,696	8,554,669	1,727,091	5,252,922	918,341	3,595,190	88,169,812
2013	64,350,723	10,263,955	8,932,634	1,704,649	5,553,975	975,457	3,378,236	95,159,629
2014	66,650,305	11,580,673	8,709,712	1,653,003	5,703,399	924,350	3,511,697	98,733,139
2015	68,513,720	11,181,816	8,740,824	1,710,251	5,771,329	862,776	3,704,375	100,485,091
2016	72,377,725	11,283,271	8,838,556	1,660,434	5,918,534	853,890	3,795,712	104,728,122
2017	75,138,320	11,276,435	8,698,368	1,524,189	5,972,064	807,025	6,431,612	109,848,013
Change 2008-2017	48.24%	(16.06%)	1.16%	4.46%	29.04%	3.71%	18.55%	29.22%

City of Fairfax, Virginia

Assessed and Estimated Actual Value of Taxable Property

Last Ten Fiscal Years

(Unaudited)

For the Year Ended June 30,

Fiscal Year June 30,	Residential Property	Direct Tax Rate	Commercial Property	Direct Tax Rate	Public Service Corporation	Nontaxable
2008	\$ 3,475,794,600	\$ 0.790	\$ 2,161,997,400	\$ 0.790	\$ 87,580,035	\$ 372,660,900
2009	3,182,468,200	0.880	2,177,141,900	0.880	94,044,526	388,478,700
2010	3,013,912,200	0.955	1,968,035,100	0.955	93,846,777	389,153,800
2011	3,123,099,700	0.942	1,954,294,800	0.942	97,144,428	394,555,500
2012	3,195,889,977	1.010	2,025,966,286	1.010	92,221,418	488,638,000
2013	3,266,638,900	1.060	2,073,994,400	1.060	90,856,256	494,790,700
2014	3,463,135,200	1.040	2,085,815,600	1.040	88,183,403	499,269,600
2015	3,624,478,000	1.052	2,068,542,000	1.052	92,174,117	496,129,000
2016	3,738,914,500	1.062	2,113,115,000	1.062	96,221,309	501,853,000
2017	3,822,160,300	1.060	2,119,723,700	1.060	97,739,044	529,977,400

Source: Real Estate Assessor's Office

- Notes:
- 1) Real Estate assessments are done on a calendar year basis.
 - 2) Commercial property values include commercial, industrial, and apartments.
 - 3) "Nontaxable" is interpreted to mean tax exempt properties.
 - 4) Total Assessed Value category includes real estate, public service corporations, and exempt properties.
 - 5) Total Taxable Assessed Value includes real estate and public service corporation properties.
 - 6) Nontaxable Assessed Values increased in 2012 after a complete review and revaluation.

Table 7

Total Assessed Value	Total Taxable Assessed Value	Percent Growth	Total Direct Tax Rate	Actual Taxable Value	Value as a Percentage of Actual Value
\$ 6,098,032,935	\$ 5,725,372,035	0.4%	\$ 0.790	\$ 5,725,372,035	100%
5,842,133,326	5,453,654,626	(4.7%)	0.880	5,453,654,626	100%
5,464,947,879	5,075,794,077	(6.9%)	0.955	5,075,794,077	100%
5,569,094,430	5,174,538,928	1.9%	0.942	5,174,538,928	100%
5,802,715,683	5,314,077,681	2.7%	1.010	5,314,077,681	100%
5,926,280,258	5,431,489,556	2.2%	1.060	5,431,489,556	100%
6,136,403,805	5,637,134,203	3.8%	1.040	5,637,134,203	100%
6,281,323,117	5,785,194,117	2.6%	1.052	5,785,194,117	100%
6,450,103,809	5,948,250,809	2.8%	1.062	5,948,250,809	100%
6,569,600,444	6,039,623,044	1.5%	1.060	6,039,623,044	100%

City of Fairfax, Virginia**Table 8**

Direct and Overlapping Property Tax Rates

Last Ten Fiscal Years

(Unaudited)

For the Year Ended June 30,

Fiscal Year June 30,	Real Estate	Personal Property
2008	\$ 0.79	\$ 4.13
2009	0.88	4.13
2010	0.955	4.13
2011	0.942	4.13
2012	1.010	4.13
2013	1.060	4.13
2014	1.040	4.13
2015	1.052	4.13
2016	1.062	4.13
2017	1.060	4.13

Note:

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

City of Fairfax, Virginia

Table 9

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

For the Year Ended June 30,

Taxpayer	2017			2008		
	Taxable Assessed Value	Rank	Percentage (%) of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage (%) of Total City Taxable Assessed Value
Fairfax Square/Van Metre	\$ 113,692,900	1	1.88%	\$ 59,735,400	4	1.04%
Fair City HHH, LLC	103,084,600	2	1.71%	72,507,700	2	1.27%
Combined Properties	58,122,100	3	0.96%	26,338,800	9	0.46%
Army Navy Country Club	53,793,400	4	0.89%	67,206,600	3	1.17%
Willowwood Eaton, LLC	46,782,900	5	0.77%	-	-	-
US Bank National Association	43,114,300	6	0.71%	-	-	-
Saul Holdings, LP/Shops at Fairfax, LLC	39,184,600	7	0.65%	28,263,700	7	0.49%
CH Realty VI/R	37,104,600	8	0.61%	-	-	-
Turnpike LLC	33,864,200	9	0.56%	-	-	-
Avalon at Providence Park, LLC/Avalon I	33,389,900	10	0.55%	24,926,700	10	0.44%
USRP I, LLC	-	-	-	28,135,600	8	0.49%
Main Street Retail Partners, LLC	-	-	-	29,294,900	6	0.51%
RKB/RPB Willowwood LLC (I, II)	-	-	-	127,808,800	1	2.23%
John F. Swart, ETAL	-	-	-	31,632,200	5	0.55%
Total	\$ 562,133,500		9.31%	\$ 495,850,400		8.66%

Source: Real Estate Assessments

City of Fairfax, Virginia
Real Property Tax Levies and Collections
Last Ten Fiscal Years
(Unaudited)

Table 10

For the Year Ended June 30,

Fiscal Year June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2008	\$ 43,780,473	\$ 43,171,104	98.61%	\$ 609,369	\$ 43,780,473	100.00%
2009	47,682,500	46,678,811	97.90%	1,003,060	47,681,871	100.00%
2010	49,560,633	48,593,292	98.05%	966,204	49,559,496	100.00%
2011	49,769,304	48,879,797	98.21%	889,507	49,769,304	100.00%
2012	52,346,460	51,474,451	98.33%	864,270	52,338,721	99.99%
2013	56,984,359	56,079,986	98.41%	890,803	56,970,789	99.98%
2014	59,363,005	58,015,432	97.73%	1,333,741	59,349,173	99.98%
2015	60,183,528	58,867,230	97.81%	1,306,977	60,174,207	99.98%
2016	62,690,196	61,955,837	98.83%	672,096	62,627,933	99.90%
2017	64,546,058	63,867,036	98.95%	-	63,867,036	98.95%

Source: City of Fairfax Treasurer's Office

City of Fairfax, Virginia

Table 11

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

For the Year Ended June 30,

Fiscal Year June 30,	Governmental Activities					Business-Type Activities		Total Primary Government	Percentage of Personal Income	Debt Per Capita
	General Obligation Bonds	Lease Revenue Bonds	Notes Payable	Public Improvement COPS	Capital Leases	Revenue Bonds	Notes Payable			
2008	\$ 115,915,214	\$ 40,959,962	\$ 30,768,959	\$ -	\$ 474,713	\$ 5,016,885	\$ 47,452	\$ 193,183,185	14.22%	\$ 8,611
2009	111,360,195	40,599,593	28,671,254	-	388,821	4,821,000	-	185,840,863	14.04%	8,172
2010	110,937,409	39,679,224	26,489,109	-	298,625	4,652,000	-	182,056,367	13.22%	7,819
2011	106,592,263	38,733,855	4,540,125	19,905,800	877,905	29,246,050	-	199,895,998	13.70%	8,447
2012	104,828,512	38,609,131	8,433,465	17,572,800	1,279,103	29,039,016	-	199,762,027	12.82%	8,104
2013	104,170,295	37,287,030	8,316,733	15,095,100	1,608,324	28,823,980	-	195,301,462	12.08%	7,743
2014	100,033,400	36,114,928	7,250,000	12,573,100	3,956,280	24,701,945	19,635,079	204,264,732	12.06%	7,976
2015	94,565,323	34,912,827	7,250,000	10,925,800	4,818,092	24,193,910	-	176,665,952	9.94%	7,447
2016	89,550,655	33,660,725	6,750,000	10,134,800	5,973,139	23,660,875	-	169,730,194	9.21%	7,024
2017	83,084,834	39,258,124	6,240,000	-	4,871,973	23,102,840	-	156,557,771	8.28%	6,405

General bonded debt outstanding:

Fiscal Year June 30,	General Obligation Bonds	Percentage of Actual Taxable Value of Property	Debt Per Capita
2008	\$ 114,767,655	2.00%	\$ 6,403
2009	110,300,000	2.74%	6,054
2010	106,825,000	2.86%	5,727
2011	102,605,000	1.98%	4,473
2012	101,361,000	1.91%	4,320
2013	100,382,000	1.85%	4,187
2014	95,983,000	1.70%	3,934
2015	94,565,323	1.58%	3,795
2016	89,550,655	1.51%	3,683
2017	83,084,834	1.38%	3,399

Notes:

- (1) Details regarding the City's outstanding debt may be found in the notes to the basic financial statements.
- (2) Population and person income data can be found in table 14.
- (3) See table 7 for property value data.
- (4) The Lease Revenue Bonds under the Governmental Activities will be repaid with general government resources.
- (5) Premiums have been incorporated for the General Obligation, Lease Revenue and Business-type Activities Revenue Bonds for 2017 and prior years.

City of Fairfax, Virginia
Legal Debt Margin Information
Last Ten Fiscal Years
(Unaudited)

For the Year Ended June 30,

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Debt Limit	\$ 572,537,204	\$ 545,365,463	\$ 507,579,408	\$ 517,453,893
Total net debt applicable to limit	<u>185,341,327</u>	<u>178,390,075</u>	<u>171,782,734</u>	<u>165,213,830</u>
Legal debt margin	<u>\$ 387,195,877</u>	<u>\$ 366,975,388</u>	<u>\$ 335,796,674</u>	<u>\$ 352,240,063</u>
Total net debt applicable to the limit as a percentage of debt limit	32.37%	32.71%	33.84%	31.93%
Legal debt margin calculation for fiscal year 2017:			Summary of outstanding debt:	
Assessed value of real estate	<u>\$6,039,623,044</u>	Public Improvement COPS		\$ 19,905,800
Debt limit (10% of assessed value)	\$ 603,962,304	General Obligation Bonds		106,592,263
Debt applicable to limit:		Lease Revenue Bonds		38,733,855
Net direct debt outstanding	<u>153,499,973</u>	Notes payable		4,540,125
Legal debt margin	<u>\$ 450,462,331</u>	Capital leases		<u>877,905</u>
				<u>\$ 170,649,948</u>

Notes:

- (1) Net direct debt excludes debt service on general obligation bond issues supported by revenues of the water and sewer systems. Revenues of the water and sewer system have been sufficient to cover debt service on such bonds.
- (2) Under the City Charter and Constitution of Virginia, the City may not issue bonds in excess of 10% of assessed valuation. Self-supporting debt is not included in this calculation.
- (3) Premiums have been incorporated for the General Obligation and Lease Revenue Bonds for 2017 and prior years.

Table 12

2012	2013	2014	2015	2016	2017
\$ 531,407,768	\$ 563,713,420	\$ 563,713,420	\$ 578,519,412	\$ 594,825,081	\$ 603,962,304
161,751,368	157,447,157	150,897,380	144,643,892	146,069,319	153,499,973
<u>\$ 369,656,400</u>	<u>\$ 406,266,263</u>	<u>\$ 412,816,040</u>	<u>\$ 433,875,520</u>	<u>\$ 448,755,762</u>	<u>\$ 450,462,331</u>
30.44%	27.93%	26.77%	25.00%	24.56%	25.42%
\$ 17,572,800	\$ 15,095,100	\$ 12,573,100	\$ 10,925,800	\$ 10,134,800	\$ -
104,828,512	104,170,295	100,033,400	94,565,323	89,550,655	119,838,000
38,609,131	37,287,030	36,114,928	34,912,827	33,660,725	22,550,000
8,433,465	8,316,733	7,250,000	7,250,000	6,750,000	6,240,000
1,279,103	1,608,324	3,956,280	4,818,092	5,973,139	4,871,973
<u>\$ 170,723,011</u>	<u>\$ 166,477,482</u>	<u>\$ 159,927,708</u>	<u>\$ 152,472,042</u>	<u>\$ 146,069,319</u>	<u>\$ 153,499,973</u>

City of Fairfax, Virginia
Pledged-Revenue Coverage
Last Ten Fiscal Years
(Unaudited)

For the Year Ended June 30,

Fiscal Year June 30,	Water Revenue Bonds						
	Utility Service Charge	Operating Expenses	Net Available Revenue	Debt Service		Coverage	
				Principal	Interest		
2008	\$ 7,526,494	\$ 6,704,459	\$ 822,035	\$ 191,997	\$ 119,549	2.64	
2009	8,940,605	7,159,290	1,781,315	195,885	128,544	5.49	
2010	9,315,674	7,268,863	2,046,811	169,000	213,246	5.35	
2011	8,676,006	8,116,546	559,460	177,000	477,471	0.85	
2012	7,740,780	7,365,331	375,449	184,000	525,875	0.53	
2013	9,845,211	7,305,156	2,540,055	192,000	657,782	2.99	
2014	N/A	N/A	N/A	N/A	N/A	N/A	
2015	N/A	N/A	N/A	N/A	N/A	N/A	
2016	N/A	N/A	N/A	N/A	N/A	N/A	
2017	N/A	N/A	N/A	N/A	N/A	N/A	

Notes:

- (1) Total utility service charges include interest and transfers in from other funds, but do not include developer contributions.
- (2) Total operating expenses are exclusive of depreciation, amortization, interest expense, and losses on disposition of assets.
- (3) The 2008 Water revenue bond was paid off in FY14 after the sale of the water utility, and the 2010 VRA bond was transferred to the Wastewater Fund (approved by VRA). Prior to the sale, some of the debt service for these two bonds was paid from the Water Fund, but 100% of the VRA bond debt service is presented in the Wastewater Fund here.

Table 13

Wastewater Revenue bonds						
Utility Service Charge	Operating Expenses	Net Available Revenue	Debt Service		Coverage	
			Principal	Interest		
\$ 4,075,046	\$ 3,444,774	\$ 630,272	\$ 45,641	\$ 3,698	12.77	
3,338,527	3,544,242	(205,715)	47,452	1,884	N/A	
3,543,296	3,362,005	181,291	-	-	N/A	
4,284,829	3,536,310	748,519	-	316,771	2.36	
4,637,225	3,547,837	1,089,388	-	512,708	2.12	
5,351,015	2,982,422	2,368,593	-	512,708	4.62	
5,028,442	3,394,380	1,634,062	-	1,389,374	1.18	
5,709,968	3,590,163	2,119,805	-	1,374,096	1.54	
6,542,169	4,572,541	1,969,628	510,000	1,327,204	1.07	
7,572,436	5,229,614	2,342,822	535,000	1,302,896	1.27	

City of Fairfax, Virginia
Demographic and Economic Statistics
Last Ten Fiscal Years
(Unaudited)

Table 14

For the Year Ended June 30,

Fiscal Year June 30,	(1) Population	(2) Personal Income	(2) Per Capita Personal Income	(3) School Enrollment	(4) Unemployment Rate
2008	22,112	\$ 1,339,333,000	\$ 60,600	2,771	3.20%
2009	22,418	1,305,142,000	55,900	2,764	5.70%
2010	22,565	1,334,796,000	59,300	2,905	5.00%
2011	22,940	1,413,943,000	62,700	2,976	4.80%
2012	23,461	1,483,368,000	64,500	3,081	4.10%
2013	23,973	1,536,636,621	61,200	3,107	3.90%
2014	24,400	1,613,916,074	63,300	3,078	4.10%
2015	23,723	1,777,395,000	66,900	3,125	3.50%
2016	24,164	* 1,842,998,000 *	67,300 *	3,100 *	3.00%
2017	24,442	* 1,890,605,000 *	68,400 *	3,100 *	3.00%

Notes:

* Estimated by City of Fairfax

(1) Population updated from 2010 US Census Bureau results and annual population estimates. 2017 population estimated by City staff.

(2) Personal income is published annually (with a 2-year delay) by the BEA. The most recent available figures are for 2015 (released in November 2016).

(2) To estimate personal income for 2017, an estimated annual change in personal income was projected based on the average of the previous five years' increases.

(2) The BEA agglomerates the City of Fairfax with Fairfax County and the City of Falls Church in its reporting of personal income. To separate City data, each year's Census-reported proportion of City population within these three jurisdictions was applied to the total personal income figure. Further, the proportion of City Per Capita Personal Income to its County equivalent, as reported in the American Community Survey, was applied to give a more accurate estimate of City PCPI.

(3) Average Daily Membership "ADM" as reported in City of Fairfax annual budget.

(4) US Bureau of Labor Statistics, Local Area Unemployment Statistics.

(4) Unemployment rates are annual averages. 2017 unemployment rate estimated by averaging all available months (Jan-Sep) of 2017 data.

City of Fairfax, Virginia

Table 15

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

For the Year Ended June 30,

Employer (1)	2017			2008		
	(1) Employees	Rank	Percentage (1) of Total City Employment	Employees	Rank	Percentage (1) of Total City Employment
The Wackenhut Corporation	400	1	2.08%	-	-	-
Ted Britt Ford Sales	390	2	2.03%	250	5	0.85%
Zeta Associates	280	3	1.46%	-	-	-
Fairfax Nursing Center	266	4	1.38%	250	4	0.85%
Inova Health System	238	5	1.24%	210	6	0.72%
Inova VNA Home Care	224	6	1.17%	-	-	-
Dominion Virginia Power	146	7	0.76%	-	-	-
Fairfax Volkswagen, Honda	146	8	0.76%	200	7	0.68%
Commonwealth Health & Rehab Center	146	9	0.76%	-	-	-
SunTrust Bank	-	-	-	450	1	1.54%
Federal Technology Services	-	-	-	300	2	1.02%
Verizon Wireless	-	-	-	260	3	0.89%
Browns Automotive Group	-	-	-	200	8	0.68%
Mid-Atlantic Cars	-	-	-	200	9	0.68%
Total	<u>2,236</u>		11.64%	<u>2,320</u>		7.91%

Source:

(1) Virginia Employment Commission & City of Fairfax Staff, Nov. 2017

City of Fairfax, Virginia

Table 16

**Full-Time Equivalent city Government Employees by Function/Program
Last Ten Fiscal Years
(Unaudited)**

For the Year Ended June 30,

Function/Program	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
City Clerk	2.00	2.00	2.00	2.00	1.50	1.50	1.50	1.50	1.50	1.50
Electoral Board	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50
City Manager	2.50	2.50	2.50	2.13	2.63	2.63	3.00	3.00	3.00	3.00
Personnel	5.00	5.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Community Relations	2.50	2.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Marketing	0.00	0.88	0.00	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Cable TV	1.50	1.50	1.50	1.50	1.50	1.50	1.75	1.75	1.75	1.75
Information Technology	11.00	11.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00
Printing and Office Supplies	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Motor Pool	13.00	13.00	13.00	13.00	13.00	13.00	12.00	12.00	12.00	12.00
Finance and Accounting	7.50	7.50	7.50	7.50	7.50	7.50	7.50	7.50	7.50	7.50
Real Estate Assessment	5.00	5.00	4.00	4.00	4.00	4.00	5.00	5.00	5.00	5.00
Treasurer	7.75	7.75	7.75	7.75	7.75	7.75	7.75	7.75	7.75	7.75
Commissioner of Revenue	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00
Police Department	88.00	88.00	90.00	91.13	90.00	90.00	90.25	90.25	90.25	89.00
Fire Department	80.00	80.00	79.00	80.00	79.00	79.00	80.00	80.00	80.00	80.00
Public Works	77.00	77.00	76.10	77.50	75.50	75.50	77.20	76.10	76.10	76.95
Social Services	0.62	0.62	0.62	0.62	0.62	0.62	0.62	0.62	0.62	0.62
Parks and Recreation	18.63	18.25	17.13	19.88	19.13	19.13	19.88	19.38	19.38	20.63
Historic Resources	3.95	3.95	3.95	3.95	3.95	3.95	3.95	3.95	3.95	3.95
Planning and Design	15.70	15.70	15.70	15.70	15.70	15.70	16.50	17.50	17.50	17.50
Economic Development	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Education	1.90	1.90	1.90	2.85	1.90	1.90	1.90	1.85	1.85	1.85
Wastewater	8.00	8.00	8.00	6.00	8.60	8.60	9.10	9.20	9.20	8.35
Water	31.00	32.00	32.00	32.00	34.40	34.40	0.00	0.00	0.00	0.00
Stormwater	0.00	0.00	0.00	0.00	0.00	0.00	0.70	0.70	0.70	0.70
Transit	30.50	30.50	30.38	31.50	30.50	30.50	30.50	33.25	33.25	33.25
Total	426.55	427.55	420.53	427.01	425.18	425.18	397.10	399.30	399.30	399.30

Source: City Budget Office

City of Fairfax, Virginia
Operating Indicators by Function/Program
Last Ten Fiscal Years
(Unaudited)

For the Year Ended June 30,

	Actual 2008	Actual 2009	Actual 2010	Actual 2011
GENERAL GOVERNMENT				
Public Works:				
Homes served - refused collection	6,245	6,249	6,249	6,249
Elections:				
Registered Voters	14,266	15,525	14,937	15,027
Number of votes last General Election	5,557	11,478	6,197	7,112
Percent of registered voters last General Election	38.95%	73.93%	41.49%	47.33%
Parks and Recreation:				
Old Town Hall Rentals	75	85	153	231
Total Unique Recreation Programs	51	50	98	71
Total Recreation Programs	386	306	512	513
Day Camp program participants	574	759	819	927
Community Development and Planning:				
Neighborhood Renaissance Conferences	600	600	600	600
Board of Architectural Review (BAR) Applications	51	51	48	86
Enforcement Citations	540	550	450	550
Land Use Applications	42	45	38	31
Development Plans and Subdivisions	59	60	37	47
Economic Development:				
Vacancy Rate - office space	7.25%	9.50%	12.00%	13.00%
Vacancy Rate - retail space	1.50%	6.00%	4.50%	5.50%
SCHOOLS				
Education:				
Average daily membership	2,771	2,764	2,905	2,976
Elementary - Kindergarten	229	198	221	239
Elementary - (1-6)	1,294	1,307	1,319	1,259
Secondary - (7-12)	1,248	1,260	1,398	1,478
Tuition cost per student	\$ 13,548	\$ 13,078	\$ 12,027	\$ 12,745
PUBLIC SAFETY				
Police Department:				
Cases assigned	255	250	240	169
Cases closed	172	168	171	130
Calls for service	14,589	13,958	13,764	13,896
Criminal arrests	1,388	1,340	1,243	1,272
Fire Department:				
Staff training hours	14,420	15,090	16,568	16,879
Responses to fire incidents	3,367	3,327	2,585	2,846
Responses to EMS incidents	7,458	5,907	6,409	6,569
Plans reviewed	1,290	894	972	1,333
Building Permits Issued	531	530	494	605
Cost associated with building permits	\$ 33,968,649	\$ 21,654,448	\$ 38,388,562	\$ 27,634,266
UTILITIES				
Wastewater: (1)				
Number of new service connections	47	31	20	20
Amount of new service connections	\$ 377,208	\$ 347,858	\$ 223,358	\$ 223,358
Average daily flow (MGD)	4.00	3.90	3.90	2.95
Feet of pipeline rehabilitated	4,288	4,500	3,906	7,840
Site plans reviewed	22	21	23	40
Water: (2)				
Amount of new customer connections	\$ 46,130	\$ 61,213	\$ 64,450	\$ 64,450
Number of new service connections	111	200	40	40
Amount of new service connections	\$ 1,243,299	\$ 1,621,803	\$ 1,294,495	\$ 1,294,495
Gallons of water produced (millions)	4,380	3,400	3,167	2,900
Feet of pipeline replaced	-	3,000	1,100	447
Number of site plans reviewed	22	22	49	40
TRANSIT				
Total Ridership	1,055,664	952,072	941,694	910,549

Notes:

Source: City Annual Operating Budget and Comprehensive Annual Financial Report

* - Information not available (not tracked)

Notes:

(1) The City outsourced Wastewater billing to Fairfax Counting Water Authority in conjunction with the sale of the water utility in FY14. Operating indicators are not readily available from Fairfax Water.

(2) These indicators are no longer tracked, the City exited the water treatment and distribution business in FY 14.

Table 17

Actual 2012	Actual 2013	Actual 2014	Actual 2015	Actual 2016	Actual/Estimate 2017
6,338	6,498	6,498	6,498	6,498	6,473
14,835	15,794	15,372	15,496	15,996	14,820
4,638	11,706	7,120	7,052	12,100	8,318
31.26%	74.12%	46.32%	45.51%	75.64%	56.00%
164	165	165	160	165	165
80	223	252	238	242	248
686	422	428	458	475	490
801	707	727	938	956	1,040
600	600	*	*	*	*
80	80	62	81	57	67
550	550	458	450	450	450
44	33	30	41	24	19
49	49	59	56	40	42
12.40%	13.60%	15.00%	14.10%	14.10%	12.40%
4.70%	3.15%	3.40%	2.40%	3.00%	3.80%
3,081	3,039	3,078	3,160	3,125	3,081
210	216	240	208	245	225
1,386	1,346	1,351	1,415	1,361	1,357
1,485	1,477	1,487	1,537	1,519	1,499
\$ 13,110	\$ 14,268	\$ 14,088	\$ 13,782	\$ 13,872	\$ 14,438
198	204	225	220	225	245
172	178	168	165	155	118
13,947	14,000	14,176	15,026	14,981	13,721
1,373	1,359	1,323	1,192	1,092	986
15,536	13,790	9,900	8,566	16,775	14,010
4,015	2,899	4,135	2,320	2,200	2,312
5,766	7,709	5,595	4,311	4,317	4,187
1,401	1,353	1,003	884	1,023	1,194
647	621	578	503	564	779
\$ 39,254,118	\$ 34,633,451	\$ 30,308,610	\$ 27,034,602	\$ 33,430,366	\$ 121,674,456
54	30	*	*	*	*
\$ 558,027	\$ 335,025	*	*	*	*
2.95	3.20	*	*	*	*
7,840	7,000	*	*	*	*
40	33	*	*	*	*
\$ 62,954	\$ 62,882	N/A	N/A	N/A	N/A
59	55	N/A	N/A	N/A	N/A
\$ 426,329	\$ 144,208	N/A	N/A	N/A	N/A
2,620	600	N/A	N/A	N/A	N/A
100	100	N/A	N/A	N/A	N/A
40	30	N/A	N/A	N/A	N/A
908,367	850,809	826,747	766,708	678,967	646,096

City of Fairfax, Virginia
Capital Asset Statistics by Function/Program
Last Ten Fiscal Years
(Unaudited)

Table 18

For the Year Ended June 30,

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
GENERAL GOVERNMENT										
Parks and Recreation:										
Acres of parks	279	279	279	279	279	279	283	286	286	286
Number of major parks	9	9	9	9	9	9	9	10	10	11
Number of Neighborhood parks	13	14	14	14	15	15	15	15	15	15
Public Works:										
Vehicle availability (%)	97%	97%	97%	97%	98%	98%	90%	88%	90%	95%
Vehicle repair orders	3,800	3,600	3,600	2,600	3,766	3,766	2,872	3,112	3,670	3,650
Total fleet	563	590	590	590	664	664	653	661	692	642
Miles of streets - primary	15.58	15.58	15.58	15.58	16.50	15.50	15.50	15.5	15.5	15.44
Miles of streets - secondary	54.76	55.33	55.33	55.33	54.00	56.50	56.50	56.5	56.5	56.12
Number of street lights	2,950	2,967	2,967	2,967	2,967	2,967	2,967	2,967	2,967	2,967
PUBLIC SAFETY										
Police:										
Number of stations	1	1	1	1	1	1	1	1	1	1
Fire:										
Number of stations	2	2	2	2	2	2	2	2	2	2
Number of fire hydrants	870	870	870	870	870	870	870	870	870	878
UTILITIES										
Water:										
Gallons produced (millions) (1)	4,380	3,431	3,500	2,900	2,620	2,620	N/A	N/A	N/A	N/A
Water mains (miles)	182.68	183.77	184.01	184.01	184.01	184.01	N/A	N/A	N/A	N/A
Sewer:										
Sanitary sewers (miles)	97.03	97.07	97.14	97.14	100.00	100.00	100.00	100.00	100.00	108.20
TRANSIT										
Number of Buses	12	12	12	12	12	12	12	12	12	12

Notes:

Source: City Annual Operating Budget and Comprehensive Annual Financial Report

(1) These statistics are no longer tracked, the City exited the water treatment and distribution business in FY 14.