

City of Fairfax, Virginia

Comprehensive Annual Financial Report for the Fiscal Year End June 30, 2018



CITY OF FAIRFAX, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2018

PREPARED BY:

Department of Finance
David E. Hodgkins, Acting City Manager/Director of Finance
Julie Moran, Assistant Director of Finance

City of Fairfax, Virginia
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INTRODUCTORY SECTION

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City of Fairfax

10455 Armstrong Street • Fairfax, VA 22030-3630

December 31, 2018

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, 2018. 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 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, 2018, 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 19,500 jobs in 2018. Concurrently, the City's unemployment rate fell for the eighth straight year, and currently stands at an estimated 2.2%, well below state (2.8%) and national (3.7%) 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 a 12.7% vacancy rate, lower than that of Fairfax County and of Northern Virginia as a whole. The retail market remains healthy, with a vacancy rate of only 4.6%.

Four key revenue sources are bellwethers for the local economy - general property taxes, local sales and use taxes, meals tax and business professional and occupational license (BPOL) taxes. A 2.6% increase in the calendar year 2018 real property assessments accounts for an increase in general property tax revenues of \$1.0 million or 1.3% in F/Y 18 over F/Y 17. Local sales and use tax increased by \$0.5 million or 3.9% in F/Y 18. Meals tax remained flat and BPOL taxes increased 0.5% in F/Y 18 over F/Y 17.

Economic Development Program

The Office of Economic Development (OED) in partnership with the Economic Development Authority (EDA) focuses on developing a strong economic base across the City. The OED 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 rules, regulations, and policies.

The City Council remains the driving force behind increased outreach and communication with the business community. Recognizing the significant impact small businesses have on the City's economy, City leadership authorized the addition of a full time Business Development Associate and 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 OED 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/entrepreneurship development; during this last year the City has provided increased support and oversight of the Mason Enterprise Center – Fairfax, enabling the program to operate more efficiently with impactful programming and a strategic approach to business relocation within the City. At the request of the Director of Economic Development, the EDA and the MEC refocused the MEC Director position to incorporate a strategic plan, which development is now underway.

In previous years the City's OED, in partnership with the EDA, worked to establish a tax incentive zone with a focus on attracting technology based businesses within the City. The City has been relying on this tool as a method of business attraction and is currently investigating ways of expanding this program within the technology field and beyond. A similar ordinance targeting cultural arts and entertainment businesses is anticipated to be introduced within the next few months.

The OED 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. Early in 2018 Fairfax City hosted its first revitalized restaurant week program. The OED and EDA, along with partners at the Central Fairfax Chamber of Commerce, will once again begin planning the 2019 restaurant week as a result of the overwhelming success of the event earlier this year.

The Fairfax City Façade Improvement program continues to enliven the aesthetic look of the City's retail and commercial centers. 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 anticipated focus on leasing and redevelopment. Following the success of the initial program, a second iteration of the program is currently being administered City-wide as a business attraction and retention tool, in addition to the revitalization priorities established during the first iteration.

The OED 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 OED and EDA hope to develop plans that bring dynamic businesses to our numerous commercial cores to begin growing the City's commercial tax base.

Finally, the OED and EDA have together prioritized constituent communications. Within the last twelve months the OED and EDA have partnered together on the launch of a monthly eNewsletter, have launched a new website and blog (fairfaxcityconnected.com), and have engaged in various forms of social media. While these tools aid the economic development programs in communicating with businesses interests, they also serve as the strongest avenues of keeping City residents and businesses engaged and informed as to economic development activities.

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 in August 2017 that Giant Food signed as the anchor tenant. Construction on the project began in February 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. Application to revise the building plan and site layout, including adjusting the amount of commercial space initially constructed to 21,000 square feet with an additional 9,000 square feet of commercial space as an optional future conversion, was submitted in February 2018. The revisions were approved and the project is expected to break ground in 2019.

Fairfax Shopping Center: Project was approved by City Council in July 2017 for redevelopment. The new shopping center to be called 'Point 50' 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 is under review and construction is expected to commence in 2019.

Paul VI: Proposal for the redevelopment of the Paul VI Catholic High School site would retain 24,000 square feet of existing school building as commercial/community space and redevelop the remainder of the site. In addition to the space to be retained, the proposal includes 20,000 square feet of commercial space and 266 dwelling units (144 condominiums, 115 townhomes, and 7 single-family homes). Groundbreaking is expected in 2020 following the relocation of the existing high school.

Residential:

Capstone Collegiate: Proposal under review for the redevelopment of a 1970's-era low-rise office buildings site into an up to 275-unit privately-owned student housing complex. The site, located to the north of the City's downtown, is approximately one mile from the campus of George Mason University. The units would be marketed to graduate and undergraduate students at the university. Public hearings on the proposal are anticipated by the end of 2018.

Mount Vineyard: This project includes 132 dwelling units (94 condominiums and 38 townhouses) to replace an aged garden style apartment complex. The project is in the last stages of construction and will be completed by the end of 2018. Sales at the development have been brisk, with more than three-quarters of the total number of units already sold.

The Enclave: An 80-unit upscale condominium complex was approved for a previously undeveloped site. The project was completed in February 2018 and more than 80% of the units have been sold.

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

Accolades/Distinctions:

The City's bond ratings continue to be Aaa (Moody's) and AAA (Standard & Poor's), the highest possible issuer credit rates for high quality and low level of credit risk, placing the City among the nation's top-tier bond issuers.

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

24/7 Wall Street ranked the City the 10th among the Best 25 Places to Live in the nation list in 2018 based on the United Nations' Human Development Index: life expectancy, poverty, and educational attainment.

LendEDU ranked the City the 59th in the Top 500 for Best Cities to start a small business in 2018, based on three metrics: population score, income score and expense score that includes property tax score, sales tax score, utilities score and crime score.

National Council of Home Safety and Security ranked the City the 6th safest city in Virginia in 2018.

Safehome ranked the City the 2nd safest city in Virginia in 2018.

Insurance Services Office rated the City Fire Department's Public Protection Classification to Class 01. The insurance industry bases its fire insurance premiums on such ratings that reflect how well the residents are protected from fire and other natural hazards. A rating of Class 01 is the best rating achievable in the US that is awarded to the top 0.5% of jurisdictions.

Insurify named the City of Fairfax the safest driving city in Virginia in 2018. This award recognizes the community in each state with the highest proportion of safe drivers. The City of Fairfax was awarded based on an analysis of over 1.5 million car insurance applications and driving records.

The City of Fairfax, specifically the Fairfax City Minute, won the VML 2018 Innovation Award. The statewide competition recognizes innovative problem-solving, excellence in management, citizen participation, and improved services to citizens. The City of Fairfax was the only winner statewide in the category of Communications.

U.S. News & World Report ranked the City of Fairfax 6th among 3,000 cities as the healthiest in the country.

Commission for Accreditation of Parks and Recreation Agencies(CAPRA) – The City of Fairfax Parks and Recreation Department received accreditation for a five year period beginning in 2016 from CAPRA for excellence in operation and service. This is the only national accreditation of parks and recreation agencies, and only 141 agencies across the country having been accredited.

City Summit of the National League of Cities designated SolSmart Bronze Award to the City for advancing solar energy growth.

FINANCIAL CONDITION

The total taxable assessed value of residential and commercial real property increased by 2.6% over the prior year. The residential real estate tax rate went down 0.2 cents and the commercial and industrial real estate tax rate went up 1.0 cents to 10.5 cents. In total for the year, real estate revenues increased by \$1.0 million or 1.3% over F/Y 17. School tuition costs of \$47.5 million were 3.3% higher in F/Y 18.

The gross cost for school tuition was lower than budget by \$1.1 million. The actual average daily membership (ADM), which is the population of City students in the Fairfax County Public School (FCPS) System, dropped slightly in F/Y 18 to 3,079 from 3,081 in F/Y17. An ADM of 3,100 was budgeted in F/Y 18.

In order to keep existing programs funded, to keep 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 18 the City provided a merit increase of up to 2.5% for eligible employees and a 2.0% cost of living adjustment (COLA) to remain competitive with surrounding jurisdictions.

The City took advantage of continued low interest rates to finance two capital leases in F/Y 18. Wastewater rates increased 10.0% due to additional debt service costs relating to the City's share of Fairfax County wastewater plant capital improvements (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 1.26% at June 30, 2018 from 1.38% at June 30, 2017. The City's net direct debt to tax base ratio has declined for eight consecutive years, since 2010.

The following table shows that real property assessed value of residential and commercial properties has more than doubled since 2002 including a 2.6% increase from 2017 to 2018. 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 |
| 2018 | 3,967,151,300 | 3.8 | 2,127,875,000 | 0.4 | 6,095,026,300 | 2.6 |

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 37th 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".

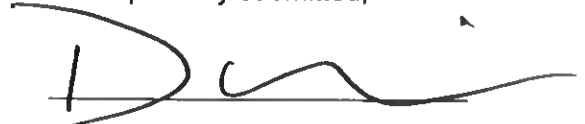
A Certificate is valid for a period of only one year. The City believes its current report continues to conform to the Certificate of Achievement Program requirements and standards, and is submitting it to the GFOA to determine its eligibility for another certificate for the 2018 fiscal year.

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.

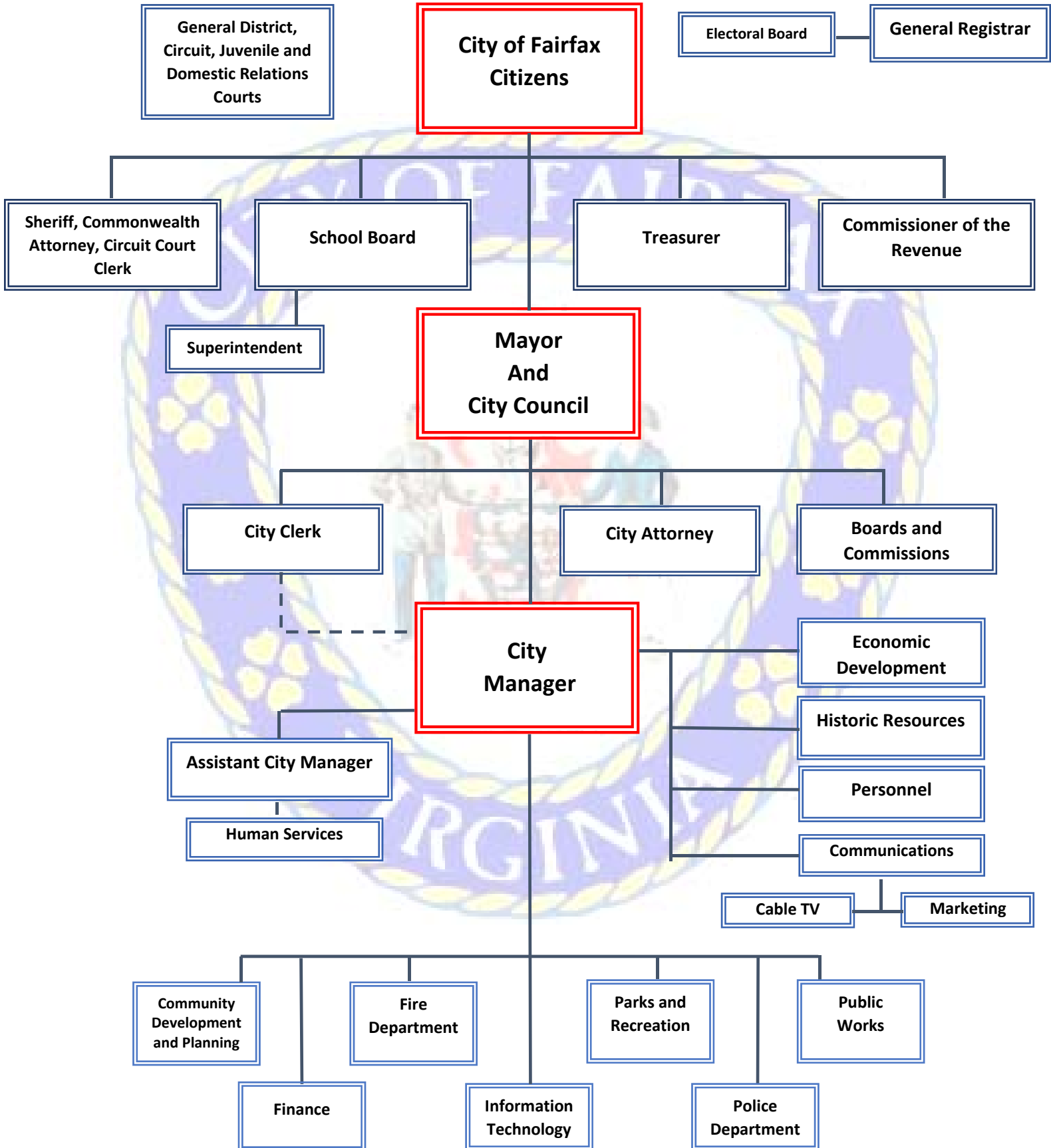
We would also like to thank the Mayor and City Council for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'D Hodgkins', written over a horizontal line.

David E. Hodgkins
Acting City Manager

City of Fairfax, Virginia Organizational Chart



CITY OF FAIRFAX, VIRGINIA
PRINCIPAL OFFICIALS
June 30, 2018

CITY COUNCIL

David L. Meyer, Mayor¹

Michael. J. DeMarco
So P. Lim³
Jeffrey C. Greenfield²
Sang H. Yi³

Janice M. Miller
Jennifer E. Passey
Eleanor D. Schmidt²
Jon R. Stehle, Jr.

STAFF

David E. Hodgkins.....Acting City Manager⁴
Cynthia A. Henderson.....Acting Assistant City Manager/Director of Finance⁵
William Page Johnson II.....Commissioner of Revenue⁶
Tom Scibilia..... Treasurer⁶
John O'Neal Fire Chief
Carl R. Pardiny..... Chief of Police
Brooke Hardin..... Director of Community Development and Planning
Mark PerryDirector of Information Technology
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 CabreraGeneral Registrar
Phyllis Pajardo, Ed. D.....City School Superintendent

ADVISORS

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

¹ David L. Meyer was re-elected for 2018-2020 term.
² Did not seek re-election. Term ended June 30, 2018.
³ Elected by City voters for their first term beginning July 1, 2018.
⁴ Acting City Manager following the retirement of Robert Sisson in July 2018.
⁵ Acting Assistant City Manager/Director of Finance in July 2018.
⁶ Elected by City voters to 4-year terms. Current terms expire December 31, 2021.



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, 2017

Christopher P. Morill

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, 2018, 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, 2018, 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 Matters

Prior Period Restatement

As discussed in Note 20 to the financial statements, the net position of the Governmental Activities, the Business-type Activities, the Wastewater Fund, and the School Board Component Unit, as of July 1, 2017, has been restated from the previously issued financial statements to reflect the correction of errors. Our opinions are not modified with respect to this matter.

Change in Accounting Principle

As discussed in Note 20 to the financial statements, the City adopted new accounting guidance, Governmental Accounting Standards Board (the "GASB") Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective July 1, 2017. 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 GASB, 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 31, 2018, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City' 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.

A handwritten signature in cursive script that reads "Cheryl Behrnt CP".

Tysons Corner, Virginia
December 31, 2018

CITY OF FAIRFAX, VIRGINIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2018

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, 2018. 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 \$70.6 million (*net position*) at the close of the most recent fiscal year ("F/Y") on June 30, 2018. The Primary Government includes both governmental and business-type activities.

- A combination of a 2.6% increase in real property assessments, a \$7.3 million increase in capital grants/contributions, a \$1.6 million increase in charges for services and a \$0.8 million increase in other local taxes accounted for the majority of the increase in governmental net position if the effect of the new depreciation method is excluded. Refer to Tables 1 and 2 and Note 20 for more information.
- Overall education costs increased by \$0.8 million from 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 18, the City recorded a receivable from FCPS of \$0.1 million for that overpayment. The \$0.1 million adjustment was deducted from the first quarter's bill in F/Y 19.
- At the end of June 30, 2018, the City's governmental, business-type, and Component Unit School Board activities had invested \$204.0, \$29.6, \$22.1 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 \$137.4 million, which is an increase of \$4.0 million, driven mainly by the new public improvement COPs in F/Y 18, financing for the construction of a replacement fire station, less annual retirement of debt. F/Y 18 is the third year in which a principal repayment was due on the outstanding debt in the Wastewater Fund. Refer to the Outstanding Debt Table (Table 5) in this section or Note 7 under the Notes to the Financial Statements section of this report for additional information.

CITY OF FAIRFAX, VIRGINIA

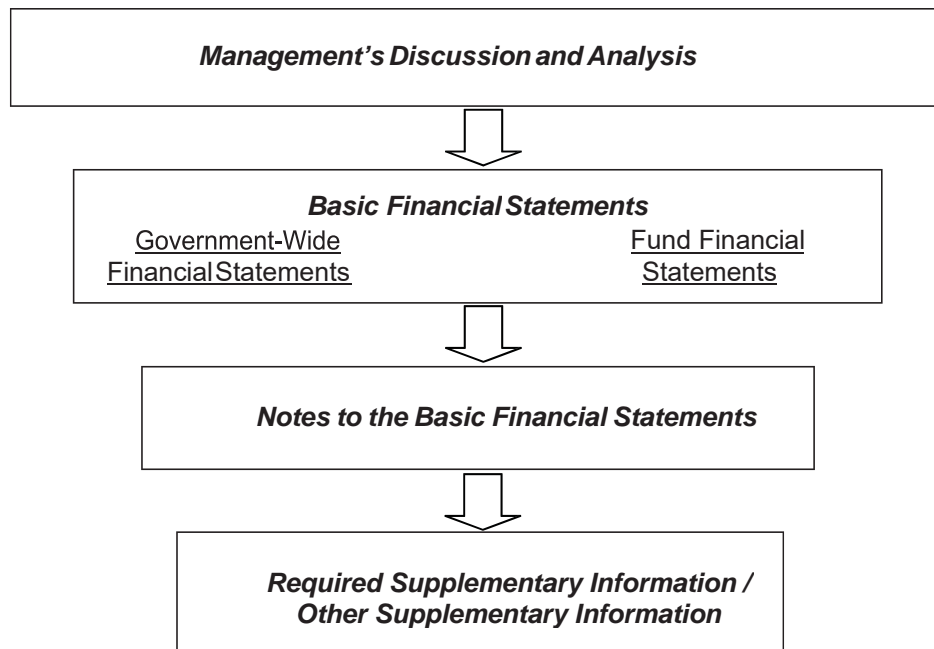
MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2018

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, 2018

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, 2018

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, 2018 and 2017
(in millions)*

| | Primary Government | | | | | | Major Component Unit | |
|----------------------------------|-------------------------|---------------|--------------------------|---------------|----------------|----------------|----------------------|---------------|
| | Governmental Activities | | Business-type Activities | | Totals | | School Board | |
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Assets: | | | | | | | | |
| Current and other assets | \$97.8 | \$80.2 | \$11.2 | \$14.0 | \$109.0 | \$94.2 | \$1.4 | \$2.2 |
| Capital assets, net | 204.0 | 196.0 | 29.7 | 25.6 | 233.7 | 221.6 | 22.1 | 23.0 |
| Total Assets | \$301.8 | 276.2 | \$40.9 | 39.6 | \$342.7 | \$315.8 | \$23.5 | \$25.2 |
| Deferred outflows of resources | 27.0 | 28.1 | 0.6 | 1.0 | 27.6 | 29.1 | 20.3 | - |
| Liabilities: | | | | | | | | |
| Current and other liabilities | 26.8 | 23.3 | 4.2 | 3.2 | 31.1 | 26.5 | 0.8 | 1.0 |
| Long-term liabilities | 194.8 | 193.0 | 25.4 | 26.5 | 220.2 | 219.5 | 0.2 | 0.2 |
| Total Liabilities | 221.6 | 216.3 | 29.6 | 29.7 | 251.3 | 246.0 | 1.0 | 1.2 |
| Deferred inflows of resources | 48.0 | 43.5 | 0.5 | 0.4 | 48.5 | 43.9 | - | - |
| Net Position: | | | | | | | | |
| Net investment in capital assets | 92.8 | 69.5 | 14.8 | 15.9 | 107.6 | 85.4 | 22.1 | 23.0 |
| Restricted | - | - | - | - | - | - | - | - |
| Unrestricted | (33.7) | (25.0) | (3.3) | (5.4) | (37.0) | (30.4) | 0.4 | 1.0 |
| Total net position | \$59.1 | \$44.5 | \$11.5 | \$10.5 | \$70.6 | \$55.0 | \$22.5 | \$24.0 |

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

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 \$70.6 million, which is an increase of \$15.4 million from F/Y 17, as restated, mainly generated by the different allocation of capital assets between Primary Government and School Board in F/Y 18. The net position of School Board decreased by \$1.5 million, as restated, because of the same reason. The total net position of Primary Government and School Board increased by \$13.9 million from the net position as of June 30, 2017, as restated.

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, 2018, this investment totaled \$255.8 million for the entire reporting entity (\$233.7 million for the Primary Government and \$22.1 million for the School Board Component Unit). The City uses these assets to provide services to its citizens; consequently, these assets are not readily available for future spending.

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

CITY OF FAIRFAX, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2018

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, 2018 and 2017
(in millions)*

| | Primary Government | | | | | | School Board Component Unit | |
|--|-------------------------|-----------------|--------------------------|----------------|-----------------|-----------------|-----------------------------|----------------|
| | Governmental Activities | | Business-type Activities | | Totals | | School Board | |
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Revenues: | | | | | | | | |
| Program revenues: | | | | | | | | |
| Charges for services | \$ 6.4 | \$ 5.8 | \$ 9.8 | \$ 8.8 | \$ 16.2 | \$ 14.6 | \$ 0.7 | \$ 0.6 |
| Operating grants and contributions | 5.9 | 5.2 | 0.2 | 0.8 | 6.1 | 6.0 | 7.9 | 8.2 |
| Capital grants and contributions | 18.8 | 11.5 | - | - | 18.8 | 11.5 | 2.3 | - |
| General revenues: | | | | | | | | |
| General property taxes | 77.5 | 76.5 | - | - | 77.5 | 76.5 | - | - |
| Other local taxes | 36.5 | 35.7 | - | - | 36.5 | 35.7 | - | - |
| Contribution from City | - | - | - | - | - | - | 38.1 | 36.6 |
| Grants and contributions not restricted to specific programs | 3.5 | 3.4 | - | - | 3.5 | 3.4 | - | - |
| Use of money and property | 1.4 | 0.9 | 0.2 | 0.1 | 1.6 | 1.0 | 1.7 | 1.6 |
| Miscellaneous | 0.4 | 0.2 | 0.4 | 0.4 | 0.8 | 0.6 | - | - |
| Total revenues | \$ 150.4 | \$ 139.2 | \$ 10.6 | \$ 10.1 | \$ 161.0 | \$ 149.3 | \$ 50.7 | \$ 47.0 |
| Expenses: | | | | | | | | |
| General government | \$ 13.2 | \$ 15.4 | \$ - | \$ - | \$ 13.2 | \$ 15.4 | \$ - | \$ - |
| Judicial administration | 2.8 | 2.6 | - | - | 2.8 | 2.6 | - | - |
| Public safety | 29.3 | 28.3 | - | - | 29.3 | 28.3 | - | - |
| Public works | 24.7 | 18.0 | 11.1 | 10.7 | 35.8 | 28.7 | - | - |
| Health & social services | 6.4 | 6.0 | - | - | 6.4 | 6.0 | - | - |
| Education | 43.8 | 39.5 | - | - | 43.8 | 39.5 | 52.2 | 48.8 |
| Parks, recreation and cultural | 7.4 | 7.6 | - | - | 7.4 | 7.6 | - | - |
| Planning and community develop | 2.9 | 2.5 | - | - | 2.9 | 2.5 | - | - |
| Interest | 3.8 | 5.6 | - | - | 3.8 | 5.6 | - | - |
| Total expenses | \$ 134.3 | \$ 125.5 | \$ 11.1 | \$ 10.7 | \$ 145.4 | \$ 136.2 | \$ 52.2 | \$ 48.8 |
| Change in net position before transfers & special items | \$ 16.1 | \$ 13.7 | \$ (0.5) | \$ (0.6) | \$ 15.6 | \$ 13.1 | \$ (1.5) | \$ (1.8) |
| Transfers | (1.5) | (1.5) | 1.5 | 1.5 | - | - | - | - |
| Special items | - | - | - | - | - | - | - | - |
| Change in net position | \$ 14.6 | \$ 12.2 | \$ 1.0 | \$ 0.9 | \$ 15.6 | \$ 13.1 | \$ (1.5) | \$ (1.8) |
| Net position, beginning of year | \$ 44.5 | \$ 60.6 | \$ 10.5 | \$ 10.6 | \$ 55.0 | \$ 71.2 | \$ 24.0 | \$ 5.3 |
| Cumulative effect of prior period adjustment ** | \$ - | \$ (28.3) | \$ - | \$ (1.0) | \$ - | \$ (29.3) | \$ - | \$ 20.5 |
| Net position, beginning of year adjusted | \$ 44.5 | \$ 32.3 | \$ 10.5 | \$ 9.6 | \$ 55.0 | \$ 41.9 | \$ 24.0 | \$ 25.8 |
| Net position, ending of year | \$ 59.1 | \$ 44.5 | \$ 11.5 | \$ 10.5 | \$ 70.6 | \$ 55.0 | \$ 22.5 | \$ 24.0 |

*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

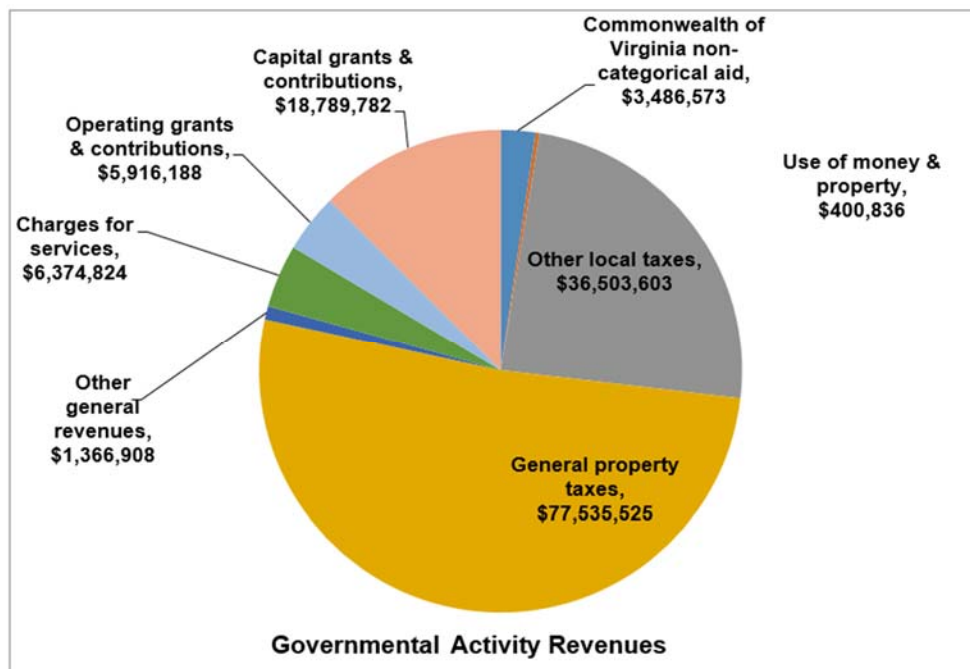
YEAR ENDED JUNE 30, 2018

Governmental Activities

Revenues for the City's governmental activities were \$150.4 million, which is an increase of \$11.2 million from the prior year.

- General property taxes are the largest revenue source for the City. A healthy 2.6% increase in assessments of taxable real property resulted in the \$1.0 million increase in the general property taxes revenues.
- Other local tax revenues increased by \$0.8 million (\$36.5 million in total) in F/Y 18. Motor vehicle license tax, meals tax, transient occupancy tax tobacco taxes and communication tax slightly decreased or remained flat, while business license taxes, consumer utility taxes, recordation tax and consumption tax increased, especially franchise tax and local sales taxes, each had a substantial increase of \$0.4 million in F/Y 18.
- Operating grants increased by \$0.7 million (\$5.9 million in total) and capital grant revenues increased by \$7.3 million (\$18.8 million in total) in F/Y 18. 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 18 governmental revenues by program source:



CITY OF FAIRFAX, VIRGINIA MANAGEMENT'S DISCUSSION AND ANALYSIS

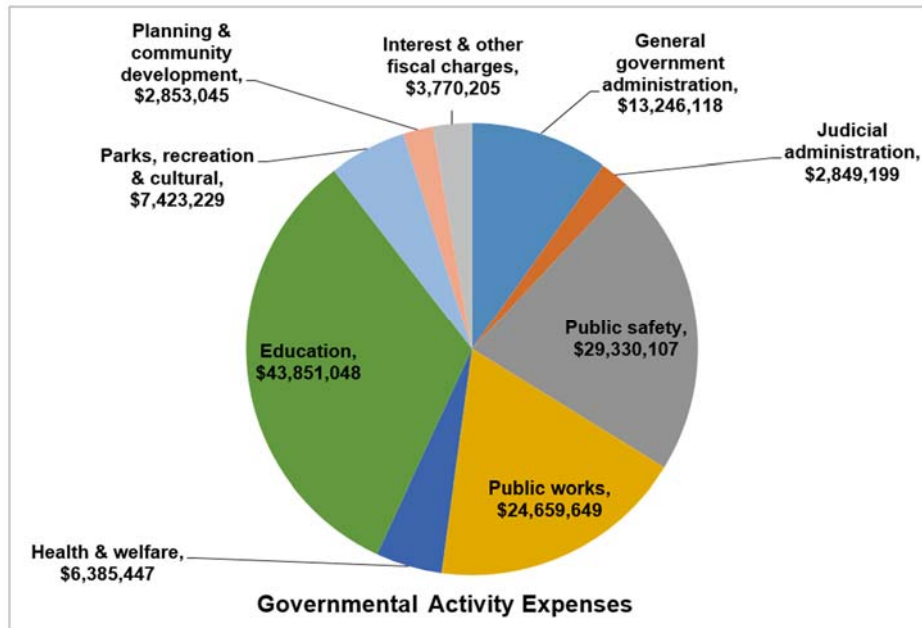
YEAR ENDED JUNE 30, 2018

Expenses for the City's governmental activities were \$134.3 million in F/Y 18, which is an increase of \$8.8 million from F/Y 17.

- Increases in expense categories such as building maintenance, vehicle maintenance and old town hall maintenance, decreases in many expense categories such as equipment maintenance, utilities, travel/training costs and major storm costs.
- The major driver of the increase is the general public works costs, such as streets maintenance and snow/ice control, increased by \$6.6 million in F/Y 18.
- Another major driver of the increase is the education costs, which increased by \$4.3 million in F/Y 18.
- The general government administration costs reduced by \$2.2 million in F/Y 18.
- School tuition increased by \$1.5 million in F/Y 18.

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 \$0.8 million, and the methodology of amortization was changed in F/Y 18 to achieve a more accurate amortization schedule for the City's intangible assets per requirements of GAAP.

The revenues increased \$0.5 million from F/Y 17, as a result of a \$1.0 million increase in charges for services, a \$0.6 million decrease in contributions and a \$0.1 million increase in use of money and property. The expenses increased by \$0.4 million in F/Y 18.

CITY OF FAIRFAX, VIRGINIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2018

Component Unit Activities

The School Board's net position was \$22.5 million at the end of F/Y 18, a decrease of \$1.5 million from the net position as of June 30, 2017, as restated. The change was primarily impacted by the result of a \$20.5 million restatement of the F/Y 18 beginning balance as \$20.5 million in accumulated depreciation was reallocated from School Board to Governmental Activities – Jointly Owned Assets. Refer to Note 20 for details.

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 \$48.8 million, an increase of \$13.2 million from the prior year. Approximately 37.0% of this total amount (\$18.1 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 (\$1.0 million), restricted (\$13.5 million), committed (\$4.3 million), and assigned (\$11.9 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 \$12.4 million (revenues of \$128.5 million less expenditures of \$117.1 million and other financing uses (net) of \$1.0 million). Approximately \$11.6 million of the financing uses represent the transfer of unassigned fund balance to the Capital Projects Funds and other governmental funds, offset by a \$0.3 million transfer back into the General Fund. The transfers out increased by \$1.5 million from F/Y 17 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 19 and beyond.

The City's General Capital Projects Fund, Commercial Transportation Tax Fund and Other Governmental Funds reflected overall increases of \$0.8 million in the total fund balance. The change in fund balances consist of the following: General Capital Projects Fund (\$1.0 million decrease), Commercial Transportation Tax Fund (\$1.6 million increase), and Other Governmental Funds (\$0.2 million increase). The overall increase in fund balances is attributable to much lower transfers out to other funds and less expenditures in Other Governmental Funds.

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

CITY OF FAIRFAX, VIRGINIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2018

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 Wastewater Fund and Transportation Fund at June 30, 2018 totaled (\$0.3) million and (\$3.1) million, respectively. The total proprietary fund unrestricted net position decreased by \$2.0 million from the prior year to (\$3.3) million.

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 \$14.1 million in F/Y 18. The construction will continue in F/Y 19. Northfax is currently the City's largest capital project.
- Kamp Washington project expenditures totaling \$1.8 million, decreased about one half from F/Y 17 as on-going costs to complete the construction.
- Street repaving program totaling \$1.7 million, \$1.0 million more than F/Y 17.
- Curb gutter and sidewalk repaving project totaling \$1.3 million, \$0.2 million more than F/Y 17.
- 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 \$0.115 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 17 to F/Y 18, 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.

CITY OF FAIRFAX, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2018

Table 3
General Fund Budgetary Highlights
Fiscal Year 2018
(in millions)*

| | Final Budget | Actual | Actual Over/(Under) Final Budget |
|---------------------------------------|--------------|----------|----------------------------------|
| Revenues: | | | |
| Taxes | \$ 115.1 | \$ 111.6 | \$ (3.5) |
| Intergovernmental | 6.5 | 9.5 | 3.0 |
| Other | 6.9 | 7.4 | 0.5 |
| Totals | 128.5 | 128.5 | - |
| Expenditures | 120.0 | 117.1 | (2.9) |
| Excess of revenues over expenditures: | 8.5 | 11.4 | 2.9 |
| Other financing sources and (uses): | | | |
| Transfers out, net | (10.6) | 1.0 | 11.6 |
| Changes in fund balance | (2.1) | 12.4 | 14.5 |
| Fund balance, beginning | 2.1 | 19.1 | 17.0 |
| Fund balance, ending | \$ - | \$ 31.5 | \$ 31.5 |

*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 the same with final budget amounts and actual expenditures were under the final budget by \$2.9 million. Highlights of the comparison of final budget to actual figures for the fiscal year ended June 30, 2018, include the following:

- 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 \$2.9 million, driven mainly by lower-than-budgeted public safety (\$2.2 million), planning and community development (\$0.4 million) and public works (\$0.3 million).

CAPITAL ASSETS

As of June 30, 2018, the City's governmental activities, business-type activities, and the activities of the Component Unit School Board had invested \$204.0, \$29.6, \$22.1 million net of accumulated depreciation, respectively, in a variety of capital assets, as reflected in the following table.

CITY OF FAIRFAX, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2018

Table 4
Statement of Capital Assets
June 30, 2018 and 2017
(in millions)*

| | Primary Government | | | | | | Component Unit | |
|-----------------------------|-------------------------|-----------------|--------------------------|----------------|-----------------|-----------------|----------------|----------------|
| | Governmental Activities | | Business-type Activities | | Totals | | School Board | |
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Land | \$ 50.8 | \$ 50.4 | \$ - | \$ - | \$ 50.8 | \$ 50.4 | \$ 1.4 | \$ 1.3 |
| Construction in Progress | 45.1 | 29.7 | 4.5 | 3.4 | 49.6 | 33.1 | - | - |
| Depreciable Capital Assets: | | | | | | | | |
| Buildings and Improvements | 57.3 | 57.0 | 1.5 | 1.5 | 58.8 | 58.5 | 48.3 | 44.4 |
| Machinery and Equipment | 29.9 | 28.1 | 5.2 | 5.1 | 35.1 | 33.2 | 1.4 | 1.5 |
| Joint Tenancy Assets | 68.4 | 72.4 | - | - | 68.4 | 72.4 | - | - |
| Intangible Assets | - | - | 25.4 | 16.8 | 25.4 | 16.8 | - | - |
| Infrastructure | 52.7 | 53.2 | 8.2 | 8.2 | 60.9 | 61.4 | - | - |
| Accumulated Depreciation | (100.2) | (94.6) | (15.2) | (8.5) | (115.4) | (103.1) | (29.0) | (24.3) |
| Total | \$ 204.0 | \$ 196.2 | \$ 29.6 | \$ 26.5 | \$ 233.7 | \$ 222.7 | \$ 22.1 | \$ 22.9 |

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

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2018, amounts to \$233.7 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 increase in the City's investment in capital assets of \$11.0 million was impacted by the new methodology of intangible assets depreciation applied and the joint tenancy assets allocation. If the two factors are excluded, the investment in capital assets increased by \$17.4 million during F/Y 18, mainly driven by the increase in construction in progress.

Major capital asset transactions of the City during F/Y 2018 in both the governmental and business-type activities included the following:

- Continued investment in the roadway infrastructure of \$15.4 million, mainly Northfax project, as construction in progress.
- Equipment improvement of \$1.8 million results mainly 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, 2018, was \$22.1 million, net of accumulated depreciation, a net increase of \$19.7 million from the prior fiscal year caused by the new depreciation method. If the factor of depreciation is excluded, the investment in capital assets increased by \$3.9 million during F/Y 18 because the investment in buildings and improvements increased by \$3.9 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.

CITY OF FAIRFAX, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2018

OUTSTANDING DEBT

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

| | Governmental Activities | | Business-type Activities | | Totals | |
|---|-------------------------|----------|--------------------------|---------|----------|----------|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| General Obligation Bonds | | | | | | |
| General Obligation Bonds | \$ 77.2 | \$ 82.1 | \$ - | \$ - | \$ 77.2 | \$ 82.1 |
| General Obligation Bonds - Premiums | 2.0 | 2.5 | - | - | 2.0 | 2.5 |
| Lease Revenue Bonds | 36.4 | 37.7 | - | - | 36.4 | 37.7 |
| Public Improvement COPs | 11.4 | - | - | - | 11.4 | - |
| Notes Payable | 5.7 | 6.2 | - | - | 5.7 | 6.2 |
| Capital Leases | 4.7 | 4.9 | - | - | 4.7 | 4.9 |
| Governmental Debt | \$ 137.4 | \$ 133.4 | \$ - | \$ - | \$ 137.4 | \$ 133.4 |
| Self-Supporting Debt | | | | | | |
| WasteWater - Lease Revenue Bonds & Premiums | \$ - | \$ - | \$ 22.5 | \$ 23.1 | \$ 22.5 | \$ 23.1 |
| Total City Debt | \$ 137.4 | \$ 133.4 | \$ 22.5 | \$ 23.1 | \$ 159.9 | \$ 156.5 |

*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.

ECONOMIC FACTORS

While certain revenues, such as BPOL and tobacco taxes performed negatively compared to budget, total revenues showed healthy increases over the prior F/Y. Additionally, real estate assessments increased by 2.6%, mainly attributable to the residential sector. Residential assessment has increased for the 8th 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 2.2% and remains much lower than national (3.7%) and State (2.8%) 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 4.6% in the City, among the lowest in the region. Office space currently has a 12.7% vacancy rate, which 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

Exhibit 1

Statement of Net Position

June 30, 2018

| | Primary Government | | | Component Units | |
|---|-------------------------|--------------------------|---------------|-----------------|--------------------------|
| | Governmental Activities | Business-type Activities | Total | School Board | Nonmajor Component Units |
| ASSETS | | | | | |
| Current Assets: | | | | | |
| Cash and cash equivalents | \$ 27,981,464 | \$ 865,676 | \$ 28,847,140 | \$ 2,500 | \$ 1,210,254 |
| Cash and cash equivalents - in custody of others | 21,040,426 | - | 21,040,426 | - | - |
| Receivables, net of allowance for uncollectibles: | | | | | |
| Property taxes | 33,711,471 | - | 33,711,471 | - | - |
| Accounts receivable | 1,151,207 | 1,495,857 | 2,647,064 | - | - |
| Other | 958,847 | - | 958,847 | - | - |
| Due from other governments | 8,527,906 | 978,000 | 9,505,906 | 804,074 | - |
| Due from component units | 1,904,899 | - | 1,904,899 | - | - |
| Interfund receivable (payable) | 1,593,641 | (1,593,641) | - | - | - |
| Restricted cash | - | 9,433,675 | 9,433,675 | - | - |
| Inventories | 816,709 | - | 816,709 | - | 862,594 |
| Prepaid items | 133,660 | - | 133,660 | - | - |
| Advance to other governments | - | - | - | 552,745 | - |
| Total Current Assets | 97,820,230 | 11,179,567 | 108,999,797 | 1,359,319 | 2,072,848 |
| Noncurrent Assets: | | | | | |
| Capital assets, net of accumulated depreciation: | | | | | |
| Land and improvements | 50,809,431 | 17,583 | 50,827,014 | 1,381,115 | - |
| Construction in progress | 45,057,092 | 4,509,226 | 49,566,318 | 19,829 | - |
| Buildings and improvements | 57,270,299 | 1,491,528 | 58,761,827 | 48,305,691 | - |
| Machinery and equipment | 29,947,933 | 5,196,816 | 35,144,749 | 1,444,541 | - |
| Joint tenancy assets | 68,411,012 | - | 68,411,012 | - | - |
| Infrastructure | 52,733,987 | 8,228,776 | 60,962,763 | - | - |
| Intangible assets | - | 25,369,630 | 25,369,630 | - | - |
| Accumulated amortization | - | (6,068,659) | (6,068,659) | - | - |
| Accumulated depreciation | (100,226,202) | (9,056,974) | (109,283,176) | (29,057,369) | - |
| Total Noncurrent Assets | 204,003,552 | 29,687,926 | 233,691,478 | 22,093,807 | - |
| Total Assets | 301,823,782 | 40,867,493 | 342,691,275 | 23,453,126 | 2,072,848 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | |
| Deferred charge on refunding | 9,102,799 | - | 9,102,799 | - | - |
| OPEB related | - | - | - | 1,665 | - |
| Pension related | 17,878,063 | 643,859 | 18,521,922 | 18,674 | - |
| Total Deferred Outflows of Resources | 26,980,862 | 643,859 | 27,624,721 | 20,339 | - |
| LIABILITIES | | | | | |
| Current Liabilities: | | | | | |
| Accounts payable and accrued liabilities | 9,691,179 | 2,871,033 | 12,562,212 | - | - |
| Retainage payable | 1,485,977 | - | 1,485,977 | - | - |
| Accrued interest payable | 1,983,371 | 329,977 | 2,313,348 | - | - |
| Customer deposits and other liabilities | 1,529,923 | 314,085 | 1,844,008 | - | - |
| Due to Primary Government | - | - | - | 804,074 | 1,100,825 |
| Unearned revenues | 2,831,864 | - | 2,831,864 | - | - |
| Current portion of long-term obligations | 9,298,162 | 632,154 | 9,930,316 | 2,200 | - |
| Total Current Liabilities | 26,820,476 | 4,147,249 | 30,967,725 | 806,274 | 1,100,825 |
| Noncurrent Liabilities: | | | | | |
| Noncurrent portion of long-term obligations | 194,846,927 | 25,405,038 | 220,251,965 | 198,317 | - |
| Total Liabilities | 221,667,403 | 29,552,287 | 251,219,690 | 1,004,591 | 1,100,825 |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Deferred charge on refunding | 4,059,321 | - | 4,059,321 | - | - |
| Deferred revenue - property taxes | 32,968,866 | - | 32,968,866 | - | - |
| OPEB related | 126,929 | 8,102 | 135,031 | 1,000 | - |
| Pension related | 10,887,856 | 467,052 | 11,354,908 | 16,000 | - |
| Total Deferred Inflows of Resources | 48,042,972 | 475,154 | 48,518,126 | 17,000 | - |
| NET POSITION | | | | | |
| Net investment in capital assets | 92,745,685 | 14,815,699 | 107,561,384 | 22,093,807 | - |
| Unrestricted | (33,651,416) | (3,331,788) | (36,983,204) | 358,067 | 972,023 |
| Total Net Position | \$ 59,094,269 | \$ 11,483,911 | \$ 70,578,180 | \$ 22,451,874 | \$ 972,023 |

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CITY OF FAIRFAX, VIRGINIA

Statement of Activities

For the Year Ended June 30, 2018

| Functions/Programs | Expenses | Program Revenues | | |
|--|-----------------------|----------------------|------------------------------------|----------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| PRIMARY GOVERNMENT | | | | |
| Governmental activities: | | | | |
| General government administration | \$ 13,246,118 | \$ 295,811 | \$ 480,771 | \$ - |
| Judicial administration | 2,849,199 | 1,540,749 | - | - |
| Public safety | 29,330,107 | 2,223,789 | 1,890,426 | 600,000 |
| Public works | 24,659,649 | 538,581 | 2,700,501 | 18,189,782 |
| Health and welfare | 6,385,447 | - | - | - |
| Education | 43,851,048 | - | - | - |
| Parks, recreation, and cultural | 7,423,229 | 1,499,689 | 844,490 | - |
| Community development | 2,853,045 | 276,205 | - | - |
| Interest on long-term debt | 3,770,205 | - | - | - |
| Total Governmental Activities | 134,368,047 | 6,374,824 | 5,916,188 | 18,789,782 |
| Business-type activities: | | | | |
| Sewer | 6,985,840 | 9,000,919 | - | - |
| Water | - | - | - | - |
| Transportation | 4,190,978 | 793,755 | 227,467 | - |
| Total Business-type Activities | 11,176,818 | 9,794,674 | 227,467 | - |
| Total Primary Government | \$ 145,544,865 | \$ 16,169,498 | \$ 6,143,655 | \$ 18,789,782 |
| COMPONENT UNITS | | | | |
| School Board | \$ 52,232,547 | \$ 682,418 | \$ 7,922,539 | \$ 2,252,557 |
| Nonmajor Component Units: | | | | |
| Industrial Development Authority | 973,034 | - | - | - |
| Economic Development Authority | 158,978 | - | - | - |
| Total Nonmajor Component Units | 1,132,012 | - | - | - |
| Total Component Units | \$ 53,364,559 | \$ 682,418 | \$ 7,922,539 | \$ 2,252,557 |
| 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 | | | Component Units | | |
| Governmental Activities | Business-type Activities | Total | School Board | Nonmajor Component Units | |
| \$ (12,469,536) | \$ - | \$ (12,469,536) | \$ - | \$ - | - |
| (1,308,450) | - | (1,308,450) | - | - | - |
| (24,615,892) | - | (24,615,892) | - | - | - |
| (3,230,785) | - | (3,230,785) | - | - | - |
| (6,385,447) | - | (6,385,447) | - | - | - |
| (43,851,048) | - | (43,851,048) | - | - | - |
| (5,079,050) | - | (5,079,050) | - | - | - |
| (2,576,840) | - | (2,576,840) | - | - | - |
| (3,770,205) | - | (3,770,205) | - | - | - |
| <u>(103,287,253)</u> | <u>-</u> | <u>(103,287,253)</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| - | 2,015,079 | 2,015,079 | - | - | - |
| - | - | - | - | - | - |
| - | (3,169,756) | (3,169,756) | - | - | - |
| - | (1,154,677) | (1,154,677) | - | - | - |
| <u>\$ (103,287,253)</u> | <u>\$ (1,154,677)</u> | <u>\$ (104,441,930)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>-</u> |
| <u>\$ -</u> | <u>\$ -</u> | <u>-</u> | <u>\$ (41,375,033)</u> | <u>\$ -</u> | <u>-</u> |
| - | - | - | - | (973,034) | - |
| - | - | - | - | (158,978) | - |
| - | - | - | - | (1,132,012) | - |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (41,375,033)</u> | <u>\$ (1,132,012)</u> | <u>-</u> |
| \$ 77,535,525 | \$ - | \$ 77,535,525 | \$ - | \$ - | - |
| 11,721,703 | - | 11,721,703 | - | - | - |
| 8,745,395 | - | 8,745,395 | - | - | - |
| 1,607,476 | - | 1,607,476 | - | - | - |
| 5,967,535 | - | 5,967,535 | - | - | - |
| 2,515,780 | - | 2,515,780 | - | - | - |
| 5,945,714 | - | 5,945,714 | - | - | - |
| 1,366,908 | 192,214 | 1,559,122 | 1,694,319 | 1,402,036 | - |
| - | - | - | 38,120,686 | - | - |
| 3,486,573 | - | 3,486,573 | - | - | - |
| 400,836 | 376,168 | 777,004 | - | - | - |
| (1,424,406) | 1,424,406 | - | - | - | - |
| <u>117,869,039</u> | <u>1,992,788</u> | <u>119,861,827</u> | <u>39,815,005</u> | <u>1,402,036</u> | <u>-</u> |
| 14,581,786 | 838,111 | 15,419,897 | (1,560,028) | 270,024 | - |
| 44,512,483 | 10,645,800 | 55,158,283 | 24,011,902 | 701,999 | - |
| <u>\$ 59,094,269</u> | <u>\$ 11,483,911</u> | <u>\$ 70,578,180</u> | <u>\$ 22,451,874</u> | <u>\$ 972,023</u> | <u>-</u> |

CITY OF FAIRFAX, VIRGINIA
Balance Sheet - Governmental Funds

Exhibit 3

June 30, 2018

| | General | General Capital Projects | Commercial Transportation Tax Fund | Other Governmental Funds | Total Governmental Funds |
|--|----------------------|--------------------------------|--|--------------------------------|--------------------------------|
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 17,978,943 | \$ - | \$ 7,352,434 | \$ 2,650,087 | \$ 27,981,464 |
| Cash and cash equivalents - in custody of others | 10,766,231 | 10,274,195 | - | - | 21,040,426 |
| Due from other funds | 2,256,972 | - | - | - | 2,256,972 |
| Receivables, net of allowance for uncollectibles: | | | | | |
| Taxes, including penalties | 33,711,471 | - | - | - | 33,711,471 |
| Accounts | 1,151,207 | - | - | - | 1,151,207 |
| Other | 930,941 | - | - | 27,906 | 958,847 |
| Due from other governments | 3,114,716 | 5,413,190 | - | - | 8,527,906 |
| Due from component unit | 1,744,899 | 160,000 | - | - | 1,904,899 |
| Inventories | 816,709 | - | - | - | 816,709 |
| Prepaid items | 133,660 | - | - | - | 133,660 |
| Total Assets | \$ 72,605,749 | \$ 15,847,385 | \$ 7,352,434 | \$ 2,677,993 | \$ 98,483,561 |
| LIABILITIES | | | | | |
| Accounts payable and accrued liabilities | \$ 4,192,196 | \$ 4,875,568 | \$ - | \$ 623,415 | \$ 9,691,179 |
| Retainage payable | - | 1,458,581 | - | 27,396 | 1,485,977 |
| Due to other funds | - | 658,014 | - | 5,317 | 663,331 |
| Customer deposits and other liabilities | 1,373,273 | 156,650 | - | - | 1,529,923 |
| Unearned revenues | 2,097,253 | 734,611 | - | - | 2,831,864 |
| Total Liabilities | 7,662,722 | 7,883,424 | - | 656,128 | 16,202,274 |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Unavailable revenue - property taxes | 33,445,558 | - | - | - | 33,445,558 |
| FUND BALANCES | | | | | |
| Nonspendable | 950,369 | - | - | - | 950,369 |
| Restricted | 12,210,339 | 830,876 | - | 503,634 | 13,544,849 |
| Committed | - | 4,346,426 | - | - | 4,346,426 |
| Assigned | 249,088 | 2,786,659 | 7,352,434 | 1,518,231 | 11,906,412 |
| Unassigned | 18,087,673 | - | - | - | 18,087,673 |
| Total Fund Balances | 31,497,469 | 7,963,961 | 7,352,434 | 2,021,865 | 48,835,729 |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | \$ 72,605,749 | \$ 15,847,385 | \$ 7,352,434 | \$ 2,677,993 | \$ 98,483,561 |

CITY OF FAIRFAX, VIRGINIA

Exhibit 4

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

June 30, 2018

| | Primary Government |
|--|-------------------------------|
| Total fund balances - governmental funds | <u>\$ 48,835,729</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 | 304,229,754 |
| Less accumulated depreciation | <u>(100,226,202)</u> |
| | 204,003,552 |
| Unavailable revenue represents amounts that were not available to fund current expenditures and, therefore, is not reported as revenue in the governmental funds. | 476,692 |
| Deferred items: | |
| Deferred charge on refunding | 9,102,799 |
| Deferred pension | 17,878,063 |
| Deferred charge on refunding | (4,059,321) |
| Deferred OPEB | (126,929) |
| Deferred pension | <u>(10,887,856)</u> |
| | 11,906,756 |
| 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 | (77,148,000) |
| Lease revenue bonds | (36,433,000) |
| Public facility certificate of participation | (11,361,000) |
| Notes payable | (5,720,000) |
| Capital leases | (4,718,611) |
| Compensated absences | (2,606,719) |
| Net pension liability - VRS | (32,888,446) |
| Net pension liability - City Plans | (18,073,931) |
| Net OPEB liability | (13,234,222) |
| Premiums on bonds payable | <u>(1,961,160)</u> |
| | (204,145,089) |
| Net position of governmental activities | <u><u>\$ 59,094,269</u></u> |

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

For the Year Ended June 30, 2018

| | General | General Capital Projects | Commercial Transportation Tax Fund | Other Governmental Funds | Total Governmental Funds |
|--|----------------------|--------------------------------|--|--------------------------------|--------------------------------|
| Revenues: | | | | | |
| General property taxes | \$ 76,305,278 | \$ - | \$ - | \$ - | \$ 76,305,278 |
| Other local taxes | 35,262,215 | - | 2,398,659 | - | 37,660,874 |
| Permits, privilege fees, and regulatory licenses | 1,678,675 | 226,352 | - | - | 1,905,027 |
| Fines and forfeitures | 1,408,264 | - | - | - | 1,408,264 |
| Revenue from use of money and property | 1,046,931 | 132,707 | - | - | 1,179,638 |
| Charges for services | 3,061,844 | - | - | - | 3,061,844 |
| Miscellaneous | 186,968 | 850,000 | - | 27,967 | 1,064,935 |
| Intergovernmental: | | | | | |
| Fairfax County | 816,123 | 290,676 | - | - | 1,106,799 |
| Commonwealth of Virginia | 7,728,991 | 15,499,420 | - | 167,168 | 23,395,579 |
| Federal | 980,507 | 2,232,518 | - | - | 3,213,025 |
| Total Revenues | <u>128,475,796</u> | <u>19,231,673</u> | <u>2,398,659</u> | <u>195,135</u> | <u>150,301,263</u> |
| Expenditures: | | | | | |
| Current: | | | | | |
| General government administration | 9,974,437 | 1,393,141 | - | - | 11,367,578 |
| Judicial administration | 2,849,199 | - | - | - | 2,849,199 |
| Public safety | 25,752,049 | 4,761,263 | - | - | 30,513,312 |
| Public works | 12,446,408 | 22,717,730 | - | 1,491,719 | 36,655,857 |
| Health and welfare | 6,385,447 | - | - | - | 6,385,447 |
| Education | 38,120,686 | 122,560 | - | - | 38,243,246 |
| Parks, recreation, and cultural | 6,427,352 | 423,992 | - | 12,591 | 6,863,935 |
| Planning and community development | 2,931,699 | - | - | - | 2,931,699 |
| Debt service: | | | | | |
| Principal retirement | 7,878,462 | - | - | - | 7,878,462 |
| Interest and other fiscal charges | 4,293,550 | - | - | - | 4,293,550 |
| Total Expenditures | <u>117,059,289</u> | <u>29,418,686</u> | <u>-</u> | <u>1,504,310</u> | <u>147,982,285</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>11,416,507</u> | <u>(10,187,013)</u> | <u>2,398,659</u> | <u>(1,309,175)</u> | <u>2,318,978</u> |
| Other Financing Sources (Uses): | | | | | |
| Issuance of long-term debt | 12,309,100 | - | - | - | 12,309,100 |
| Transfers in | 275,936 | 9,149,805 | 2,316,686 | 1,797,544 | 13,539,971 |
| Transfers (out) | <u>(11,561,454)</u> | <u>-</u> | <u>(3,126,987)</u> | <u>(275,936)</u> | <u>(14,964,377)</u> |
| Total Other Financing Sources (Uses), Net | <u>1,023,582</u> | <u>9,149,805</u> | <u>(810,301)</u> | <u>1,521,608</u> | <u>10,884,694</u> |
| Net Change in Fund Balances | 12,440,089 | (1,037,208) | 1,588,358 | 212,433 | 13,203,672 |
| Fund Balances, Beginning | 19,057,380 | 9,001,169 | 5,764,076 | 1,809,432 | 35,632,057 |
| Fund Balances, Ending | <u>\$ 31,497,469</u> | <u>\$ 7,963,961</u> | <u>\$ 7,352,434</u> | <u>\$ 2,021,865</u> | <u>\$ 48,835,729</u> |

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, 2018

| | <u>Primary Government</u> |
|--|-------------------------------|
| Net change in fund balances - total governmental funds | \$ 13,203,672 |
| <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 | 17,927,713 |
| Depreciation expense | <u>(7,831,319)</u> |
| | 10,096,394 |
| <p>The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is to decrease net position.</p> | |
| | (2,252,557) |
| <p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.</p> | |
| Unavailable taxes | 72,976 |
| <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> | |
| <p>Debt issued or incurred:</p> | |
| Issuance of refunding debt | (12,309,100) |
| <p>Principal repayments on debt:</p> | |
| Principal retired on general obligation debt | 4,973,000 |
| Principal retired on lease revenue bonds | 1,284,000 |
| Principal retired on notes payable | 520,000 |
| Principal retired on capital lease obligations | <u>1,101,462</u> |
| | (4,430,638) |
| <p>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:</p> | |
| Change in compensated absences | (29,518) |
| Change in net OPEB liability | (428,291) |
| Net pension liability activity | (2,173,597) |
| Amortization of premiums on bonds payable | 543,798 |
| Amortization of gain/loss on refunding | <u>(20,453)</u> |
| | (2,108,061) |
| Change in net position of governmental activities | <u>\$ 14,581,786</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, 2018

| Fund, Function, Activity, Element | General Fund | | | Variance with Final Positive (Negative) |
|--|--------------------|--------------------|--------------------|--|
| | Original Budget | Final Budget | Actual | |
| Revenues: | | | | |
| General property taxes | \$ 79,918,398 | \$ 79,918,400 | \$ 76,305,278 | \$ (3,613,122) |
| Other local taxes | 35,168,012 | 35,168,012 | 35,262,215 | 94,203 |
| Permits, privilege fees, and regulatory licenses | 1,443,675 | 1,443,675 | 1,678,675 | 235,000 |
| Fines and forfeitures | 1,590,500 | 1,590,500 | 1,408,264 | (182,236) |
| Revenue from use of money and property | 803,107 | 803,107 | 1,046,931 | 243,824 |
| Charges for services | 2,672,615 | 2,672,615 | 3,061,844 | 389,229 |
| Miscellaneous | 429,200 | 429,200 | 186,968 | (242,232) |
| Intergovernmental: | | | | |
| Fairfax County | 809,918 | 809,918 | 816,123 | 6,205 |
| Commonwealth of Virginia | 4,408,002 | 4,578,232 | 7,728,991 | 3,150,759 |
| Federal | 461,481 | 1,074,971 | 980,507 | (94,464) |
| Total revenues | <u>127,704,908</u> | <u>128,488,630</u> | <u>128,475,796</u> | <u>(12,834)</u> |
| Expenditures: | | | | |
| General government administration: | | | | |
| Legislative: | | | | |
| City Council | 128,276 | 128,276 | 135,898 | (7,622) |
| City Clerk | 188,166 | 188,166 | 186,278 | 1,888 |
| Total Legislative | <u>316,442</u> | <u>316,442</u> | <u>322,176</u> | <u>(5,734)</u> |
| Board of Elections: | | | | |
| Electoral Coard | 312,155 | 312,155 | 291,970 | 20,185 |
| General and Financial Administration: | | | | |
| City Manager | 549,585 | 549,585 | 485,017 | 64,568 |
| City Attorney | 420,618 | 580,618 | 635,341 | (54,723) |
| Public audit of accounts | 75,464 | 105,464 | 103,706 | 1,758 |
| Personnel | 713,941 | 746,942 | 718,220 | 28,722 |
| Community relations | 186,171 | 236,171 | 245,965 | (9,794) |
| Cable television | 282,882 | 282,882 | 269,282 | 13,600 |
| Risk management | 257,587 | 395,587 | 382,737 | 12,850 |
| Telephone services | 103,896 | 103,896 | 84,506 | 19,390 |
| Information technology | 2,337,582 | 2,437,722 | 2,183,766 | 253,956 |
| Printing and office supplies | 263,497 | 263,497 | 228,975 | 34,522 |
| Fleet maintenance | (28,258) | 146,742 | 10,537 | 136,205 |
| Finance and accounting | 992,751 | 1,005,751 | 916,233 | 89,518 |
| Real estate assessment | 679,328 | 679,328 | 671,428 | 7,900 |
| Treasurer | 1,020,719 | 1,020,719 | 940,788 | 79,931 |
| Commissioner of Revenue | 1,157,717 | 1,157,717 | 1,088,620 | 69,097 |
| Marketing | 190,823 | 190,823 | 100,095 | 90,728 |
| Salary vacancy factor | (679,139) | (679,139) | 100 | (679,239) |
| Retirement | 144,300 | 152,300 | 151,751 | 549 |
| Pool maintenance | 25,000 | 25,000 | 18,628 | 6,372 |
| Reserve for contingencies | 75,000 | 65,000 | 124,596 | (59,596) |

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

For the Year Ended June 30, 2018

| Fund, Function, Activity, Element | General Fund | | | Variance with Final Positive (Negative) |
|---|--------------------|-----------------|------------|--|
| | Original Budget | Final Budget | Actual | |
| Expenditures: (continued) | | | | |
| Budget cuts | (162,348) | (162,348) | - | (162,348) |
| Total General and Financial Administration | 8,607,116 | 9,304,257 | 9,360,291 | (56,034) |
| Total General and Government Administration | 9,235,713 | 9,932,854 | 9,974,437 | (41,583) |
| Judicial Administration: | | | | |
| General District Court | 61,215 | 61,215 | 48,269 | 12,946 |
| Joint court service | 306,667 | 306,667 | 284,849 | 21,818 |
| Juvenile and domestic relations | 517,632 | 517,632 | 485,386 | 32,246 |
| Commonwealth Attorney | 119,707 | 119,707 | 94,582 | 25,125 |
| Court services and custody | 1,910,869 | 1,910,869 | 1,936,113 | (25,244) |
| Total Judicial Administration | 2,916,090 | 2,916,090 | 2,849,199 | 66,891 |
| Public Safety: | | | | |
| Police administration | 1,383,464 | 1,416,896 | 1,397,190 | 19,706 |
| Police services | 4,241,364 | 4,385,921 | 4,275,715 | 110,206 |
| Police operations | 7,280,794 | 7,237,824 | 6,244,452 | 993,372 |
| Fire and rescue administration | 1,673,098 | 1,827,902 | 1,545,688 | 282,214 |
| Fire and rescue suppression | 10,532,313 | 11,151,062 | 10,491,417 | 659,645 |
| Code enforcement | 1,968,184 | 1,953,754 | 1,797,587 | 156,167 |
| Total Public Safety | 27,079,217 | 27,973,359 | 25,752,049 | 2,221,310 |
| Public Works: | | | | |
| Asphalt maintenance | 1,222,160 | 1,219,882 | 1,173,273 | 46,609 |
| Concrete maintenance | 982,166 | 1,007,835 | 984,139 | 23,696 |
| Snow and ice removal | 353,731 | 421,252 | 446,493 | (25,241) |
| Storm drainage | 907,773 | 878,923 | 852,511 | 26,412 |
| Signs, signals, and lighting | 2,119,155 | 2,155,811 | 2,063,479 | 92,332 |
| Refuse collection | 2,987,461 | 2,988,363 | 2,860,640 | 127,723 |
| Facilities maintenance | 1,756,892 | 1,770,698 | 1,656,852 | 113,846 |
| Street rights of way | 1,091,283 | 1,086,464 | 1,166,060 | (79,596) |
| Public works administration | 905,782 | 943,694 | 1,031,809 | (88,115) |
| County agent | 47,680 | 47,680 | 46,230 | 1,450 |
| Regional agencies | 173,564 | 173,564 | 164,922 | 8,642 |
| Total Public Works | 12,547,647 | 12,694,166 | 12,446,408 | 247,758 |
| Health and Welfare: | | | | |
| Health service department | 1,306,883 | 1,306,883 | 1,235,340 | 71,543 |
| Commission for women | 1,725 | 1,725 | 1,204 | 521 |
| Community services board | 1,755,153 | 1,777,153 | 1,776,119 | 1,034 |
| Senior citizen tax relief | 1,040,745 | 1,040,745 | 1,013,127 | 27,618 |
| Human services coordinator | 123,855 | 123,855 | 128,002 | (4,147) |
| Social services | 1,930,049 | 2,160,049 | 2,231,655 | (71,606) |
| Total Health and Welfare | 6,158,410 | 6,410,410 | 6,385,447 | 24,963 |

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, 2018

| 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 | 38,120,686 | 38,120,686 | 38,120,686 | - |
| Total Education | 38,120,686 | 38,120,686 | 38,120,686 | - |
| Parks, Recreation, and Cultural | | | | |
| Recreation: | | | | |
| Recreation - administration | 2,146,868 | 2,147,268 | 2,258,960 | (111,692) |
| Special events | 717,273 | 785,273 | 723,376 | 61,897 |
| Parks and recreation facilities | 567,171 | 567,171 | 583,788 | (16,617) |
| Parks and ball field maintenance | 1,448,372 | 1,448,372 | 1,390,353 | 58,019 |
| Total Recreation | 4,879,684 | 4,948,084 | 4,956,477 | (8,393) |
| Library services | 826,926 | 826,926 | 816,123 | 10,803 |
| Historic resources | 650,364 | 656,864 | 654,752 | 2,112 |
| Total Parks, Recreation, and Cultural | 6,356,974 | 6,431,874 | 6,427,352 | 4,522 |
| Planning and Community Development: | | | | |
| Economic development | 575,200 | 575,200 | 537,986 | 37,214 |
| Planning design and review | 1,352,033 | 1,462,033 | 1,379,199 | 82,834 |
| Current planning | 1,254,799 | 1,334,749 | 1,014,514 | 320,235 |
| Total Planning and Community Development | 3,182,032 | 3,371,982 | 2,931,699 | 440,283 |
| Debt Service: | | | | |
| Principal retirement | 7,832,462 | 7,832,462 | 7,878,462 | (46,000) |
| Interest and fiscal charges | 4,289,869 | 4,289,869 | 4,293,550 | (3,681) |
| Total Debt Services | 12,122,331 | 12,122,331 | 12,172,012 | (49,681) |
| Total expenditures | 117,719,100 | 119,973,752 | 117,059,289 | 2,914,463 |
| Excess of Revenues Over Expenditures | 9,985,808 | 8,514,878 | 11,416,507 | 2,901,629 |
| Other Financing Sources (Uses): | | | | |
| Transfers in | 275,936 | 275,936 | 275,936 | - |
| Transfers out | (10,924,162) | (10,924,162) | (11,561,454) | (637,292) |
| Total Other Financing Uses, net | (10,648,226) | (10,648,226) | 1,023,582 | (11,671,808) |
| Net Change in Fund Balances | (662,418) | (2,133,348) | 12,440,089 | 14,573,437 |
| Fund Balances, Beginning of Year | 662,418 | 2,133,348 | 19,057,380 | 16,924,032 |
| Fund Balances, End of Year | \$ - | \$ - | \$ 31,497,469 | \$ 31,497,469 |

CITY OF FAIRFAX, VIRGINIA
Statement of Net Position
Proprietary Funds

Exhibit 8

June 30, 2018

| | Wastewater Fund | Transportation Fund | Water Utility - Non-major | Totals |
|---|----------------------|------------------------|---------------------------------|----------------------|
| ASSETS | | | | |
| Current Assets: | | | | |
| Cash and cash equivalents | \$ 475,690 | \$ - | \$ 389,986 | \$ 865,676 |
| Receivables, net of allowance for uncollectibles: | | | | |
| Accounts receivable | 1,495,857 | - | - | 1,495,857 |
| Due from other governments | - | 978,000 | - | 978,000 |
| Restricted cash | 9,433,675 | - | - | 9,433,675 |
| Total Current Assets | <u>11,405,222</u> | <u>978,000</u> | <u>389,986</u> | <u>12,773,208</u> |
| Noncurrent Assets: | | | | |
| Capital Assets: | | | | |
| Land and improvements | 17,583 | - | - | 17,583 |
| Construction in progress | 4,509,226 | - | - | 4,509,226 |
| Buildings and improvements | 1,264,570 | 226,958 | - | 1,491,528 |
| Machinery and equipment | 1,922,470 | 3,274,346 | - | 5,196,816 |
| Water and sewer infrastructure | 8,228,776 | - | - | 8,228,776 |
| Intangible assets | 25,369,630 | - | - | 25,369,630 |
| Accumulated amortization | (6,068,659) | - | - | (6,068,659) |
| Accumulated depreciation | (7,604,237) | (1,452,737) | - | (9,056,974) |
| Total Noncurrent Assets | <u>27,639,359</u> | <u>2,048,567</u> | <u>-</u> | <u>29,687,926</u> |
| Total Assets | <u>39,044,581</u> | <u>3,026,567</u> | <u>389,986</u> | <u>42,461,134</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Pension related | 196,065 | 447,794 | - | 643,859 |
| LIABILITIES | | | | |
| Current Liabilities: | | | | |
| Accounts payable and accrued liabilities | 2,761,355 | 109,588 | 90 | 2,871,033 |
| Accrued interest payable | 329,977 | - | - | 329,977 |
| Due to other funds | 2,637 | 1,591,004 | - | 1,593,641 |
| Customer deposits and other liabilities | 16,460 | - | 297,625 | 314,085 |
| Compensated absences, current portion | 2,018 | 12,101 | - | 14,119 |
| Bonds payable, current portion | 618,035 | - | - | 618,035 |
| Total Current Liabilities | <u>3,730,482</u> | <u>1,712,693</u> | <u>297,715</u> | <u>5,740,890</u> |
| Noncurrent Liabilities: | | | | |
| Compensated absences, net of current portion | 42,380 | 120,620 | - | 163,000 |
| Bonds payable, net of current portion | 21,896,770 | - | - | 21,896,770 |
| Net pension liability - VRS | 551,163 | 1,559,305 | - | 2,110,468 |
| Net pension liability - City Plans | 130,021 | 260,041 | - | 390,062 |
| Total OPEB liability | 281,579 | 563,159 | - | 844,738 |
| Total Noncurrent Liabilities | <u>22,901,913</u> | <u>2,503,125</u> | <u>-</u> | <u>25,405,038</u> |
| Total Liabilities | <u>26,632,395</u> | <u>4,215,818</u> | <u>297,715</u> | <u>31,145,928</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| OPEB related | 2,701 | 5,401 | - | 8,102 |
| Pension related | 133,605 | 333,447 | - | 467,052 |
| Total Deferred Inflows of Resources | <u>136,306</u> | <u>338,848</u> | <u>-</u> | <u>475,154</u> |
| NET POSITION | | | | |
| Net investment in capital assets | 12,767,132 | 2,048,567 | - | 14,815,699 |
| Unrestricted (deficit) | (295,187) | (3,128,872) | 92,271 | (3,331,788) |
| Total Net Position (Deficit) | <u>\$ 12,471,945</u> | <u>\$ (1,080,305)</u> | <u>\$ 92,271</u> | <u>\$ 11,483,911</u> |

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

For the Year Ended June 30, 2018

| | Wastewater Fund | Transportation Fund | Water Utility - Non-major | Total |
|---|----------------------|------------------------|---------------------------------|----------------------|
| Operating Revenues: | | | | |
| Charges for services | \$ 9,000,919 | \$ 793,755 | \$ - | \$ 9,794,674 |
| Total Operating Revenues | <u>9,000,919</u> | <u>793,755</u> | <u>-</u> | <u>9,794,674</u> |
| Operating Expenses: | | | | |
| Salaries | 667,324 | 1,689,459 | - | 2,356,783 |
| Fringe benefits | 264,193 | 608,113 | - | 872,306 |
| Contractual services | 2,111,497 | 15,597 | - | 2,127,094 |
| Internal services | 634,077 | 1,538,369 | - | 2,172,446 |
| Other operating expenses | 381,497 | 71,681 | - | 453,178 |
| Miscellaneous capital outlay | 335,800 | - | - | 335,800 |
| Depreciation and amortization | 1,309,263 | 267,759 | - | 1,577,022 |
| Total Operating Expenses | <u>5,703,651</u> | <u>4,190,978</u> | <u>-</u> | <u>9,894,629</u> |
| Income (Loss) from Operations | <u>3,297,268</u> | <u>(3,397,223)</u> | <u>-</u> | <u>(99,955)</u> |
| Nonoperating Revenues (Expenses): | | | | |
| Investment income | 192,214 | - | - | 192,214 |
| Interest expense | (1,282,189) | - | - | (1,282,189) |
| Federal interest subsidy | 376,168 | - | - | 376,168 |
| Northern Virginia Transportation Commission | - | 227,467 | - | 227,467 |
| Total Nonoperating Revenues (Expenses), Net | <u>(713,807)</u> | <u>227,467</u> | <u>-</u> | <u>(486,340)</u> |
| Net Income (Loss) Before Transfers | <u>2,583,461</u> | <u>(3,169,756)</u> | <u>-</u> | <u>(586,295)</u> |
| Transfers: | | | | |
| Transfers in | - | 1,681,987 | - | 1,681,987 |
| Transfers (out) | - | - | (257,581) | (257,581) |
| Net Transfers | <u>-</u> | <u>1,681,987</u> | <u>(257,581)</u> | <u>1,424,406</u> |
| Change in Net Position | 2,583,461 | (1,487,769) | (257,581) | 838,111 |
| Total Net Position - Beginning, as restated (Note 20) | <u>9,888,484</u> | <u>407,464</u> | <u>349,852</u> | <u>10,645,800</u> |
| Total Net Position (Deficit) - Ending | <u>\$ 12,471,945</u> | <u>\$ (1,080,305)</u> | <u>\$ 92,271</u> | <u>\$ 11,483,911</u> |

CITY OF FAIRFAX, VIRGINIA

Exhibit 10

Statement of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2018

| | Wastewater Fund | Transportation Fund | Water Utility - Non-major | Total |
|--|--------------------|------------------------|---------------------------------|---------------|
| Cash flows from operating activities: | | | | |
| Receipts from customers and users | \$ 8,880,171 | \$ 963,647 | - | \$ 9,843,818 |
| Payments to employees, including fringe benefits | (728,288) | (2,307,576) | - | (3,035,864) |
| Payments for operating activities | (2,506,384) | (1,616,340) | - | (4,122,724) |
| Net cash provided by (used in) operating activities | 5,645,499 | (2,960,269) | - | 2,685,230 |
| Cash flows from noncapital financing activities: | | | | |
| Transfers in | - | 1,681,987 | - | 1,681,987 |
| Transfers (out) | - | - | (257,581) | (257,581) |
| Interfund borrowing | (1,977,502) | 1,050,813 | 500,000 | (426,689) |
| Intergovernmental grants and reimbursements | 376,168 | 227,467 | - | 603,635 |
| Net cash provided by (used in) noncapital financing activities | (1,601,334) | 2,960,267 | 242,419 | 1,601,352 |
| Cash flows from capital and related financing activities: | | | | |
| Purchase and construction of capital assets | (5,623,971) | (1) | - | (5,623,972) |
| Principal paid on bonds and notes | (565,000) | - | - | (565,000) |
| Interest paid on debt | (1,453,579) | - | - | (1,453,579) |
| Net cash used in capital and related financing activities | (7,642,550) | (1) | - | (7,642,551) |
| Cash flows from investing activities: | | | | |
| Interest income | 192,214 | - | - | 192,214 |
| Net increase (decrease) in cash and cash equivalents | (3,406,171) | (3) | 242,419 | (3,163,755) |
| Cash and cash equivalents, beginning of year | 13,315,536 | 3 | 147,567 | 13,463,106 |
| Cash and cash equivalents, end of year | \$ 9,909,365 | \$ - | \$ 389,986 | \$ 10,299,351 |
| Reconciliation of operating income (loss) to net cash provided by (used in) operating activities: | | | | |
| Cash flows from operations: | | | | |
| Income (loss) from operations | \$ 3,297,268 | \$ (3,397,223) | \$ - | \$ (99,955) |
| Adjustment to reconcile operating income (loss) to net cash provided by (used in) operating activities: | | | | |
| Depreciation and amortization | 1,309,263 | 267,760 | - | 1,577,023 |
| Changes in operating accounts: | | | | |
| (Increase) decrease in: | | | | |
| Accounts receivable | (120,748) | - | - | (120,748) |
| Due from other governments | - | 169,892 | - | 169,892 |
| Increase (decrease) in: | | | | |
| Accounts payable | 956,487 | 9,306 | (1) | 965,792 |
| Compensated absences | (11,388) | 9,936 | - | (1,452) |
| Net OPEB activity | 157,468 | 18,225 | - | 175,693 |
| Net pension activity | 57,149 | (38,165) | - | 18,984 |
| Customer deposits and other liabilities | - | - | 1 | 1 |
| Net cash provided by (used in) operating activities | \$ 5,645,499 | \$ (2,960,269) | \$ - | \$ 2,685,230 |

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

Exhibit 11

June 30, 2018

ASSETS

| | |
|-------------------------------|---------------------------|
| Mutual and money market funds | \$ 127,516,376 |
| Stocks | 15 |
| Accrued interest | <u>860</u> |
| Total Assets | <u><u>127,517,251</u></u> |

NET POSITION

| | |
|--------------------------------------|------------------------------|
| Net position restricted for pensions | <u><u>\$ 127,517,251</u></u> |
|--------------------------------------|------------------------------|

CITY OF FAIRFAX, VIRGINIA**Exhibit 12****Statement of Changes in Fiduciary Net Position
Pension Trust Funds****For the Year Ended June 30, 2018**

| | |
|---|------------------------------|
| Additions: | |
| Plan members and employer contributions | <u>\$ 3,390,543</u> |
| Investment Income: | |
| Interest and dividends earned on investments | 1,356,134 |
| Gain on sale of securities | 2,907,452 |
| Net appreciation in fair value of investments | <u>4,266,526</u> |
| Total Investment Loss | 8,530,112 |
| Less investment expenses | <u>(832,436)</u> |
| Net Investment Income | <u>7,697,676</u> |
| Total Additions | <u>11,088,219</u> |
| Deductions: | |
| Retirement and disability benefits | <u>7,907,407</u> |
| Total Deductions | <u>7,907,407</u> |
| Change in net position | 3,180,812 |
| Net position restricted for pensions, beginning of year | <u>124,336,439</u> |
| Net position restricted for pensions, end of year | <u><u>\$ 127,517,251</u></u> |

CITY OF FAIRFAX, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

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, 2018

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2018

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

CITY OF FAIRFAX, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

Transportation Fund – This 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.

CITY OF FAIRFAX, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

- **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.

CITY OF FAIRFAX, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 \$2,383,183 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.

CITY OF FAIRFAX, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 \$1,135,655 for the General Fund as of June 30, 2018.

Excess of expenditures over appropriations

Expenditures exceeded appropriations for the year ended June 30, 2018 as follows:

| <u>Fund</u> | <u>Appropriations</u> | <u>Actual</u> | <u>Variance</u> |
|---------------------------------|-----------------------|---------------|-----------------|
| General Fund | | | |
| City council | \$ 128,276 | \$ 135,898 | \$ (7,622) |
| City attorney | 580,618 | 635,341 | (54,723) |
| Community relations | 236,171 | 245,965 | (9,794) |
| Court services and custody | 1,910,869 | 1,936,113 | (25,244) |
| Snow and ice removal | 421,252 | 446,493 | (25,241) |
| Street rights of way | 1,086,464 | 1,166,060 | (79,596) |
| Public works administration | 943,694 | 1,031,809 | (88,115) |
| Human services coordinator | 123,855 | 128,002 | (4,147) |
| Social services | 2,160,049 | 2,231,655 | (71,606) |
| Recreation - administration | 2,147,268 | 2,258,960 | (111,692) |
| Parks and recreation facilities | 567,171 | 583,788 | (16,617) |
| Principal retirement | 7,832,462 | 7,878,462 | (46,000) |
| Interest and fiscal charges | 4,289,869 | 4,293,550 | (3,681) |
| Transfers out | 10,924,162 | 11,561,454 | (637,292) |

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.

CITY OF FAIRFAX, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Inventories and Prepaid Items

Inventory is stated at cost (first-in, first-out), which is not in excess of market value. It consists primarily of operating materials held for consumption and or supplies for repairs and maintenance. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

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 \$491,657 at June 30, 2018 and is comprised of the following:

| | | |
|-------------------------------|----|----------------|
| General Fund - property taxes | \$ | 418,492 |
| Wastewater Fund | | 73,165 |
| | | <u>491,657</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.

CITY OF FAIRFAX, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

| | |
|----------------------------|---------------|
| Buildings and improvements | 10 - 50 years |
| Infrastructure | 12 - 75 years |
| Sewer infrastructure | 25 - 50 years |
| Machinery and equipment | 5 - 25 years |
| Intangibles | 25 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 and OPEB related to differences in expected and actual investment returns, changes in proportion, differences in expected and actual experience, and contributions made subsequent to the measurement date. Differences in expected and actual investment returns are amortized over a closed five-year period. Other deferred outflows, except for contributions subsequent to the measurement date which is recognized in the next fiscal year, are recognized over the average remaining service life of all participants.

CITY OF FAIRFAX, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 and OPEB in the government-wide Statement of Net Position. Actuarial losses resulting from a difference in actual experience and actuarial assumptions are deferred and amortized over the remaining service life of all participants. Differences in expected and actual investment returns are 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.

CITY OF FAIRFAX, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

In the Statement of Net Position, this scenario presents a dilemma for the City 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.

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.

CITY OF FAIRFAX, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

| | General Fund | General Capital Projects Fund | Commercial Transportation Tax Fund | Other Governmental Funds | Total |
|-----------------------------------|----------------------|--|--|--------------------------------|----------------------|
| Fund Balances: | | | | | |
| Nonspendable: | | | | | |
| Inventories | \$ 816,709 | \$ - | \$ - | \$ - | \$ 816,709 |
| Prepays | 133,660 | - | - | - | 133,660 |
| Total Nonspendable Fund Balance | <u>950,369</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>950,369</u> |
| Restricted: | | | | | |
| Grants | 1,381,214 | - | - | - | 1,381,214 |
| Asset forfeiture | 52,975 | 609,022 | - | - | 661,997 |
| Legacy for Fairfax donations | - | - | - | 503,634 | 503,634 |
| Debt proceeds | 10,776,150 | 65,204 | - | - | 10,841,354 |
| Escrowed funds | - | 156,650 | - | - | 156,650 |
| Total Restricted Fund Balance | <u>12,210,339</u> | <u>830,876</u> | <u>-</u> | <u>503,634</u> | <u>13,544,849</u> |
| Committed: | | | | | |
| Kamp Washington Improvements | - | 1,813,416 | - | - | 1,813,416 |
| Street repaving | - | 2,533,010 | - | - | 2,533,010 |
| Total Committed Fund Balance | <u>-</u> | <u>4,346,426</u> | <u>-</u> | <u>-</u> | <u>4,346,426</u> |
| Assigned: | | | | | |
| Equipment replacement/maintenance | 159,185 | - | - | - | 159,185 |
| Contract services | 78,080 | - | - | - | 78,080 |
| Capital projects | - | 2,786,659 | 7,352,434 | 1,518,231 | 11,657,324 |
| Other purposes | 11,823 | - | - | - | 11,823 |
| Total Assigned Fund Balance | <u>249,088</u> | <u>2,786,659</u> | <u>7,352,434</u> | <u>1,518,231</u> | <u>11,906,412</u> |
| Unassigned Fund Balance | <u>18,087,673</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>18,087,673</u> |
| Total Fund Balances | <u>\$ 31,497,469</u> | <u>\$ 7,963,961</u> | <u>\$ 7,352,434</u> | <u>\$ 2,021,865</u> | <u>\$ 48,835,729</u> |

CITY OF FAIRFAX, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

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.

CITY OF FAIRFAX, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 2—DEPOSITS AND INVESTMENTS (CONTINUED)

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>Fair Quality Ratings</u> <u>AAAm</u> |
|-------------------------------|--|
| SNAP | \$ 20,006,026 |
| LGIP | 19,786,188 |
| Total | <u>\$ 39,792,214</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. The LGIP does not have any limitations or restrictions on participant withdrawals.

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, 2018, 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.

CITY OF FAIRFAX, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 2—DEPOSITS AND INVESTMENTS (CONTINUED)

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).

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, 2018:

| | Level 1 | Level 2 | Level 3 | Total |
|-------------------------------|----------------------|----------------------|-------------|-----------------------|
| Mutual and money market funds | \$ 76,937,984 | \$ 50,578,392 | \$ - | \$ 127,516,376 |
| Stocks | 15 | - | - | 15 |
| Total | <u>\$ 76,937,999</u> | <u>\$ 50,578,392</u> | <u>\$ -</u> | <u>\$ 127,516,391</u> |

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, 2018 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 | Totals |
|--|----------------------|---------------------|-----------------------------------|----------------------|
| Property taxes | \$ 34,129,963 | \$ - | \$ - | \$ 34,129,963 |
| Trade and other accounts | 2,082,148 | 1,569,022 | 27,906 | 3,679,076 |
| Gross receivables | 36,212,111 | 1,569,022 | 27,906 | 37,809,039 |
| Less allowance for uncollectible accounts | (418,492) | (73,165) | - | (491,657) |
| Net receivables | <u>\$ 35,793,619</u> | <u>\$ 1,495,857</u> | <u>\$ 27,906</u> | <u>\$ 37,317,382</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:

CITY OF FAIRFAX, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 3—RECEIVABLES AND ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS (CONTINUED)

| | Unavailable/Unearned | |
|---------------------------|------------------------------------|-------------------------------|
| | Governmental Activities | Governmental Funds |
| Property taxes receivable | \$ 32,319,545 | 32,796,237 |
| Prepaid property taxes | 649,321 | 649,321 |
| Subtotal | <u>32,968,866</u> | <u>33,445,558</u> |
| Other unearned | <u>2,831,864</u> | <u>2,831,864</u> |
| Total | <u><u>\$ 35,800,730</u></u> | <u><u>\$ 36,277,422</u></u> |

Amounts due from other governments include the following:

| | Governmental Activities | | | Total Primary Government | Component Unit School Board |
|---------------------------|--------------------------------|--------------------------------------|--------------------------------|---|--|
| | General | | Transportation Fund | | |
| | General | Capital Projects Fund | | | |
| Commonwealth of Virginia: | | | | | |
| Local sales tax | \$ 2,155,605 | \$ - | \$ - | \$ 2,155,605 | \$ 804,074 |
| Communication sales tax | 333,719 | - | - | 333,719 | - |
| Other | 65,930 | 5,391,767 | 978,000 | 6,435,697 | - |
| Federal government | 504,369 | 21,423 | - | 525,792 | - |
| District Court | 55,093 | - | - | 55,093 | - |
| Total | <u><u>\$ 3,114,716</u></u> | <u><u>\$ 5,413,190</u></u> | <u><u>\$ 978,000</u></u> | <u><u>\$ 9,505,906</u></u> | <u><u>\$ 804,074</u></u> |

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

Interfund receivables and payables related to working capital loans at June 30, 2018 are as follows:

| | Due From | Due To |
|--------------------------|----------------------------|----------------------------|
| General Fund | \$ 2,256,972 | \$ - |
| General Capital Projects | - | 658,014 |
| Old Town Fairfax Fund | - | 5,317 |
| Wastewater Fund | - | 2,637 |
| Transportation Fund | - | 1,591,004 |
| Total | <u><u>\$ 2,256,972</u></u> | <u><u>\$ 2,256,972</u></u> |

CITY OF FAIRFAX, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

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

A summary of interfund activity is presented as follows:

| | <u>Transfers In</u> | <u>Transfers Out</u> |
|------------------------------------|----------------------|----------------------|
| General Fund | \$ 275,936 | \$ 11,561,454 |
| Capital Projects Fund | 9,149,805 | - |
| Old Town Fairfax Fund | 202,438 | 275,936 |
| Commercial Transportation Tax Fund | 2,316,686 | 3,126,987 |
| Stormwater Fund | 1,595,106 | - |
| Water Utility Fund | - | 257,581 |
| Transportation Fund | 1,681,987 | - |
| Total | <u>\$ 15,221,958</u> | <u>\$ 15,221,958</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, 2018, the City has inventory recorded in the General Fund (\$816,709 of expendable supplies) and Economic Development Authority (\$862,594 of land and building held for resale).

CITY OF FAIRFAX, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 6—CAPITAL ASSETS

The following is a summary of capital asset activity for the year ended June 30, 2018:

| | <u>Balance</u> <u>July 1, 2017</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance</u> <u>June 30, 2018</u> |
|--|---------------------------------------|----------------------|-----------------------|--|
| Primary Government | | | | |
| Governmental Activities: | | | | |
| Capital assets, not being depreciated | | | | |
| Land | \$ 50,400,327 | 409,104 | \$ - | \$ 50,809,431 |
| Construction in progress | 30,318,808 | 15,059,943 | (321,659) | 45,057,092 |
| Total capital assets, not being depreciated | <u>80,719,135</u> | <u>15,469,047</u> | <u>(321,659)</u> | <u>95,866,523</u> |
| Capital assets, being depreciated | | | | |
| Buildings and improvements | 56,958,691 | 311,608 | - | 57,270,299 |
| Machinery and equipment | 28,071,885 | 2,391,705 | (515,657) | 29,947,933 |
| Jointly-owned assets | 72,365,444 | - | (3,954,432) | 68,411,012 |
| Infrastructure | 52,656,975 | 77,012 | - | 52,733,987 |
| Total capital assets, being depreciated | <u>210,052,995</u> | <u>2,780,325</u> | <u>(4,470,089)</u> | <u>208,363,231</u> |
| Accumulated Depreciation: | | | | |
| Buildings and improvements | 16,816,103 | 1,556,416 | - | 18,372,519 |
| Machinery and equipment | 18,637,694 | 1,712,631 | (515,657) | 19,834,668 |
| Jointly-owned assets* | 37,924,293 | 3,442,034 | (1,701,875) | 39,664,452 |
| Infrastructure | 21,234,325 | 1,120,238 | - | 22,354,563 |
| Total accumulated depreciation | <u>94,612,415</u> | <u>7,831,319</u> | <u>(2,217,532)</u> | <u>100,226,202</u> |
| Total capital assets, being depreciated, net | <u>115,440,580</u> | <u>(5,050,994)</u> | <u>(2,252,557)</u> | <u>108,137,029</u> |
| Governmental Activities' capital assets, net | <u>\$ 196,159,715</u> | <u>\$ 10,418,053</u> | <u>\$ (2,574,216)</u> | <u>\$ 204,003,552</u> |

*Balance at July 1, 2017 has been restated (See Note 20).

CITY OF FAIRFAX, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 6—CAPITAL ASSETS (CONTINUED)

| | Balance July 1, 2017 | Additions | Deletions | Balance June 30, 2018 |
|--|-------------------------|---------------------|-----------------|--------------------------|
| Business-type Activities | | | | |
| Wastewater Fund: | | | | |
| Land and land improvements | \$ 17,583 | \$ - | \$ - | \$ 17,583 |
| Construction in progress | 3,437,044 | 1,072,182 | - | 4,509,226 |
| Total capital assets, not being depreciated | <u>3,454,627</u> | <u>1,072,182</u> | <u>-</u> | <u>4,526,809</u> |
| Capital assets, being depreciated | | | | |
| Buildings and improvements | 1,264,570 | - | - | 1,264,570 |
| Machinery and equipment | 1,896,033 | 53,140 | (26,703) | 1,922,470 |
| Intangibles | 20,870,981 | 4,498,649 | - | 25,369,630 |
| Infrastructure | 8,228,776 | - | - | 8,228,776 |
| Total capital assets, being depreciated | <u>32,260,360</u> | <u>4,551,789</u> | <u>(26,703)</u> | <u>36,785,446</u> |
| Accumulated Depreciation: | | | | |
| Buildings and improvements | 254,702 | 25,291 | - | 279,993 |
| Machinery and equipment | 1,528,360 | 106,979 | (26,703) | 1,608,636 |
| Intangibles* | 5,024,186 | 1,044,473 | - | 6,068,659 |
| Infrastructure | 5,583,088 | 132,520 | - | 5,715,608 |
| Total accumulated depreciation | <u>12,390,336</u> | <u>1,309,263</u> | <u>(26,703)</u> | <u>13,672,896</u> |
| Total capital assets, being depreciated, net | <u>19,870,024</u> | <u>3,242,526</u> | <u>-</u> | <u>23,112,550</u> |
| Net capital assets | <u>\$ 23,324,651</u> | <u>\$ 4,314,708</u> | <u>\$ -</u> | <u>\$ 27,639,359</u> |

*Balance at July 1, 2017 has been restated (See Note 20).

| | Balance July 1, 2017 | Additions | Deletions | Balance June 30, 2018 |
|---|-------------------------|---------------------|-------------|--------------------------|
| Transportation Fund | | | | |
| Capital Assets, being depreciated: | | | | |
| Buildings and improvements | \$ 226,958 | \$ - | \$ - | \$ 226,958 |
| Machinery and equipment | 3,274,346 | - | - | 3,274,346 |
| Total capital assets, not being depreciated | <u>3,501,304</u> | <u>-</u> | <u>-</u> | <u>3,501,304</u> |
| Accumulated Depreciation: | | | | |
| Buildings and improvements | 59,008 | 4,539 | - | 63,547 |
| Machinery and equipment | 1,125,970 | 263,220 | - | 1,389,190 |
| Total accumulated depreciation | <u>1,184,978</u> | <u>267,759</u> | <u>-</u> | <u>1,452,737</u> |
| Total capital assets, being depreciated | <u>2,316,326</u> | <u>(267,759)</u> | <u>-</u> | <u>2,048,567</u> |
| Net capital assets | <u>\$ 2,316,326</u> | <u>\$ (267,759)</u> | <u>\$ -</u> | <u>\$ 2,048,567</u> |

CITY OF FAIRFAX, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 6—CAPITAL ASSETS (CONTINUED)

| Discretely Presented Component Unit - School Board | Balance | | | Balance June 30, 2018 |
|--|----------------------|---------------------|-----------------|--------------------------|
| | July 1, 2017 | Additions | Deletions | |
| Capital Assets, not being depreciated | | | | |
| Land | \$ 1,381,115 | \$ - | \$ - | \$ 1,381,115 |
| Construction in progress | - | 19,829 | - | 19,829 |
| Total capital assets, not being depreciated | <u>1,381,115</u> | <u>19,829</u> | <u>-</u> | <u>1,400,944</u> |
| Capital Assets, being depreciated: | | | | |
| Buildings and improvements | 44,351,259 | 3,954,432 | - | 48,305,691 |
| Machinery and equipment | 1,439,007 | 15,760 | (10,226) | 1,444,541 |
| Total capital assets, being depreciated | <u>45,790,266</u> | <u>3,970,192</u> | <u>(10,226)</u> | <u>49,750,232</u> |
| Accumulated Depreciation: | | | | |
| Buildings and improvements* | 23,243,001 | 4,764,461 | - | 28,007,462 |
| Machinery and equipment | 984,276 | 75,857 | (10,226) | 1,049,907 |
| Total accumulated depreciation | <u>24,227,277</u> | <u>4,840,318</u> | <u>(10,226)</u> | <u>29,057,369</u> |
| Total capital assets, being depreciated, net | <u>21,562,989</u> | <u>(870,126)</u> | <u>-</u> | <u>20,692,863</u> |
| Net capital assets | <u>\$ 22,944,104</u> | <u>\$ (850,297)</u> | <u>\$ -</u> | <u>\$ 22,093,807</u> |

*Balance at July 1, 2017 has been restated (See Note 20).

Depreciation expense was charged to functions/programs as follows:

| | |
|-----------------------------------|---------------------|
| Governmental Activities: | |
| General government administration | \$ 561,124 |
| Public safety | 519,699 |
| Public works | 2,312,357 |
| Education | 3,442,034 |
| Parks, recreation and cultural | 996,105 |
| Total Governmental Activities | <u>\$ 7,831,319</u> |
| Business-type Activities: | |
| Sewer utility | \$ 1,244,177 |
| Transportation | 267,759 |
| Total Business-type Activities | <u>\$ 1,511,936</u> |
| Component Unit - School Board: | |
| Education | <u>\$ 4,840,318</u> |

CITY OF FAIRFAX, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 7—LONG-TERM OBLIGATIONS

The following is a summary of long-term obligation transactions of the City for the year ended June 30, 2018:

| | Balance at July 1, 2017 | Issuances/ Increases | (Retirements)/ (Decreases) | Balance at June 30, 2018 | Amounts Due Within One Year |
|---|-------------------------------|-------------------------|-------------------------------|--------------------------------|-----------------------------------|
| Primary Government | | | | | |
| Governmental Activities: | | | | | |
| General obligation bonds | \$ 82,121,000 | \$ - | \$ (4,973,000) | \$ 77,148,000 | \$ 3,767,000 |
| Lease revenue bonds | 37,717,000 | - | (1,284,000) | 36,433,000 | 2,320,000 |
| Public improvement COPS | - | 11,361,000 | - | 11,361,000 | 176,000 |
| Notes payable | 6,240,000 | - | (520,000) | 5,720,000 | 535,000 |
| Capital leases | 4,871,973 | 948,100 | (1,101,462) | 4,718,611 | 1,158,522 |
| Compensated absences | 2,577,201 | 991,736 | (962,218) | 2,606,719 | 396,000 |
| Net pension liability - VRS | 41,740,989 | 12,280,776 | (21,133,319) | 32,888,446 | - |
| Net pension liability - City Plans | 11,050,649 | 19,329,247 | (12,305,965) | 18,073,931 | - |
| Net OPEB liability* | 12,932,860 | 1,374,610 | (1,073,248) | 13,234,222 | 464,055 |
| Premiums on bonds payable | 2,504,958 | - | (543,798) | 1,961,160 | 481,585 |
| Total | <u>\$201,756,630</u> | <u>\$ 46,285,469</u> | <u>\$ (43,897,010)</u> | <u>\$ 204,145,089</u> | <u>\$ 9,298,162</u> |
| Enterprise Funds: | | | | | |
| Wastewater Fund: | | | | | |
| Lease revenue bonds | \$ 22,550,000 | \$ - | \$ (565,000) | \$ 21,985,000 | \$ 595,000 |
| Premium on bonds payable | 552,840 | - | (23,035) | 529,805 | 23,035 |
| Net pension liability - VRS | 653,806 | 205,807 | (308,450) | 551,163 | - |
| Net pension liability - City Plans | 54,817 | 186,978 | (111,774) | 130,021 | - |
| Net OPEB liability* | 275,167 | 29,247 | (22,835) | 281,579 | - |
| Compensated absences | 55,786 | 13,018 | (24,406) | 44,398 | 2,018 |
| Total | <u>24,142,416</u> | <u>435,050</u> | <u>(1,055,500)</u> | <u>23,521,966</u> | <u>620,053</u> |
| Transportation Fund: | | | | | |
| Net pension liability - VRS | 1,975,282 | 582,257 | (998,234) | 1,559,305 | - |
| Net pension liability - City Plans | 209,695 | 186,978 | (136,632) | 260,041 | - |
| Net OPEB liability* | 550,335 | 58,494 | (45,670) | 563,159 | - |
| Compensated absences | 122,785 | 59,076 | (49,140) | 132,721 | 12,101 |
| Total | <u>2,858,097</u> | <u>886,805</u> | <u>(1,229,676)</u> | <u>2,515,226</u> | <u>12,101</u> |
| Total Enterprise Funds | <u>\$ 27,000,513</u> | <u>\$ 1,321,855</u> | <u>\$ (2,285,176)</u> | <u>\$ 26,037,192</u> | <u>\$ 632,154</u> |
| Discretely Presented Component Units | | | | | |
| School Board: | | | | | |
| Net pension liability - VRS | \$ 164,000 | \$ - | \$ (16,000) | \$ 148,000 | \$ - |
| Net OPEB liability - VRS* | 24,000 | - | (1,000) | 23,000 | - |
| Compensated absences | 19,803 | 11,954 | (2,240) | 29,517 | 2,200 |
| Total | <u>\$ 183,803</u> | <u>\$ 11,954</u> | <u>\$ (19,240)</u> | <u>\$ 200,517</u> | <u>\$ 2,200</u> |

*Balance at July 1, 2017 has been restated (See Note 20).

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

CITY OF FAIRFAX, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 7—LONG-TERM OBLIGATIONS (CONTINUED)

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

| Year Ending June 30, | Governmental Activities Obligations | | | | | | | | | |
|----------------------------|-------------------------------------|---------------|---------------------|---------------|-------------------------|--------------|---------------|------------|----------------|------------|
| | Bonds | | Lease Revenue Bonds | | Public Improvement COPS | | Notes Payable | | Capital Leases | |
| | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest |
| 2019 | \$ 3,767,000 | \$ 2,349,628 | \$ 2,320,000 | \$ 1,495,358 | \$ 176,000 | \$ 295,386 | \$ 535,000 | \$ 128,017 | \$ 1,158,522 | \$ 81,693 |
| 2020 | 4,344,000 | 2,232,133 | 2,133,000 | 1,413,143 | 201,000 | 290,810 | 545,000 | 115,650 | 953,013 | 68,102 |
| 2021 | 4,542,000 | 2,036,763 | 2,217,000 | 1,329,904 | 206,000 | 285,584 | 560,000 | 102,993 | 642,409 | 52,453 |
| 2022 | 4,222,000 | 1,859,364 | 2,308,000 | 1,248,916 | 723,000 | 280,225 | 570,000 | 90,046 | 461,381 | 41,134 |
| 2023 | 4,358,000 | 1,722,504 | 2,372,000 | 1,166,344 | 742,000 | 261,430 | 585,000 | 76,808 | 474,230 | 32,193 |
| 2024 - 2028 | 16,327,000 | 7,009,583 | 12,408,000 | 4,362,835 | 2,948,000 | 1,061,320 | 2,215,000 | 203,031 | 864,739 | 70,822 |
| 2029 - 2033 | 21,383,000 | 4,846,502 | 10,285,000 | 1,942,722 | 3,452,000 | 646,932 | 710,000 | 17,661 | 164,317 | 2,964 |
| 2034 - 2037 | 18,205,000 | 1,315,806 | 2,390,000 | 57,644 | 2,913,000 | 191,802 | - | - | - | - |
| Total | \$ 77,148,000 | \$ 23,372,283 | \$ 36,433,000 | \$ 13,016,866 | \$ 11,361,000 | \$ 3,313,489 | \$ 5,720,000 | \$ 734,206 | \$ 4,718,611 | \$ 349,361 |

Details of Long-Term Obligations:

Primary Government

Governmental Activities:

General Obligations Bonds:

\$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%. \$ 19,745,000

\$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% 18,524,000

\$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%. 3,194,000

Total General Obligation Bonds 77,148,000

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%. 9,358,000

\$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%. 27,075,000

Total Lease Revenue Bonds 36,433,000

CITY OF FAIRFAX, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 7—LONG-TERM OBLIGATIONS (CONTINUED)

Capital Leases:

| | |
|---|------------------|
| \$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%. | 219,900 |
| \$1,708,450 capital lease for financing energy efficient improvements, due in various semi-annual maturities through January 2029, including interest at 2.40%. | 1,393,960 |
| \$1,586,000 capital lease for various equipment due in various annual maturities through 2019, including interest at 1.4%. | 646,050 |
| \$1,235,430 capital lease for tower fire truck due in annual maturities of \$166,351 through 2024, including interest at 1.81%. | 937,916 |
| \$954,050 capital lease for various equipment due in annual maturities of \$196,130 through 2021, including interest at 1.37%. | 572,685 |
| \$948,100 capital lease for financing the acquisition of equipment, due in annual maturities of \$198,781 through July 2023, including interest at 1.742%. | 948,100 |
| Total Capital Leases | <u>4,718,611</u> |

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%. | 5,720,000 |
|--|-----------|

Certificates of Participation:

| | |
|---|------------|
| \$11,361,000 Public Improvement certificate of participation, due in semi-annual maturities of \$176,000 to \$757,000 through January 1, 2037, interest payable semi-annually at 2.60%. | 11,361,000 |
|---|------------|

| | |
|-------------------------------|-----------------------|
| Compensated absences | 2,606,719 |
| Net Pension Liabilities | 50,962,377 |
| Net OPEB liability | 13,234,222 |
| Premium on bonds payable | 1,961,160 |
| Total Governmental Activities | <u>\$ 204,145,089</u> |

CITY OF FAIRFAX, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 7—LONG-TERM OBLIGATIONS (CONTINUED)

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 |
| 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 | 705,000 | 1,142,904 |
| 2024-2028 | 3,935,000 | 5,112,711 |
| 2029-2033 | 4,785,000 | 3,822,485 |
| 2034-2038 | 5,865,000 | 2,197,371 |
| 2039-2041 | 4,130,000 | 387,444 |
| Total | <u>\$ 21,985,000</u> | <u>\$ 17,567,809</u> |

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%.

\$ 21,985,000

CITY OF FAIRFAX, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

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:

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.

CITY OF FAIRFAX, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 8—PENSION PLANS (CONTINUED)

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.

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%.

CITY OF FAIRFAX, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 8—PENSION PLANS (CONTINUED)

- 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.

- 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.

CITY OF FAIRFAX, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 8—PENSION PLANS (CONTINUED)

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.
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. **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.

CITY OF FAIRFAX, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 8—PENSION PLANS (CONTINUED)

- 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:
- 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

CITY OF FAIRFAX, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 8—PENSION PLANS (CONTINUED)

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.

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.

CITY OF FAIRFAX, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 8—PENSION PLANS (CONTINUED)

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.

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

13. 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.

CITY OF FAIRFAX, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 8—PENSION PLANS (CONTINUED)

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 receiving benefits | 313 |
| Vested inactive members | 65 |
| Non-vested inactive members | 47 |
| Inactive members active elsewhere in VRS | 74 |
| Total inactive members | <u>499</u> |
| Active employees | <u>373</u> |
| Total | <u><u>872</u></u> |

CITY OF FAIRFAX, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 8—PENSION PLANS (CONTINUED)

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 2018 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, 2018 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, 2018 and June 30, 2017, respectively were \$3.6 million and \$3.6 million.

The School Board's contractually required contribution rate for the Teacher Retirement Plan for the year ended June 30, 2018 was \$13,674 or 16.32% of covered payroll. This rate was based on actuarially determined rate from an actuarial valuation as of June 30, 2015.

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, 2016. 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, 2017. The total pension liability in the June 30, 2017 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 |
|---|----------------------------------|-----------------------------------|---|
| | <u>Entry Age Normal</u> | <u>Entry Age Normal</u> | <u>Entry Age Normal</u> |
| Actuarial Cost Method | Entry Age Normal | Entry Age Normal | Entry Age Normal |
| Investment Rate of Return, net of investment expense, including inflation | 7.00% | 7.00% | 7.00% |
| Inflation | 2.50% | 2.50% | 2.50% |
| Projected Salary Increases | 3.5% - 5.35% | 3.5% - 4.75% | 3.5% - 5.95% |
| Mortality Rates (% of deaths assumed to be service related) | 20% | 70% | N/A |

General City Employees:

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates

CITY OF FAIRFAX, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 8—PENSION PLANS (CONTINUED)

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates

Public Safety Employees:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates

Teacher Plan Employees:

Pre-Retirement:

RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020

Post-Retirement:

RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; 115% of rates for males and females.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions for the VRS Local Plans as a result of the experience study include updating to a more current mortality table, lowered rates of retirement at older ages, adjusted withdrawal rates to better fit experience, increased disability rates, and adjustment to line of duty disability rates.

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:

CITY OF FAIRFAX, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 8—PENSION PLANS (CONTINUED)

| VRS Plans | | | |
|--------------------------------------|-------------------|---|--|
| Asset Class | Target Allocation | Arithmetic Long-Term Expected Rate of Return | Weighted Average Long-Term Rate of Return |
| Public Equity | 40.00% | 4.54% | 1.82% |
| Fixed Income | 15.00% | 0.69% | 0.10% |
| Credit Strategies | 15.00% | 3.96% | 0.59% |
| Real Assets | 15.00% | 5.76% | 0.86% |
| Private Equity | 15.00% | 9.53% | 1.43% |
| Total | <u>100.00%</u> | | <u>4.80%</u> |
| | Inflation | | <u>2.50%</u> |
| **Expected arithmetic nominal return | | | <u>7.30%</u> |

** The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, 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, 2019, 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, 2019 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.

CITY OF FAIRFAX, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 8—PENSION PLANS (CONTINUED)

Changes in the City Employees' VRS Net Pension Liability

| | Increase/(Decrease) | | |
|--|------------------------------------|--|----------------------------------|
| | City VRS Pension Plan | | |
| | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability |
| Balances at 7/1/2016 | \$ 153,648,901 | \$ 109,278,824 | \$ 44,370,077 |
| Changes for the Year: | | | |
| Service cost | 2,495,898 | - | 2,495,898 |
| Interest | 10,484,207 | - | 10,484,207 |
| Difference between expected and actual experience | (1,772,110) | - | (1,772,110) |
| Change in assumptions | (2,275,619) | - | (2,275,619) |
| Contributions -- employer | - | 3,571,518 | (3,571,518) |
| Contributions -- employee | - | 1,633,968 | (1,633,968) |
| Net investment income | - | 13,186,788 | (13,186,788) |
| Benefit payments including refunds of employee contributions | (7,749,032) | (7,749,032) | - |
| Administrative expense | - | (77,024) | 77,024 |
| Other changes | - | (11,711) | 11,711 |
| Net Changes | 1,183,344 | 10,554,507 | (9,371,163) |
| Balances at 6/30/2017 | \$ 154,832,245 | \$ 119,833,331 | \$ 34,998,914 |

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 | \$ 55,293,654 | \$ 34,998,914 | \$ 18,173,251 |
| School Board's Net Pension Liability | 220,000 | 148,000 | 87,000 |

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

For the year ended June 30, 2018, the City recognized pension expense of \$1,587,000 related to VRS.

CITY OF FAIRFAX, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 8—PENSION PLANS (CONTINUED)

At June 30, 2018, the School Board Teacher Retirement Plan reported a liability of \$148,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, based on the annual actuarial valuation performed on June 30, 2016, 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, 2018, the School Board Teacher Retirement Plan’s proportion was 0.00120% as compared to 0.00117% at June 30, 2017. 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, 2018, the School Board’s Teacher Retirement plan recognized pension expense of \$13,000.

At June 30, 2018, 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 | \$ - | \$ 1,670,583 | \$ - | \$ 5,000 |
| Changes in proportion | - | - | 3,000 | - |
| Net difference between expected and actual experience | 682,833 | 1,736,711 | - | 11,000 |
| Change in assumptions | - | 1,665,533 | 2,000 | - |
| Contributions to the plan subsequent to the measurement date | 3,580,557 | - | 13,674 | - |
| Total | \$ 4,263,390 | \$ 5,072,827 | \$ 18,674 | \$ 16,000 |

\$3,580,557 and \$13,674 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, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

CITY OF FAIRFAX, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 8—PENSION PLANS (CONTINUED)

| Year Ended June 30 | City VRS Pension Plan | School Board Teacher Retirement Plan |
|-------------------------------|----------------------------------|---|
| 2019 | \$ (2,281,968) | \$ (4,000) |
| 2020 | (213,040) | 1,000 |
| 2021 | (769,106) | (2,000) |
| 2022 | (1,125,880) | (5,000) |
| 2023 | - | (1,000) |
| | <u>\$ (4,389,994)</u> | <u>\$ (11,000)</u> |

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 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, 2018 is as follows:

| | City General Plan | City Public Safety |
|-------------------------------|----------------------------------|-----------------------------------|
| Retirements and beneficiaries | 213 | 113 |
| Terminated vested members | 36 | 9 |
| Active members | 254 | 132 |
| Total | <u>503</u> | <u>254</u> |

CITY OF FAIRFAX, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 8—PENSION PLANS (CONTINUED)

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.

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.

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 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, 2018 are summarized in the following table:

CITY OF FAIRFAX, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 8—PENSION PLANS (CONTINUED)

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|---|-------------------|--|
| Large Cap Equities | 18.00% | 5.92% |
| Small/Mid Cap Equities | 5.00% | 6.71% |
| International Equities (Unhedged) | 6.00% | 6.71% |
| International Equities (Hedged) | 6.00% | 6.61% |
| International Small Cap Equities (Unhedged) | 5.00% | 7.11% |
| Emerging International Equities | 3.00% | 9.46% |
| Emerging International Small Cap Equities | 2.00% | 10.35% |
| TIPS | 5.00% | 1.17% |
| Core Bonds | 10.00% | 1.14% |
| Global Multi-Sector Fixed Income | 10.00% | 2.47% |
| GMO Real Return Global Balanced | 10.00% | 4.71% |
| PIMCO All Asset | 10.00% | 4.28% |
| Risk Parity | 10.00% | 5.00% |
| Total | 100.00% | |

For the year ended June 30, 2018, 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 6.60%.

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, 2018, were as follows:

| | General | Public Safety | Total |
|---|----------------|----------------------|----------------|
| Total pension liability | \$ 66,162,452 | \$ 79,818,792 | \$ 145,981,244 |
| Plan fiduciary net position | (59,661,418) | (67,855,833) | (127,517,251) |
| Net Pension Liability | \$ 6,501,034 | \$ 11,962,959 | \$ 18,463,993 |
| Plan fiduciary net position as a percentage of the total pension liability | 90.17% | 85.01% | 87.35% |

Pension Expense: For the year ended June 30, 2018, the City recognized pension expense of \$2,953,064 (General) and \$3,232,690 (Public Safety).

CITY OF FAIRFAX, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 8—PENSION PLANS (CONTINUED)

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 | \$ 467,884 | \$ 1,152,009 | \$ 1,220,291 | \$ 2,049,147 | \$ 1,688,175 | \$ 3,201,156 |
| Change in assumptions | 3,030,193 | - | 3,262,324 | - | 6,292,517 | - |
| Net difference between projected and actual earnings on pension plan investments | 2,948,134 | 1,533,911 | 3,329,706 | 1,547,014 | 6,277,840 | 3,080,925 |
| Total | \$ 6,446,211 | \$ 2,685,920 | \$ 7,812,321 | \$ 3,596,161 | \$ 14,258,532 | \$ 6,282,081 |

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 |
|--------------------|---------------------------|-------------------------|
| 2019 | \$ 1,785,838 | \$ 1,899,806 |
| 2020 | 958,372 | 890,804 |
| 2021 | 287,916 | 41,725 |
| 2022 | 728,165 | 800,365 |
| 2023 | - | 504,022 |
| Thereafter | - | 79,438 |
| | \$ 3,760,291 | \$ 4,216,160 |

CITY OF FAIRFAX, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 8—PENSION PLANS (CONTINUED)

Changes in the Net Pension Liability

| | City General Pension Plan | | |
|--|----------------------------------|--------------------------------|--------------------------|
| | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability |
| Balances at 7/1/2017 | \$ 60,856,745 | \$ 58,308,787 | \$ 2,547,958 |
| Changes for the Year: | | | |
| Service cost | 1,386,401 | - | 1,386,401 |
| Interest | 4,037,857 | - | 4,037,857 |
| Contributions -- employer | - | 796,752 | (796,752) |
| Contributions -- employee | - | 530,846 | (530,846) |
| Difference between expected and actual experience of the Total Pension Liability | (450,350) | - | (450,350) |
| Change in assumptions | 3,791,472 | - | 3,791,472 |
| Net investment income | - | 3,617,908 | (3,617,908) |
| Benefit payments including refunds of employee contributions | (3,459,673) | (3,459,673) | - |
| Other changes | - | (133,202) | 133,202 |
| Net Changes | 5,305,707 | 1,352,631 | 3,953,076 |
| Balances at 6/30/2018 | \$ 66,162,452 | \$ 59,661,418 | \$ 6,501,034 |

| | City Public Safety Plan | | |
|--|--------------------------------|--------------------------------|--------------------------|
| | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability |
| Balances at 7/1/2017 | \$ 74,794,855 | \$ 66,027,652 | \$ 8,767,203 |
| Changes for the Year: | | | |
| Service cost | 1,692,697 | - | 1,692,697 |
| Interest | 4,955,670 | - | 4,955,670 |
| Contributions -- employer | - | 1,261,540 | (1,261,540) |
| Contributions -- employee | - | 812,118 | (812,118) |
| Net investment income | - | 4,079,768 | (4,079,768) |
| Difference between expected and actual experience of the Total Pension Liability | (1,069,579) | - | (1,069,579) |
| Change in assumptions | 3,892,883 | - | 3,892,883 |
| Benefit payments including refunds of employee contributions | (4,447,734) | (4,447,734) | - |
| Other changes | - | 122,489 | (122,489) |
| Net Changes | 5,023,937 | 1,828,181 | 3,195,756 |
| Balances at 6/30/2018 | \$ 79,818,792 | \$ 67,855,833 | \$ 11,962,959 |

CITY OF FAIRFAX, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 8—PENSION PLANS (CONTINUED)

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2018, 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 | 6.25% |
| 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 6.25% 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 6.25%. 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 was projected to be available to make all the projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments to determine the total pension liability.

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 6.25%, 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 (5.25%) or one percentage point higher (7.25%) than the current rate:

| | 1.00% Lower (5.25%) | Current Discount Rate (6.25%) | 1.00% Higher (7.25%) |
|--|------------------------|-------------------------------------|-------------------------|
| General Plan Net pension liability (asset) | \$ 15,063,259 | \$ 6,501,034 | \$ (598,057) |
| Public Safety Plan Net pension liability | 23,099,193 | 11,962,959 | 2,897,457 |

CITY OF FAIRFAX, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 8—PENSION PLANS (CONTINUED)

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

| | Pension Trust Funds | | |
|---|---|--|-----------------------|
| | City Supplemental Pension Trust Fund | Firefighters, Policemen, and Policewomen Pension Trust Fund | Total |
| Assets | | | |
| Mutual and money market funds | \$ 59,661,009 | \$ 67,855,367 | \$ 127,516,376 |
| Stocks | 7 | 8 | 15 |
| Accrued interest | 402 | 458 | 860 |
| Total Assets | <u>\$ 59,661,418</u> | <u>\$ 67,855,833</u> | <u>\$ 127,517,251</u> |
| Net Position | | | |
| Net position restricted for pension benefits | <u>\$ 59,661,418</u> | <u>\$ 67,855,833</u> | <u>\$ 127,517,251</u> |
| Additions | | | |
| Plan members' and employer contributions | \$ 1,322,563 | \$ 2,067,980 | \$ 3,390,543 |
| Investment income: | | | |
| Interest and dividends earned on investments | 637,383 | 718,751 | 1,356,134 |
| Gain on sale of securities | 1,366,503 | 1,540,949 | 2,907,452 |
| Net appreciation in fair value of investments | 2,005,267 | 2,261,259 | 4,266,526 |
| Total Investment Income | <u>4,009,153</u> | <u>4,520,959</u> | <u>8,530,112</u> |
| Less investment expenses | <u>(391,245)</u> | <u>(441,191)</u> | <u>(832,436)</u> |
| Net Investment Income | <u>3,617,908</u> | <u>4,079,768</u> | <u>7,697,676</u> |
| Total Additions | <u>4,940,471</u> | <u>6,147,748</u> | <u>11,088,219</u> |
| Deductions | | | |
| Retirement and disability benefits | <u>3,587,840</u> | <u>4,319,567</u> | <u>7,907,407</u> |
| Total Deductions | <u>3,587,840</u> | <u>4,319,567</u> | <u>7,907,407</u> |
| Change in Net Position | 1,352,631 | 1,828,181 | 3,180,812 |
| Net position restricted for pensions, beginning | 58,308,787 | 66,027,652 | 124,336,439 |
| Net position restricted for pensions, ending | <u>\$ 59,661,418</u> | <u>\$ 67,855,833</u> | <u>\$ 127,517,251</u> |

Concentrations

At June 30, 2018, the Plans' assets were comprised of cash and cash equivalents, stocks, 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, 2018 are separately identified. Investments at fair value, as determined by quoted market prices, and accrued interest are as follows:

CITY OF FAIRFAX, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 8—PENSION PLANS (CONTINUED)

| | |
|--|-----------------------|
| Mutual Funds: | |
| Oberweis International Opportunities | \$ 8,658,380 |
| SSGA Funds S&P 500 | 21,527,895 |
| GMO Strategic Opportunities | 11,633,847 |
| Wellington Core Bond Plus | 13,410,921 |
| SSGA Treasury Inflation Protected SEC Index | 6,672,545 |
| Fiam Group Small/Mid Cap Core Commingled Pool | 8,611,609 |
| Strategic Fixed Income | 12,117,854 |
| Baxter Street Offshore Fund | 8,658,035 |
| Putnam Total Return | 13,007,063 |
| Other investments individually less than 5% of Plan assets | 23,219,102 |
| Total | <u>\$ 127,517,251</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 | \$ 237,783 |
| Juvenile & domestic court | 483,508 |
| Commonwealth Attorney | 76,741 |
| Jail/custody service | 1,850,729 |
| Fire operations | 187,598 |
| Health | 1,235,340 |
| Social Services | 1,163,643 |
| Library services | 816,123 |
| Education | 47,500,899 |
| Refuse collection | 384,301 |
| Extension services | 42,980 |
| Sewage treatment | 2,006,913 |
| | <u>\$ 55,986,558</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.

CITY OF FAIRFAX, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 9—FAIRFAX COUNTY AGREEMENTS (CONTINUED)

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, 2018, the City had recorded a receivable of approximately \$149,000 for overpayment of tuition during fiscal year 2018. This amount will be subtracted by FCPS from the first quarter's invoice for fiscal year 2019.

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, 2018.

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, 2018 was \$2,752,004. 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, 2018, the balance designated for the City is \$4,143,492. The NVTC received \$3,596,859 and disbursed \$2,862,495 on behalf of the City for the fiscal year ended June 30, 2018.

NOTE 11—MAJOR CUSTOMER

The City has one major sewer customer and for the year ended June 30, 2018, sewer revenue from this customer was approximately \$172,000.

CITY OF FAIRFAX, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 12—SURETY BOND

| | <u>Coverage</u> |
|--|-----------------|
| City Funds: | |
| VML 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 13A—OTHER POSTEMPLOYMENT BENEFITS – CITY PLAN

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. No assets are accumulated in a trust that meets the criteria in GAAP.

Benefits Provided

Retirees and their spouses are eligible to continue coverage under the City's medical, prescription drug, dental and vision plans at the City's group rate. Premiums paid by the retiree or spouse range from 10% to 100% depending on whether coverage is for individual, dual or family and the employee's termination is related to in-service death or disability, or early or normal retirement. Effective for normal and early retirements after July 1, 2004 and prior to October 1, 2016, retirees with a minimum of 5 years of credited service will receive a monthly stipend ranging from \$50 - \$175 to offset a portion of their medical coverage cost. Effective for normal and early retirements on or after October 1, 2016, retirees with a minimum of 15 years of credited service will receive a monthly stipend ranging from \$100 - \$175 to offset a portion of their medical coverage. The stipend is payable for the life of the retiree, subject to annual approval by the City Council.

CITY OF FAIRFAX, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 13A—OTHER POSTEMPLOYMENT BENEFITS – CITY PLAN (CONTINUED)

At June 30, 2018, the following employees were covered by the benefit terms:

| | |
|----------------------------|------------|
| Retirees and beneficiaries | 118 |
| Active members | 391 |
| Total | <u>509</u> |

The City's total OPEB liability of \$14,078,960 was measured as of June 30, 2018, and was determined by an actuarial valuation as of that date.

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

| | |
|-----------------------------|--|
| Discount rate | 3.62% |
| Rates of salary increase | 3.75% - 7.75% |
| Price inflation | 2.50% |
| Healthcare cost trend rates | 9.75% for 2018, decreasing to 3.25% for 2029 and later years |

The discount rate was based on the daily rate closest to but not later than the measurement date of the Fidelity 20-Year Municipal GO AA Index.

Mortality rates were based on the RP-2014 Employee, Healthy Annuitant and Disabled Mortality Tables, adjusted backwards to 2006 with the MP-2014 scale, resulting in a base year of 2006 with future mortality improvements assumed each year using scale MP-2017. The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2017.

Changes in the Total OPEB Liability

| | <u>Total OPEB Liability</u> |
|---|-------------------------------------|
| Total OPEB liability - beginning | <u>\$ 13,758,362</u> |
| Service cost | 479,137 |
| Interest | 489,539 |
| Difference between expected and actual experience | (37,111) |
| Changes of assumptions | (117,292) |
| Benefit payments | (493,675) |
| Net change in total OPEB liability | <u>320,598</u> |
| Total OPEB liability - ending | <u>\$ 14,078,960</u> |

CITY OF FAIRFAX, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 13A—OTHER POSTEMPLOYMENT BENEFITS – CITY PLAN (CONTINUED)

Changes of assumptions and other inputs reflect a change in the discount rate from 3.56% in 2017 to 3.62% in 2018.

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate.

| | 1.00% Lower (2.62%) | Current Discount Rate (3.62%) | 1.00% Higher (4.62%) |
|----------------------|---------------------------|-------------------------------------|----------------------------|
| Total OPEB liability | <u>\$ 15,974,456</u> | <u>\$ 14,078,960</u> | <u>\$ 12,516,195</u> |

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates.

| | 1.00% Lower (8.75% - 2.25%) | Current Healthcare Cost Trend Rate (9.75% - 3.25%) | 1.00% Higher (10.75% - 4.25%) |
|----------------------|-----------------------------------|---|-------------------------------------|
| Total OPEB liability | <u>\$ 12,375,307</u> | <u>\$ 14,078,960</u> | <u>\$ 16,066,087</u> |

For the year ended June 30, 2018, the City recognized OPEB expense of \$949,304. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Difference between expected and actual experience | \$ - | \$ 32,455 |
| Changes in assumptions | - | 102,576 |
| Total | <u>\$ -</u> | <u>\$ 135,031</u> |

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

CITY OF FAIRFAX, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 13A—OTHER POSTEMPLOYMENT BENEFITS – CITY PLAN (CONTINUED)

| Year Ended June 30 | |
|-----------------------|---------------------|
| 2019 | \$ (19,372) |
| 2020 | (19,372) |
| 2021 | (19,372) |
| 2022 | (19,372) |
| 2023 | (19,372) |
| Thereafter | (38,171) |
| Total | <u>\$ (135,031)</u> |

The City provides death and disability benefits to its public safety employees and surviving spouses as required by the Virginia Line of Duty Act (LODA). The obligation for LODA benefit payments has been transferred by the City to an insurance company. In the event of the insurance company’s insolvency, the City retains an obligation for the benefits. The current year OPEB expense for the insured benefits was \$83,524.

NOTE 13B—OTHER POSTEMPLOYMENT BENEFITS – SCHOOL BOARD PLANS

The City of Fairfax School Board participates in two cost-sharing multiple employer other postemployment benefit plans administered by the VRS:

- VRS Teacher Employee Health Insurance Credit Program (HIC)
- VRS Group Life Insurance Program (GLI)

The HIC and GLI may hereafter referred to collectively as the “Plans”.

Summary of Significant Accounting Policies

HIC

The HIC was established pursuant to Section 51.1-1400 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. The HIC is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired teachers. For purposes of measuring the net HIC OPEB liability, deferred outflows of resources and deferred inflows of resources related to the HIC OPEB, and the HIC OPEB expense, information about the fiduciary net position of the VRS HIC; and the additions to/deductions from the VRS HIC’s net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

GLI

The GLI provides coverage to state employees, teachers, and employees of participating political subdivisions. The GLI was established pursuant to Section 51.1-500 of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. The GLI is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers.

CITY OF FAIRFAX, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 13B—OTHER POSTEMPLOYMENT BENEFITS – SCHOOL BOARD PLANS (CONTINUED)

For purposes of measuring the net GLI OPEB liability, deferred outflows of resources and deferred inflows of resources related to the GLI OPEB, and GLI OPEB expense, information about the fiduciary net position of the VRS GLI OPEB and the additions to/deductions from the VRS GLI OPEB's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Plan Descriptions

HIC

All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the HIC. This plan is administered by the VRS, along with pension and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The health insurance credit is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death.

GLI

All full-time, salaried permanent employees of the state agencies, teachers and employees of participating political subdivisions are automatically covered by the GLI upon employment. This plan is administered by the VRS, along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

In addition to the Basic Group Life Insurance benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional Group Life Insurance Program. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured program, it is not included as part of the Group Life Insurance Program OPEB.

CITY OF FAIRFAX, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 13B—OTHER POSTEMPLOYMENT BENEFITS – SCHOOL BOARD PLANS (CONTINUED)

Plan Provisions

HIC PLAN PROVISIONS

Eligible Employees

The HIC was established July 1, 1993 for retired Teacher Employees covered under VRS who retire with at least 15 years of service credit.

Eligible employees are enrolled automatically upon employment. They include:

- Full-time permanent (professional) salaried employees of public school divisions covered under VRS.

Benefit Amounts

The HIC provides the following benefits for eligible employees:

- At Retirement – For Teacher and other professional school employees who retire, the monthly benefit is \$4.00 per year of service per month with no cap on the benefit amount.
- Disability Retirement – For Teacher and other professional school employees who retire on disability or go on long-term disability under the VLDP, the monthly benefit is either:
 - \$4.00 per month, multiplied by twice the amount of service credit, or
 - \$4.00 per month, multiplied by the amount of service earned had the employee been active until age 60, whichever is lower.

HIC Notes

- The monthly Health Insurance Credit benefit cannot exceed the individual premium amount.
- Employees who retire after being on long-term disability under VLDP must have at least 15 years of service credit to qualify for the health insurance credit as a retiree.

CITY OF FAIRFAX, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 13B—OTHER POSTEMPLOYMENT BENEFITS – SCHOOL BOARD PLANS (CONTINUED)

GLI PLAN PROVISIONS

Eligible Employees

The GLI was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement:

- City of Richmond
- City of Portsmouth
- City of Roanoke
- City of Norfolk
- Roanoke City Schools Board

Basic group life insurance coverage is automatic upon employment. Coverage end for employees who leave their position before retirement eligibility or who take a refund of their member contributions and accrued interest.

Benefit Amounts

The benefits payable GLI have several components.

- Natural Death Benefit – The natural death benefit is equal to the employee’s covered compensation rounded to the next highest thousand and then doubled.
- Accidental Death Benefit – The accidental death benefit is double the natural death benefit.
- Other Benefit Provisions – In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include:
 - Accidental dismemberment benefit
 - Safety belt benefit
 - Repatriation benefit
 - Felonious assault benefit
 - Accelerated death benefit option

Reduction in Benefit Amounts

The benefit amounts provided to members covered under the Group Life Insurance Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.

Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)

For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at \$8,000 by statute. This amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and is currently \$8,111.

CITY OF FAIRFAX, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 13B—OTHER POSTEMPLOYMENT BENEFITS – SCHOOL BOARD PLANS (CONTINUED)

Contributions

HIC

The contribution requirements are governed by Section 51.1-1401(E) of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Each school division's contractually required employer contribution rate for the year ended June 30, 2018 was 1.23% of covered payroll for employees in the HIC. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate 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 HIC were \$1,170 and \$1,035 for the years ended June 30, 2018 and June 30, 2017, respectively.

GLI

The contribution requirements are governed by Sections 51.1-506 and 51.1-508 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI was 1.31% of covered payroll. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% X 60%) and the employer component was 0.52% (1.31% X 40%). Employers may elect to pay all or part of the employee contribution, however the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2018 was 0.52% of covered payroll. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the GLI were \$495 and \$485 for the years ended June 30, 2018 and June 30, 2017, respectively.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2018, the School Board reported liabilities of \$15,000 and \$8,000 for its proportionate share of the net OPEB liability of the HIC and GLI, respectively. The net OPEB liabilities were measured as of June 30, 2017 and the total OPEB liabilities used to calculate the net OPEB liabilities were determined by actuarial valuations as of that date. The School Board's proportions of the net OPEB liability were based on the School Board's actuarially determined employer contributions to the HIC and GLI for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the School Board's proportion of the HIC and GLI were 0.00118% and 0.00051%, respectively, as compared to 0.00117% and 0.00050%, respectively at June 30, 2016.

For the year ended June 30, 2018, the School Board recognized HIC and GLI OPEB expense of \$1,000 and \$0, respectively. Since there was a change in proportionate shares between June 30, 2016 and June 30, 2017 a portion of the OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2018, the School Board reported deferred outflows of resources and deferred inflows of resources from the following sources:

CITY OF FAIRFAX, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 13B—OTHER POSTEMPLOYMENT BENEFITS – SCHOOL BOARD PLANS (CONTINUED)

| | HIC | | GLI | |
|--|--------------------------------|-------------------------------|--------------------------------|-------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | \$ - | \$ - | \$ - | \$ 1,000 |
| Contributions subsequent to the measurement date | 1,170 | - | 495 | - |
| Total | <u>\$ 1,170</u> | <u>\$ -</u> | <u>\$ 495</u> | <u>\$ 1,000</u> |

\$1,170 and \$495 reported as deferred outflows of resources related to the HIC and GLI, respectively, resulting from the School Board's contributions subsequent to the measurement date will be recognized as a reduction of the respective net OPEB liabilities in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIC and GLI OPEB will be recognized in OPEB expense in future reporting periods as follows:

| Year Ending June 30 | HIC | GLI |
|------------------------|-------------|-------------------|
| 2019 | \$ - | \$ (176) |
| 2020 | - | (176) |
| 2021 | - | (176) |
| 2022 | - | (176) |
| 2023 | - | (104) |
| Thereafter | - | (192) |
| Total | <u>\$ -</u> | <u>\$ (1,000)</u> |

Actuarial Assumptions

The HIC and GLI total OPEB liabilities were based on actuarial valuations as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

| | |
|---------------------------------------|---|
| Inflation | 2.50% |
| Salary increases, including inflation | 3.5% - 5.95% |
| Investment rate of return | 7.0%, net of plan investment expenses, including inflation* |

- * Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GAAP purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of OPEB liabilities.

CITY OF FAIRFAX, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 13B—OTHER POSTEMPLOYMENT BENEFITS – SCHOOL BOARD PLANS (CONTINUED)

Mortality rates – Teachers

Pre-Retirement:

RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement:

RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with Scale BB to 2020; 115% of rates for males and females.

The actuarial assumptions used in the June 30, 2016 valuations were based on the results of an actuarial experience study for the four-year period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

| | |
|---|---|
| Mortality Rates (Pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table – RP-2014 projected to 2020 |
| Retirement Rates | Lowered rates at older ages and changed final retirement from 70 to 75 |
| Withdrawal Rates | Adjusted rates to better fit experience at each year age and service through 9 years of service |
| Disability Rates | Adjusted rates to better match experience |
| Salary Scale | No change |

Plans Net OPEB Liability

The net OPEB liability for the HIC and GLI represents the Plans' total OPEB liability determined in accordance with GAAP, less the associated fiduciary net position. As of June 30, 2017, the net liability amounts are as follows:

| | HIC | GLI |
|-----------------------------|-------------------------|-------------------------|
| Total OPEB Liability | \$ 1,364,702,000 | \$ 2,942,426,000 |
| Plan Fiduciary Net Position | 96,091,000 | 1,437,586,000 |
| Net OPEB Liability | <u>\$ 1,268,611,000</u> | <u>\$ 1,504,840,000</u> |

| | | |
|---|-------|--------|
| Plan Fiduciary Net Position as a percentage of the Total OPEB Liability | 7.04% | 48.86% |
|---|-------|--------|

CITY OF FAIRFAX, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 13B—OTHER POSTEMPLOYMENT BENEFITS – SCHOOL BOARD PLANS (CONTINUED)

The total OPEB liabilities are calculated by the VRS’s actuary, and the Plans’ fiduciary net position is reported in the VRS’s financial statements. The net OPEB liabilities are disclosed in accordance with the requirements of GAAP in the VRS’s notes to the financial statements and required supplementary information.

Long-Term Expected Rate of Return

The long-term expected rate of return on VRS investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of VRS 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 weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

| Asset Class | Target Allocation | Arithmetic Long-Term Expected Rate of Return | Weighted Average Long-Term Rate of Return |
|-------------------------------------|-------------------|--|---|
| Public Equity | 40.00% | 4.54% | 1.82% |
| Fixed Income | 15.00% | 0.69% | 0.10% |
| Credit Strategies | 15.00% | 3.96% | 0.59% |
| Real Assets | 15.00% | 5.76% | 0.86% |
| Private Equity | 15.00% | 9.53% | 1.43% |
| Total | 100.00% | | 4.80% |
| Inflation | | | 2.50% |
| *Expected arithmetic nominal return | | | 7.30% |

* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the HIC and GLI total OPEB liabilities was 7.00%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2019, the rate contributed by each school division for the VRS HIC and GLI will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, all agencies are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the HIC and GLI plans’ 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 OPEB liabilities.

CITY OF FAIRFAX, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 13B—OTHER POSTEMPLOYMENT BENEFITS – SCHOOL BOARD PLANS (CONTINUED)

Sensitivity of the School Board’s Proportionate Share of the Net OPEB Liabilities to Changes in the Discount Rate

The following presents the School Board’s proportionate share of the HIC and GLI net OPEB liabilities using the discount rate of 7.00%, as well as what the proportionate share of the net OPEB liabilities would be if they were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

| | 1.00% Lower (6.00%) | Current Discount Rate (7.00%) | 1.00% High (8.00%) |
|-----|------------------------|-------------------------------------|-----------------------|
| HIC | \$ 17,000 | \$ 15,000 | \$ 13,000 |
| GLI | 9,000 | 8,000 | 7,000 |

HIC and GLI Fiduciary Net Position

Detailed information about the HIC and GLI Fiduciary Net Position is available in the separately issued VRS 2017 CAFR. A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

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 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.

CITY OF FAIRFAX, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 15—COMMITMENTS AND CONTINGENCIES (CONTINUED)

While no matters of material 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, 2018, management is unaware of any liabilities related to this part of the sale agreement.

NOTE 16—LITIGATION

At June 30, 2018, 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, 2018, the City had several major projects under construction which are summarized below:

| | <u>Contract Amount</u> | <u>Expenditures through June 30, 2018</u> | <u>Contract Balance</u> |
|-------------------------|----------------------------|---|-----------------------------|
| Primary Government: | | | |
| Kamp Washington | \$ 2,604,758 | \$ 1,816,004 | \$ 788,754 |
| Northfax Storm Drainage | 19,047,671 | 14,127,650 | 4,920,021 |
| Street repaving | 1,755,613 | 1,734,172 | 21,441 |
| Total | <u>\$23,408,042</u> | <u>\$17,677,826</u> | <u>\$5,730,216</u> |

NOTE 18—DEFEASED DEBT

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, 2018, the City had \$77,148,000 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. 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.

CITY OF FAIRFAX, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 19—NEW ACCOUNTING STANDARDS (CONTINUED)

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, improves disclosures related to debt. 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. 90, *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*, improves reporting of information for certain component units. This statement is effective for the fiscal year ending June 30, 2020.

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 AND CHANGE IN ACCOUNTING ESTIMATE

The City's financial statements reflect the following prior period adjustments, which are summarized in the tables that follow:

1. The City has restated the beginning net position of the Governmental Activities, Business-type Activities, Wastewater Fund, Transportation Fund, and School Board to implement the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.
2. The City has restated the beginning net position of the Business-type Activities and Wastewater Fund to correct an understatement of accumulated depreciation reported in previously issued financial statements. The City's policy through fiscal year 2017 was to begin depreciation of its purchased capacity assets at the same time the County of Fairfax placed into service the related, underlying assets under construction. However, an analysis of when the County's assets had been placed in service had not been performed and, therefore, depreciation expense was not recognized dating back to fiscal year 2011. The City has consulted with the County and determined the depreciation to be recognized through fiscal year 2017. The impact on the 2017 change in net position of the Business-type Activities and Wastewater Fund would have been a reduction of \$368,620.

The City previously deferred depreciation of purchased capacity assets until the underlying assets under construction were placed into service by the County. Under the City's newly adopted method, depreciation of purchased capacity assets over their estimated useful lives begins upon capitalization. The effect of this change in estimate on the 2018 change in net position of the Business-type Activities and Wastewater fund is a reduction of \$496,552.

CITY OF FAIRFAX, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 20—PRIOR PERIOD ADJUSTMENT AND CHANGE IN ACCOUNTING ESTIMATE
(CONTINUED)

3. The City has restated the beginning net position of the Governmental Activities and School Board to correct the allocation of accumulated depreciation on jointly-owned assets reported in previously issued financial statements. The schedule used in prior years to allocate depreciation between the City and School under-reported depreciation for the City and over-reported depreciation for the School Board. The allocation schedule has been corrected to properly allocate depreciation between the two entities. The impact on the 2017 change in net position of the Governmental Activities and School Board would have been a reduction and increase, respectively, of \$1,331,203.

| | Governmental Activities | Wastewater Fund | Transportation Fund | Business-type Activities | School Board |
|---|----------------------------|---------------------|------------------------|-----------------------------|----------------------|
| Net Position - Beginning, as previously reported | \$ 72,764,460 | \$ 10,943,239 | \$ 551,134 | \$ 11,844,225 | \$ 3,498,748 |
| Change in accounting principle: | | | | | |
| (1) Net OPEB obligation, 7/1/2017 (GASB 45) | 5,216,517 | 126,812 | 406,665 | 533,477 | - |
| (1) Total OPEB liability, 7/1/2017 (GASB 75) | (12,932,860) | (275,167) | (550,335) | (825,502) | - |
| (1) Net OPEB liability, 7/1/2017 (GASB 75) | - | - | - | - | (24,000) |
| (1) OPEB contributions subsequent to the measurement date | - | - | - | - | 1,520 |
| Prior period adjustments - correction of error: | | | | | |
| (2) Accumulated depreciation | - | (906,400) | - | (906,400) | - |
| (3) Accumulated depreciation | (20,535,634) | - | - | - | 20,535,634 |
| Net Position - Beginning, as restated | <u>\$ 44,512,483</u> | <u>\$ 9,888,484</u> | <u>\$ 407,464</u> | <u>\$ 10,645,800</u> | <u>\$ 24,011,902</u> |

| | Governmental Activities - Jointly Owned Assets | Wastewater Fund - Intangibles | School Board - Buildings and Improvements |
|--|--|----------------------------------|---|
| Accumulated depreciation, as previously reported | \$ 17,388,659 | \$ 4,117,786 | \$ 43,778,635 |
| (2) Prior period adjustment | - | 906,400 | - |
| (3) Prior period adjustment | 20,535,634 | - | (20,535,634) |
| Accumulated depreciation, as restated | <u>\$ 37,924,293</u> | <u>\$ 5,024,186</u> | <u>\$ 23,243,001</u> |

NOTE 21—SUBSEQUENT EVENTS

The City has evaluated events and transactions through December 31, 2018, the date the financial statements were available to be issued. No recognition or disclosure was required.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF FAIRFAX, VIRGINIA

Exhibit 13

Schedule of Changes in Net OPEB Liability and Related Ratios - City Plan

For the Year Ended June 30,

| | <u>2018</u> |
|---|----------------------|
| Total OPEB Liability | |
| Service cost | \$ 479,137 |
| Interest | 489,539 |
| Differences between expected and actual experience | (37,111) |
| Changes of assumptions | (117,292) |
| Benefit payments, including refunds of member contributions | <u>(493,675)</u> |
| Net change in total OPEB liability | 320,598 |
| Total OPEB liability, beginning of year | <u>13,758,362</u> |
| Total OPEB liability, end of year (a) | <u>14,078,960</u> |
| Plan Fiduciary Net Pension | |
| Contributions - employer | 493,675 |
| Benefit payments, including refunds of member contributions | (493,675) |
| Net change in plan fiduciary net position | - |
| Plan fiduciary net position, beginning of year | <u>-</u> |
| Plan fiduciary net position, end of year (b) | <u>-</u> |
| Net OPEB liability (a - b) | <u>\$ 14,078,960</u> |
| Plan fiduciary net position as a percentage of the total OPEB liability | 0.00% |
| Covered-employee payroll | \$ 33,143,226 |
| Net OPEB liability as a percentage of covered-employee payroll | 42.48% |

Note: The City implemented GASB 75 in fiscal year 2018. Information for the previous years is unavailable.

CITY OF FAIRFAX, VIRGINIA

Exhibit 14

Schedule of OPEB Contributions and Related Ratios - City Plan

For the Year Ended June 30,

| | 2018 |
|--|---------------------|
| Actuarially determined contribution | \$ 946,802 |
| Contributions in relation to the actuarially determined contribution | 493,675 |
| Contribution excess (deficiency) | <u>\$ (453,127)</u> |
| Covered-employee payroll | \$ 33,143,226 |
| Contributions as a percentage of covered-employee payroll | 1.49% |

Notes to Schedule

Methods and assumptions used to determine contribution rates:

| | |
|-------------------------------|---|
| Actuarial cost method | Entry age normal |
| Amortization method | Level percent of payroll |
| Remaining amortization period | 29 years |
| Asset valuation method | N/A - no assets |
| Wage inflation | 3.50% |
| Price inflation | 3.00% |
| Salary increases | 4.0% to 8.5% |
| Investment rate of return | 4.00% |
| Retirement Age | Experience-based specific to eligibility condition and date of hire |
| Mortality | RP-2000 combined healthy mortality table projected to 2020 using projection scale AA |
| Health care trend rates | Initial trend of 9.0% gradually decreasing to an ultimate trend rate of 3.5% in year 10 |
| Excise tax | No load was applied in connection with the "Cadillac" tax |
| Aging factors | Based on the 2013 SOA study "Health Care Costs - From Birth to Death" |

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 2018 is the first year for this presentation, no other data is available. However, additional years will be included as they become available.

CITY OF FAIRFAX, VIRGINIA
Schedule of OPEB Information - Cost Sharing Plans

Exhibit 15

For the Year Ended June 30,

| | 2018** | 2017** |
|--|---------------|---------------|
| School Board - VRS GLI*: | | |
| Employer's proportion of the collective net OPEB liability | 0.00051% | 0.00050% |
| Employer's proportionate share of the collective net OPEB liability | \$ 8,000 | \$ 9,000 |
| Covered payroll | \$ 93,276 | \$ 85,543 |
| Employer's proportionate share of the net OPEB liability as a percentage of covered payroll | 8.58% | 10.52% |
| Plan fiduciary net position as a percentage of the total OPEB liability | 48.86% | not available |
| School Board - VRS HIC* | | |
| Employer's proportion of the collective net OPEB liability | 0.00118% | 0.00117% |
| Employer's proportionate share of the collective net OPEB liability | \$ 15,000 | \$ 15,000 |
| Covered payroll | \$ 93,276 | \$ 85,543 |
| Employer's proportionate share of the net OPEB liability as a percentage of covered payroll | 16.08% | 17.54% |
| Plan fiduciary net position as a percentage of the total OPEB liability | 7.04% | not available |

* Schedule is intended to show information for 10 years. Additional years will be included as they become available.

** Amounts are reported as of the measurement date of the collective net OPEB liability, which is June 30 of the prior fiscal year.

CITY OF FAIRFAX, VIRGINIA

Exhibit 16

Schedule of OPEB Contributions and Related Ratios - Cost Sharing Plans

For the Year Ended June 30,

| | <u>2018</u> | <u>2017</u> |
|--|-------------|-------------|
| School Board - VRS GLI*: | | |
| Contractually required contribution | \$ 495 | \$ 485 |
| Contributions in relation to the contractually required contribution | 495 | 485 |
| Contribution excess (deficiency) | <u>\$ -</u> | <u>\$ -</u> |
| Covered payroll | \$ 95,142 | \$ 93,276 |
| Contributions as a percentage of covered payroll | 0.52% | 0.52% |
| School Board - VRS HIC*: | | |
| Contractually required contribution | \$ 1,170 | \$ 1,035 |
| Contributions in relation to the contractually required contribution | 1,170 | 1,035 |
| Contribution excess (deficiency) | <u>\$ -</u> | <u>\$ -</u> |
| Covered payroll | \$ 95,142 | \$ 93,276 |
| Contributions as a percentage of covered payroll | 1.23% | 1.11% |

* Schedule is intended to show information for 10 years. Additional years will be included as they become available.

CITY OF FAIRFAX, VIRGINIA

Schedule of Changes in Net Pension Liability and Related Ratios

For the Year Ended June 30,

| | City - VRS | | | |
|--|---------------|---------------|---------------|---------------|
| | 2018 * | 2017 * | 2016 * | 2015 * |
| Total Pension Liability | | | | |
| Service cost | \$ 2,495,898 | \$ 2,423,842 | \$ 2,409,740 | \$ 2,553,033 |
| Interest | 10,484,207 | 10,049,084 | 9,813,324 | 9,430,342 |
| Benefit changes | - | - | 65,193 | - |
| Differences between expected and actual experience | (1,772,110) | 1,376,065 | (1,785,717) | - |
| Changes of assumptions | (2,275,619) | - | - | - |
| Benefit payments, including refunds of member contributions | (7,749,032) | (7,516,872) | (6,752,212) | (6,272,188) |
| Net change in total pension liability | 1,183,344 | 6,332,119 | 3,750,328 | 5,711,187 |
| Total pension liability, beginning of year | 153,648,901 | 147,316,782 | 143,566,454 | 137,855,267 |
| Total pension liability, end of year (a) | 154,832,245 | 153,648,901 | 147,316,782 | 143,566,454 |
| Plan Fiduciary Net Pension | | | | |
| Contributions - employer | 3,571,518 | 3,527,021 | 3,485,306 | 3,659,625 |
| Contributions - member | 1,633,968 | 1,393,173 | 1,355,267 | 1,374,989 |
| Net investment income | 13,186,788 | 1,867,356 | 4,869,624 | 14,717,193 |
| Benefit payments, including refunds of member contributions | (7,749,032) | (7,516,872) | (6,752,212) | (6,272,188) |
| Other | (11,711) | (800) | (1,026) | 776 |
| Administrative expenses | (77,024) | (68,917) | (67,435) | (79,665) |
| Net change in plan fiduciary net position | 10,554,507 | (799,039) | 2,889,524 | 13,400,730 |
| Plan fiduciary net position, beginning of year | 109,278,824 | 110,077,863 | 107,188,339 | 93,787,609 |
| Plan fiduciary net position, end of year (b) | 119,833,331 | 109,278,824 | 110,077,863 | 107,188,339 |
| Net pension liability (a - b) | \$ 34,998,914 | \$ 44,370,077 | \$ 37,238,919 | \$ 36,378,115 |
| Plan fiduciary net position as a percentage of the total pension liability | 77.40% | 71.12% | 74.72% | 74.66% |
| Covered payroll | \$ 27,718,964 | \$ 26,602,347 | \$ 26,210,225 | \$ 25,818,133 |
| Net pension liability as a percentage of covered payroll | 126.26% | 166.79% | 142.08% | 140.90% |

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

| City - General | | | | | City - Public Safety | | | | |
|----------------|---------------|---------------|---------------|----------------|----------------------|---------------|---------------|---------------|---------------|
| 2018 | 2017 | 2016 | 2015 | 2014 | 2018 | 2017 | 2016 | 2015 | 2014 |
| \$ 1,386,401 | \$ 1,353,611 | \$ 1,321,396 | \$ 1,223,136 | \$ 1,238,483 | \$ 1,692,697 | \$ 1,654,690 | \$ 1,660,398 | \$ 1,687,952 | \$ 1,721,480 |
| 4,037,857 | 3,857,917 | 3,825,762 | 3,724,963 | 3,693,905 | 4,955,670 | 4,689,991 | 4,608,292 | 4,549,584 | 4,482,529 |
| - | - | - | - | 40,012 | - | - | - | - | 143,528 |
| (450,350) | 765,030 | (1,571,490) | (517,432) | (1,277,224) | (1,069,579) | 1,807,081 | (1,105,294) | (1,642,507) | (1,925,872) |
| 3,791,472 | - | - | - | - | 3,892,883 | - | - | - | - |
| (3,459,673) | (3,194,674) | (3,036,116) | (2,936,859) | (3,517,912) | (4,447,734) | (4,021,835) | (3,878,524) | (3,544,481) | (3,278,507) |
| 5,305,707 | 2,781,884 | 539,552 | 1,493,808 | 177,264 | 5,023,937 | 4,129,927 | 1,284,872 | 1,050,548 | 1,143,158 |
| 60,856,745 | 58,074,861 | 57,535,309 | 56,041,501 | 55,864,237 | 74,794,855 | 70,664,928 | 69,380,056 | 68,329,508 | 67,186,350 |
| 66,162,452 | 60,856,745 | 58,074,861 | 57,535,309 | 56,041,501 | 79,818,792 | 74,794,855 | 70,664,928 | 69,380,056 | 68,329,508 |
| 796,752 | 745,267 | 758,268 | 1,064,636 | 876,511 | 1,261,540 | 1,173,293 | 1,359,471 | 1,854,639 | 1,772,644 |
| 530,846 | 508,749 | 489,511 | 478,806 | 512,116 | 812,118 | 800,484 | 777,157 | 781,168 | 816,864 |
| 3,617,908 | 6,142,906 | (861,774) | (598,006) | 6,985,339 | 4,079,768 | 6,654,814 | (933,589) | (647,840) | 7,567,450 |
| (3,459,673) | (3,194,674) | (3,036,116) | (2,936,859) | (3,517,912) | (4,447,734) | (4,021,835) | (3,878,524) | (3,544,481) | (3,278,507) |
| (133,202) | 9,100 | 30,167 | 23,402 | 24,368 | 122,489 | 9,858 | 32,681 | 25,352 | 26,399 |
| - | - | - | - | - | - | - | - | - | - |
| 1,352,631 | 4,211,348 | (2,619,944) | (1,968,021) | 4,880,422 | 1,828,181 | 4,616,614 | (2,642,804) | (1,531,162) | 6,904,850 |
| 58,308,787 | 54,097,439 | 56,717,383 | 58,685,404 | 53,804,982 | 66,027,652 | 61,411,038 | 64,053,842 | 65,585,004 | 58,680,154 |
| 59,661,418 | 58,308,787 | 54,097,439 | 56,717,383 | 58,685,404 | 67,855,833 | 66,027,652 | 61,411,038 | 64,053,842 | 65,585,004 |
| \$ 6,501,034 | \$ 2,547,958 | \$ 3,977,422 | \$ 817,926 | \$ (2,643,903) | \$ 11,962,959 | \$ 8,767,203 | \$ 9,253,890 | \$ 5,326,214 | \$ 2,744,504 |
| 90.17% | 95.81% | 93.15% | 98.58% | 104.72% | 85.01% | 88.28% | 86.90% | 92.32% | 95.98% |
| \$ 17,962,946 | \$ 17,308,380 | \$ 16,835,961 | \$ 16,374,172 | \$ 15,346,754 | \$ 11,570,282 | \$ 11,787,583 | \$ 11,490,902 | \$ 11,474,760 | \$ 11,561,315 |
| 36.19% | 14.72% | 23.62% | 5.00% | (17.23%) | 103.39% | 74.38% | 80.53% | 46.42% | 23.74% |

CITY OF FAIRFAX, VIRGINIA
Schedule of Contributions

Exhibit 18

For the Year Ended June 30,

| | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|---------------|---------------|---------------|---------------|---------------|
| General Plan **: | | | | | |
| Actuarially determined contribution | \$ 796,752 | \$ 745,267 | \$ 758,268 | \$ 1,064,636 | \$ 876,511 |
| Contributions in relation to the actuarially determined contribution | 796,752 | 745,267 | 758,268 | 1,064,636 | 876,511 |
| Contribution excess | - | - | - | - | - |
| Covered payroll | \$ 17,962,946 | \$ 17,308,380 | \$ 16,835,961 | \$ 16,374,172 | \$ 15,346,754 |
| Contributions as a percentage of covered payroll | 4.44% | 4.31% | 4.50% | 6.50% | 5.71% |
| Public Safety Plan **: | | | | | |
| Actuarially determined contribution | \$ 1,261,540 | \$ 1,173,293 | \$ 1,359,471 | \$ 1,854,639 | \$ 1,772,644 |
| Contributions in relation to the actuarially determined contribution | 1,261,540 | 1,173,293 | 1,359,471 | 1,854,639 | 1,772,644 |
| Contribution excess | - | - | - | - | - |
| Covered payroll | \$ 11,570,282 | \$ 11,787,583 | \$ 11,490,902 | \$ 11,474,760 | \$ 11,561,315 |
| Contributions as a percentage of covered payroll | 10.90% | 9.95% | 11.83% | 16.16% | 15.33% |
| City - VRS * | | | | | |
| Contractually required contribution | \$ 3,580,557 | \$ 3,630,653 | \$ 3,643,219 | \$ 3,547,379 | |
| Contributions in relation to the contractually required contribution | 3,580,557 | 3,630,653 | 3,643,219 | 3,547,379 | |
| Contribution excess | - | - | - | - | |
| Covered payroll | \$ 31,371,317 | \$ 27,718,964 | \$ 26,602,347 | \$ 26,210,225 | |
| Contributions as a percentage of covered payroll | 11.41% | 13.10% | 13.70% | 13.53% | |
| School Board - VRS * | | | | | |
| Contractually required contribution | \$ 13,674 | \$ 12,573 | \$ 12,404 | \$ 9,925 | |
| Contributions in relation to the contractually required contribution | 13,674 | 12,573 | 12,404 | 9,925 | |
| Contribution excess | - | - | - | - | |
| Covered payroll | \$ 95,142 | \$ 93,276 | \$ 89,423 | \$ 85,118 | |
| Contributions as a percentage of covered payroll | 14.37% | 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 normal actuarial cost method | Entry age normal actuarial cost method |
| Amortization method | Level percent of payroll | Level percent of payroll |
| Remaining amortization period | 8 years | 27 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, compou |
| 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 19

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

For the Year Ended June 30,

| | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|---|--------------|---------------|----------------|----------------|
| City Supplemental Retirement Plans | | | | |
| Annual money-weighted rate of return, net of investment expense | <u>6.60%</u> | <u>11.29%</u> | <u>(1.50%)</u> | <u>(1.40%)</u> |
| School Board's Proportionate Share of Net Pension Liability in VRS * | | | | |
| Proportion of the net pension liability | 0.00120% | 0.00117% | 0.00115% | 0.00116% |
| Proportionate share of the net pension liability | \$ 148,000 | \$ 164,000 | \$ 150,000 | \$ 140,000 |
| Covered payroll | \$ 93,276 | \$ 89,423 | \$ 85,118 | \$ 80,862 |
| Proportionate share of the net pension liability as a percentage of its covered payroll | 158.67% | 183.40% | 176.23% | 173.13% |
| Plan fiduciary net position as a percentage of the total pension liability | 68.28% | 68.28% | 70.68% | 70.88% |

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

Note: The City implemented GASB 68 in fiscal year 2015. Information for the previous years is unavailable.

OTHER SUPPLEMENTARY INFORMATION

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

Exhibit 20

June 30, 2018

| | Special Revenue Funds | | Capital Projects Fund | Total Nonmajor Governmental Funds |
|--|-----------------------|-----------------------------|--------------------------|---|
| | Legacy for Fairfax | Old Town Fairfax Fund | Stormwater Fund | |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 503,634 | \$ 400,151 | \$ 1,746,302 | \$ 2,650,087 |
| Accounts receivable, net of allowance for uncollectibles | - | 27,906 | - | 27,906 |
| Total Assets | <u>\$ 503,634</u> | <u>\$ 428,057</u> | <u>\$ 1,746,302</u> | <u>\$ 2,677,993</u> |
| LIABILITIES | | | | |
| Accounts payable | \$ - | 51,760 | \$ 571,655 | \$ 623,415 |
| Retainage payable | - | 460 | 26,936 | 27,396 |
| Due to other funds | - | 5,317 | - | 5,317 |
| Total Liabilities | <u>-</u> | <u>57,537</u> | <u>598,591</u> | <u>656,128</u> |
| FUND BALANCES | | | | |
| Restricted | 503,634 | - | - | 503,634 |
| Assigned | - | 370,520 | 1,147,711 | 1,518,231 |
| Total Fund Balances | <u>503,634</u> | <u>370,520</u> | <u>1,147,711</u> | <u>2,021,865</u> |
| Total Liabilities and Fund Balances | <u>\$ 503,634</u> | <u>\$ 428,057</u> | <u>\$ 1,746,302</u> | <u>\$ 2,677,993</u> |

CITY OF FAIRFAX, VIRGINIA

Exhibit 21

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

For the Year Ended June 30, 2018

| | Special Revenue Funds | | Capital Projects Fund | Total Nonmajor Governmental Funds |
|--|-----------------------|-----------------------|-----------------------|-----------------------------------|
| | Legacy for Fairfax | Old Town Fairfax Fund | Stormwater Fund | |
| Revenues: | | | | |
| Miscellaneous | \$ 27,967 | \$ - | \$ - | \$ 27,967 |
| Intergovernmental: | | | | |
| Commonwealth | - | - | 167,168 | 167,168 |
| Total Revenues | 27,967 | - | 167,168 | 195,135 |
| Expenditures: | | | | |
| Current: | | | | |
| Public works | - | 159,468 | 1,332,251 | 1,491,719 |
| Parks, recreation, and cultural | 12,591 | - | - | 12,591 |
| Total Expenditures | 12,591 | 159,468 | 1,332,251 | 1,504,310 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 15,376 | (159,468) | (1,165,083) | (1,309,175) |
| Other Financing Sources (Uses): | | | | |
| Transfers in | - | 202,438 | 1,595,106 | 1,797,544 |
| Transfers (out) | - | (275,936) | - | (275,936) |
| Total Other Financing Sources(Uses), Net | - | (73,498) | 1,595,106 | 1,521,608 |
| Net Changes in Fund Balances | 15,376 | (232,966) | 430,023 | 212,433 |
| Fund Balances, Beginning of Year | 488,258 | 603,486 | 717,688 | 1,809,432 |
| Fund Balances, End of Year | \$ 503,634 | \$ 370,520 | \$ 1,147,711 | \$ 2,021,865 |

CITY OF FAIRFAX, VIRGINIA

Exhibit 22

Combining Statement of Fiduciary Net Position -
Fiduciary Funds

June 30, 2018

| | City Supplemental Pension Trust Fund | Firefighters, Policemen and Policewoman Pension Trust Fund | Totals |
|--------------------------------------|---|---|-----------------------|
| ASSETS | | | |
| Mutual and money market funds | \$ 59,661,009 | \$ 67,855,367 | \$ 127,516,376 |
| Stocks | 7 | 8 | 15 |
| Accrued interest | 402 | 458 | 860 |
| Total Assets | <u>59,661,418</u> | <u>67,855,833</u> | <u>127,517,251</u> |
| NET POSITION | | | |
| Net position restricted for pensions | <u>\$ 59,661,418</u> | <u>\$ 67,855,833</u> | <u>\$ 127,517,251</u> |

CITY OF FAIRFAX, VIRGINIA

Exhibit 23

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

For the Year Ended June 30, 2018

| | City Supplemental Pension Trust Fund | Firefighters, Policemen and Policewoman Pension Trust Fund | Totals |
|---|---|---|-----------------------|
| Additions: | | | |
| Plan members and employer contributions | \$ 1,322,563 | \$ 2,067,980 | \$ 3,390,543 |
| Investment Income: | | | |
| Interest and dividends earned on investments | 637,383 | 718,751 | 1,356,134 |
| Gain on sale of securities | 1,366,503 | 1,540,949 | 2,907,452 |
| Net appreciation in fair value of investments | 2,005,267 | 2,261,259 | 4,266,526 |
| Total Investment Income | 4,009,153 | 4,520,959 | 8,530,112 |
| Less investment expenses | (391,245) | (441,191) | (832,436) |
| Net Investment Income | 3,617,908 | 4,079,768 | 7,697,676 |
| Total Additions | 4,940,471 | 6,147,748 | 11,088,219 |
| Deductions: | | | |
| Retirement and disability benefits | 3,587,840 | 4,319,567 | 7,907,407 |
| Total Deductions | 3,587,840 | 4,319,567 | 7,907,407 |
| Change in Net Position | 1,352,631 | 1,828,181 | 3,180,812 |
| Net Position Restricted for Pensions, Beginning of Year | 58,308,787 | 66,027,652 | 124,336,439 |
| Net Position Restricted for Pensions, End of Year | <u>\$ 59,661,418</u> | <u>\$ 67,855,833</u> | <u>\$ 127,517,251</u> |

CITY OF FAIRFAX, VIRGINIA

Exhibit 24

Combining Balance Sheet -

Discretely Presented Component Unit - School Board

June 30, 2018

| | School Operating Fund | School Bond Renovation Fund | Total |
|--|--------------------------------------|--|---------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ - | \$ 2,500 | \$ 2,500 |
| Advance to Fairfax County Public Schools | - | 552,745 | 552,745 |
| Due from other governments | 804,074 | - | 804,074 |
| Total Assets | <u>\$ 804,074</u> | <u>\$ 555,245</u> | <u>\$ 1,359,319</u> |
| LIABILITIES | | | |
| Due to Primary Government | 804,074 | - | 804,074 |
| Total Liabilities | <u>804,074</u> | <u>-</u> | <u>804,074</u> |
| FUND BALANCES | | | |
| Nonspendable - advance | - | 552,745 | 552,745 |
| Assigned - capital projects | - | 2,500 | 2,500 |
| Total Fund Balances | <u>-</u> | <u>555,245</u> | <u>555,245</u> |
| Total Liabilities and Fund Balances | <u>\$ 804,074</u> | <u>\$ 555,245</u> | <u>\$ 1,359,319</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, 2018

| | Governmental Funds |
|---|-------------------------------|
| Total fund balances - governmental funds | \$ 555,245 |
| 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 |
| Construction in progress | 19,829 |
| Buildings and improvements | 48,305,691 |
| Machinery and equipment | 1,444,541 |
| Less accumulated depreciation | <u>(29,057,369)</u> |
| | 22,093,807 |
| Deferred items: | |
| Pension - deferred outflows | 18,674 |
| Pension - deferred inflows | (16,000) |
| OPEB - deferred outflows | 1,665 |
| OPEB - deferred inflows | (1,000) |
| 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 | (29,517) |
| Net OPEB liability | (23,000) |
| Net pension liability | <u>(148,000)</u> |
| Net position of governmental activities | <u>\$ 22,451,874</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, 2018

| | School Operating Fund | School Bond Renovation Fund | Total |
|--|--------------------------------------|--|-------------------|
| Revenues: | | | |
| Revenue from use of money and property | \$ 1,694,319 | \$ - | \$ 1,694,319 |
| Charges for services | 682,418 | - | 682,418 |
| Intergovernmental: | | | |
| City contribution to the School Board | 38,120,686 | - | 38,120,686 |
| Commonwealth of Virginia | 7,922,539 | - | 7,922,539 |
| Total Revenues | 48,419,962 | - | 48,419,962 |
| Expenditures: | | | |
| Current: | | | |
| Education | 48,419,962 | 700,263 | 49,120,225 |
| Total Expenditures | 48,419,962 | 700,263 | 49,120,225 |
| Net Changes in Fund Balances | - | (700,263) | (700,263) |
| Fund Balances, Beginning of Year | - | 1,255,508 | 1,255,508 |
| Fund Balances, End of Year | <u>\$ -</u> | <u>\$ 555,245</u> | <u>\$ 555,245</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, 2018

| | <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 | \$ (700,263) |
| 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. | |
| Acquisitions of capital assets | 35,589 |
| Depreciation expense | (3,138,443) |
| Transfer of joint tenancy assets from Primary Government to Component Unit School Board, net | 2,252,557 |
| 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 | (9,714) |
| Change in OPEB related items | 145 |
| Change in pension related items | 101 |
| | <u> (9,468)</u> |
| Change in net position of governmental activities | <u>\$ (1,560,028)</u> |

CITY OF FAIRFAX, VIRGINIA

Exhibit 28

Combining Statement of Net Position -
Discretely Presented Nonmajor Component Units

June 30, 2018

| | Industrial Development Authority | Economic Development Authority | Total |
|--------------------------------------|---|---|---------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 833,382 | \$ 376,872 | \$ 1,210,254 |
| Inventory - property held for resale | - | 862,594 | 862,594 |
| Total Assets | <u>\$ 833,382</u> | <u>\$ 1,239,466</u> | <u>\$ 2,072,848</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>833,382</u> | <u>138,641</u> | <u>972,023</u> |
| Total Net Position | <u>833,382</u> | <u>138,641</u> | <u>972,023</u> |
| Total Liabilities and Net Position | <u>\$ 833,382</u> | <u>\$ 1,239,466</u> | <u>\$ 2,072,848</u> |

CITY OF FAIRFAX, VIRGINIA

Combining Statement of Activities -

Discretely Presented Nonmajor Component Units

For the Year Ended June 30, 2018

| <u>Functions/Programs</u> | <u>Expenses</u> | <u>Program Revenues</u> |
|----------------------------------|---------------------|-------------------------|
| Nonmajor Component Units: | | |
| Industrial Development Authority | \$ 973,034 | \$ - |
| Economic Development Authority | 158,978 | - |
| Total Nonmajor Component Units | <u>\$ 1,132,012</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 |
| \$ (973,034) | \$ - | \$ (973,034) |
| - | (158,978) | (158,978) |
| <u>(973,034)</u> | <u>(158,978)</u> | <u>(1,132,012)</u> |
| | | |
| <u>1,184,263</u> | <u>217,773</u> | <u>1,402,036</u> |
| <u>1,184,263</u> | <u>217,773</u> | <u>1,402,036</u> |
| 211,229 | 58,795 | 270,024 |
| 622,153 | 79,846 | 701,999 |
| <u>\$ 833,382</u> | <u>\$ 138,641</u> | <u>\$ 972,023</u> |

CITY OF FAIRFAX, VIRGINIA

Exhibit 30

Combining Balance Sheet -

Discretely Presented Nonmajor Component Units

June 30, 2018

| | Industrial Development Authority | Economic Development Authority | Total |
|-------------------------------------|---|---|---------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 833,382 | \$ 376,872 | \$ 1,210,254 |
| Total Assets | <u>\$ 833,382</u> | <u>\$ 376,872</u> | <u>\$ 1,210,254</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>833,382</u> | <u>(723,953)</u> | <u>109,429</u> |
| Total Fund Balances | <u>833,382</u> | <u>(723,953)</u> | <u>109,429</u> |
| Total Liabilities and Fund Balances | <u>\$ 833,382</u> | <u>\$ 376,872</u> | <u>\$ 1,210,254</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, 2018

| | Industrial Development Authority | Economic Development Authority | Totals |
|---|---|---|-------------------|
| Total fund balances - governmental funds | \$ 833,382 | \$ (723,953) | \$ 109,429 |
| 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>\$ 833,382</u> | <u>\$ 138,641</u> | <u>\$ 972,023</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, 2018

| | Industrial Development Authority | Economic Development Authority | Totals |
|--|---|---|-------------------|
| Revenues: | | | |
| Revenue from use of money and property | \$ 1,184,263 | \$ 217,773 | \$ 1,402,036 |
| Total Revenues | <u>1,184,263</u> | <u>217,773</u> | <u>1,402,036</u> |
| Expenditures: | | | |
| Current: | | | |
| Planning and community development | <u>973,034</u> | <u>158,978</u> | <u>1,132,012</u> |
| Total Expenditures | <u>973,034</u> | <u>158,978</u> | <u>1,132,012</u> |
| Excess of Revenues Over Expenditures | <u>211,229</u> | <u>58,795</u> | <u>270,024</u> |
| Net Changes in Fund Balances | 211,229 | 58,795 | 270,024 |
| Fund Balances, Beginning of Year | 622,153 | (782,748) | (160,595) |
| Fund Balances, End of Year | <u>\$ 833,382</u> | <u>\$ (723,953)</u> | <u>\$ 109,429</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.

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

For the Year Ended June 30,

| | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| Governmental Activities: | | | | |
| Net investment in capital assets | \$ 34,396,876 | \$ 39,308,283 | \$ 39,486,639 | \$ 50,255,490 |
| Restricted | - | - | - | - |
| Unrestricted | <u>23,158,474</u> | <u>25,359,148</u> | <u>24,969,176</u> | <u>20,076,021</u> |
| Total Governmental Activities Net Position | <u>\$ 57,555,350</u> | <u>\$ 64,667,431</u> | <u>\$ 64,455,815</u> | <u>\$ 70,331,511</u> |
| Business-type Activities: | | | | |
| Net investment in capital assets | \$ 24,450,435 | \$ 24,498,812 | \$ 22,938,374 | \$ 23,422,114 |
| Unrestricted | <u>2,854,098</u> | <u>3,697,754</u> | <u>4,709,709</u> | <u>2,536,617</u> |
| Total Business-type Activities Net Position | <u>\$ 27,304,533</u> | <u>\$ 28,196,566</u> | <u>\$ 27,648,083</u> | <u>\$ 25,958,731</u> |
| Primary Government: | | | | |
| Net investment in capital assets | \$ 58,847,311 | \$ 63,807,095 | \$ 62,425,013 | \$ 73,677,604 |
| Restricted | - | - | - | - |
| Unrestricted (deficit) | <u>26,012,572</u> | <u>29,056,902</u> | <u>29,678,885</u> | <u>22,612,638</u> |
| Total Primary Government Net Position | <u>\$ 84,859,883</u> | <u>\$ 92,863,997</u> | <u>\$ 92,103,898</u> | <u>\$ 96,290,242</u> |
| Component Units: | | | | |
| Component Unit - School Board: | | | | |
| Net investment in capital assets | \$ 13,508,352 | \$ 14,268,025 | \$ 13,162,745 | \$ 9,923,786 |
| Unrestricted | <u>2,947,883</u> | <u>2,401,691</u> | <u>1,664,486</u> | <u>1,345,893</u> |
| Total Component Unit - School Board Net Position | <u>\$ 16,456,235</u> | <u>\$ 16,669,716</u> | <u>\$ 14,827,231</u> | <u>\$ 11,269,679</u> |
| Component Unit - All Other Aggregate: | | | | |
| Unrestricted | <u>(106,376)</u> | <u>(170,104)</u> | <u>(10,165)</u> | <u>(16,352)</u> |
| Total Component Unit - All Other Aggregate Net Position | <u>\$ (106,376)</u> | <u>\$ (170,104)</u> | <u>\$ (10,165)</u> | <u>\$ (16,352)</u> |
| Component Units: | | | | |
| Net investment in capital assets | \$ 13,508,352 | \$ 14,268,025 | \$ 13,162,745 | \$ 9,923,786 |
| Unrestricted | <u>2,841,507</u> | <u>2,231,587</u> | <u>1,654,321</u> | <u>1,329,541</u> |
| Total Component Units Net Position | <u>\$ 16,349,859</u> | <u>\$ 16,499,612</u> | <u>\$ 14,817,066</u> | <u>\$ 11,253,327</u> |
| Total Reporting Entity: | | | | |
| Net investment in capital assets | \$ 72,355,663 | \$ 78,075,120 | \$ 75,587,758 | \$ 83,601,390 |
| Restricted | - | - | - | - |
| Unrestricted (deficit) | <u>28,854,079</u> | <u>31,288,489</u> | <u>31,333,206</u> | <u>23,942,179</u> |
| Total Reporting Entity Net Position | <u>\$ 101,209,742</u> | <u>\$ 109,363,609</u> | <u>\$ 106,920,964</u> | <u>\$ 107,543,569</u> |

Table 1

| 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|-----------------------|-----------------------|----------------------|----------------------|----------------------|----------------------|
| \$ 53,890,492 | \$ 63,399,428 | \$ 65,367,317 | \$ 71,652,799 | \$ 89,994,608 | \$ 92,745,685 |
| - | - | - | 1,853,012 | - | - |
| 20,325,737 | 18,424,001 | (15,838,209) | (12,935,193) | (17,230,148) | (33,651,416) |
| <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> | <u>\$ 59,094,269</u> |
| \$ 25,745,684 | \$ 7,100,899 | \$ 12,154,408 | \$ 13,084,192 | \$ 16,760,073 | \$ 14,815,699 |
| 1,471,619 | 3,678,285 | (3,269,148) | (2,464,223) | (4,915,848) | (3,331,788) |
| <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> | <u>\$ 11,483,911</u> |
| \$ 79,636,176 | \$ 70,500,327 | \$ 77,521,725 | \$ 84,736,991 | \$ 106,754,681 | \$ 107,561,384 |
| - | - | - | 1,853,012 | - | - |
| 21,797,356 | 22,102,286 | (19,107,357) | (15,399,416) | (22,145,996) | (36,983,204) |
| <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> | <u>\$ 70,578,180</u> |
| \$ 8,786,215 | \$ 7,567,026 | \$ 5,943,493 | \$ 4,215,500 | \$ 2,408,470 | \$ 22,093,807 |
| 1,350,904 | 1,323,608 | 1,060,848 | 1,065,071 | 1,090,278 | 358,067 |
| <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> | <u>\$ 22,451,874</u> |
| 427,561 | 537,986 | 501,631 | 438,089 | 701,999 | 972,023 |
| <u>\$ 427,561</u> | <u>\$ 537,986</u> | <u>\$ 501,631</u> | <u>\$ 438,089</u> | <u>\$ 701,999</u> | <u>\$ 972,023</u> |
| \$ 8,786,215 | \$ 7,567,026 | \$ 5,943,493 | \$ 4,215,500 | \$ 2,408,470 | \$ 22,093,807 |
| 1,778,465 | 1,861,594 | 1,562,479 | 1,503,160 | 1,792,277 | 1,330,090 |
| <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> | <u>\$ 23,423,897</u> |
| \$ 88,422,391 | \$ 78,067,353 | \$ 83,465,218 | \$ 88,952,491 | \$ 109,163,151 | \$ 129,655,191 |
| - | - | - | 1,853,012 | - | - |
| 23,575,821 | 23,963,880 | (17,544,878) | (13,896,256) | (20,353,719) | (35,653,114) |
| <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> | <u>\$ 94,002,077</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,

| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Expenses: | | | | | | | | | | |
| Governmental Activities: | | | | | | | | | | |
| General government administration | \$ 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 | \$ 13,246,118 |
| Judicial administration | 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 | 2,849,199 |
| Public safety | 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 | 29,330,107 |
| Public works | 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 | 24,659,649 |
| Health and social services | 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 | 6,385,447 |
| Parks, recreation, and cultural | 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 | 7,423,229 |
| Planning and community development | 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 | 2,853,045 |
| Education | 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 | 43,851,048 |
| Interest | 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 | 3,770,205 |
| Total Government Activities Expenses | 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 | 134,368,047 |
| Business-type Activities: | | | | | | | | | | |
| Sewer | 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 | 6,985,840 |
| Water | 8,420,622 | 8,503,675 | 9,706,260 | 9,286,729 | 9,116,938 | 7,199,246 | 102,544 | 96,419 | 62 | - |
| Transportation | 3,048,667 | 2,981,900 | 2,977,867 | 2,977,927 | 3,126,339 | 3,472,495 | 3,481,209 | 6,646,669 | 4,211,823 | 4,190,978 |
| Total Business-type Activities Expenses | 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 | 11,176,818 |
| Total Primary Government Expenses | 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 | 145,544,865 |
| Program Revenue: | | | | | | | | | | |
| Governmental Activities: | | | | | | | | | | |
| Charges for Services: | | | | | | | | | | |
| General Government Administration | 239,652 | 263,865 | 291,048 | 386,170 | 323,121 | 242,671 | 318,520 | 310,464 | 294,818 | 295,811 |
| Judicial administration | 768,841 | 855,289 | 1,005,567 | 1,026,807 | 944,447 | 1,011,907 | 1,331,838 | 1,369,624 | 1,450,925 | 1,540,749 |
| Public safety | 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 | 2,223,789 |
| Public works | 345,774 | 378,634 | 624,368 | 382,035 | 369,964 | 436,455 | 433,037 | 424,200 | 470,969 | 538,581 |
| Parks, recreation, and cultural | 918,688 | 946,381 | 1,027,621 | 1,075,741 | 991,345 | 996,192 | 1,103,761 | 1,292,436 | 1,278,022 | 1,499,689 |
| Planning and community development | 284,462 | 386,282 | 282,954 | 358,896 | 288,651 | 336,430 | 377,567 | 277,677 | 226,924 | 276,205 |
| Operating Grants and Contributions: | | | | | | | | | | |
| General Government Administration | 335,316 | 301,953 | 262,777 | 271,658 | 260,485 | 276,398 | 335,323 | 344,923 | 444,375 | 480,771 |
| Public safety | 1,361,192 | 1,480,939 | 1,278,573 | 969,851 | 912,478 | 1,340,855 | - | 1,093,181 | 1,335,099 | 1,890,426 |
| Public works | 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 | 2,700,501 |
| Parks, recreation, and cultural | 5,000 | 30,499 | 23,084 | 19,245 | - | 32,500 | 2,449,215 | 801,116 | 810,779 | 844,490 |
| Planning and community development | 79,307 | - | - | - | 3,527 | - | - | - | - | - |
| Capital Grants and Contributions: | | | | | | | | | | |
| Public safety | - | - | - | - | - | - | - | - | - | 600,000 |
| Public works | 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 | 18,189,782 |
| Total Governmental Activities Program Revenue | 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 | 31,080,794 |
| Business-type Activities: | | | | | | | | | | |
| Charges for Services: | | | | | | | | | | |
| Sewer | 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 | 9,000,919 |
| Water | 8,893,201 | 9,319,840 | 9,141,327 | 7,765,200 | 9,835,466 | 5,418,292 | - | - | - | - |
| Transportation | 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 | 793,755 |
| Operating Grants and Contributions: | | | | | | | | | | |
| Sewer | - | - | - | - | 209,767 | 284,508 | - | - | - | - |
| Water | - | - | - | - | 193,631 | 89,845 | - | - | - | - |
| Transportation | 1,103,651 | 1,707,647 | 1,814,754 | 1,039,435 | 1,122,784 | 224,602 | 855,874 | 3,045,305 | 828,000 | 227,467 |
| Capital Grants and Contributions: | | | | | | | | | | |
| Sewer | - | - | 92,064 | 209,767 | - | - | - | - | - | - |
| Water | - | - | 84,982 | 193,631 | - | - | - | - | - | - |
| Transportation | - | - | - | - | - | - | - | 2,536,210 | - | - |
| Total Business-type Activities Program Revenue | 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 | 10,022,141 |
| Total Primary Government Program Revenues | 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 | 41,102,935 |
| Net (Expense) Revenue: | | | | | | | | | | |
| Governmental activities | (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) | (103,287,253) |
| Business-type activities | (1,262,768) | 115,549 | (594,185) | (2,172,310) | 1,527,023 | (3,999,937) | (768,635) | 109,585 | (1,118,392) | (1,154,677) |
| Total Primary Government Net Expense | (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) | (104,441,930) |

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,

| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---------------------|---------------------|-----------------------|-----------------------|---------------------|-----------------------|---------------------|----------------------|----------------------|----------------------|
| General Revenues and Other Changes in Net Position: | | | | | | | | | | |
| Governmental Activities: | | | | | | | | | | |
| Taxes: | | | | | | | | | | |
| General property | \$ 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 | \$ 77,535,525 |
| Local Sales | 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 | 11,721,703 |
| Business license | 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 | 8,745,395 |
| Consumer utility | 1,512,860 | 1,547,114 | 1,551,010 | 1,727,091 | 1,704,649 | 1,653,003 | 1,710,251 | 1,660,434 | 1,524,189 | 1,607,476 |
| Meals | 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 | 5,967,535 |
| Other local taxes | 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 | 8,461,494 |
| Intergovernmental, other than grants | 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 | 3,486,573 |
| Gain/(loss) on disposal of capital assets | - | 2,915,936 | - | - | 582,790 | - | - | - | - | - |
| Use of money and property | 946,400 | 350,867 | 282,100 | 161,424 | 130,632 | 628,143 | 896,735 | 734,272 | 929,833 | 1,366,908 |
| Miscellaneous | 1,244,816 | 2,200,585 | 2,845,072 | 372,970 | 491,046 | 7,088,666 | 2,462,153 | 1,221,634 | 345,723 | 400,836 |
| Transfers | (1,015,000) | (780,000) | (20,511) | (428,000) | (115,181) | 9,248 | (310,186) | (774,752) | (1,563,574) | (1,424,406) |
| Total Governmental Activities | 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 | 117,869,039 |
| Business-type Activities: | | | | | | | | | | |
| Use of money and property | 62,540 | (3,516) | 25,191 | 54,958 | 48,589 | 26,106 | 24,836 | 428,437 | 93,898 | 192,214 |
| Special Items | - | - | - | - | - | (12,455,040) | 666,219 | 421,935 | - | - |
| Miscellaneous | - | - | - | - | - | - | - | - | 375,765 | 376,168 |
| Transfers | 1,015,000 | 780,000 | 20,511 | 428,000 | 115,181 | (9,248) | 310,186 | 774,752 | 1,563,574 | 1,424,406 |
| Total Business-type Activities | 1,077,540 | 776,484 | 45,702 | 482,958 | 163,770 | (12,438,182) | 1,001,241 | 1,625,124 | 2,033,237 | 1,992,788 |
| Total Primary Government | 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 | 119,861,827 |
| Changes in Net Position: | | | | | | | | | | |
| Governmental activities | 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 | 14,581,786 |
| Business-type activities | (185,228) | 892,033 | (548,483) | (1,689,352) | 1,690,793 | (16,438,119) | 232,606 | 1,734,709 | 914,845 | 838,111 |
| Total Primary Government | 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 | 15,419,897 |
| Component Units: | | | | | | | | | | |
| Component unit - School Board: | | | | | | | | | | |
| Expenses: | | | | | | | | | | |
| Instruction | 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 | 52,232,547 |
| Total Expenses | 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 | 52,232,547 |
| Program Revenues: | | | | | | | | | | |
| Charges for services | 396,955 | 406,213 | 421,973 | 445,037 | 490,199 | 500,072 | 532,062 | 605,906 | 635,693 | 682,418 |
| Operating grants and contributions | 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 | 7,922,539 |
| Capital grants and contributions | - | - | - | - | - | - | - | - | - | 2,252,557 |
| Total Program Revenues | 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 | 10,857,514 |
| Net Expense | (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) | (41,375,033) |
| General Revenues and Other Changes in Net Position: | | | | | | | | | | |
| Component Unit-School Board: | | | | | | | | | | |
| Grants and contributions not restricted to specific programs | 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 | 38,120,686 |
| Use of money and property | 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 | 1,694,319 |
| Gain/(loss) on disposal of capital assets | (3,145,761) | - | - | - | - | - | - | - | - | - |
| Miscellaneous | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 | - | - | - | - | - |
| Total General Revenues and Other Changes in Net Position | 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 | 39,815,005 |
| Total Component Unit - School Board Change in Net Position | (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) | (1,560,028) |
| Component Unit - All Others Aggregate | | | | | | | | | | |
| Expenses: | | | | | | | | | | |
| Renaissance Housing Corporation | - | - | - | - | - | - | - | - | - | - |
| Industrial Development Authority | 783,726 | 821,075 | 834,312 | 760,708 | 474,560 | 866,228 | 42,028 | 1,025,749 | 860,192 | 973,034 |
| Economic Development Authority | 203,086 | 195,187 | 85,840 | 170,861 | 59,406 | 3,487 | 10,593 | 3,892 | 72,134 | 158,978 |
| Total Expenses | 986,812 | 1,016,262 | 920,152 | 931,569 | 533,966 | 869,715 | 52,621 | 1,029,641 | 932,326 | 1,132,012 |
| General Revenues and Other Changes in Net Position: | | | | | | | | | | |
| Net Position: | | | | | | | | | | |
| Use of money and property | 4,711 | 1,012 | 332 | 388 | 174 | 18,504 | 16,201 | 966,099 | 1,196,236 | 1,402,036 |
| Miscellaneous | 27,000 | 25,617 | 50,100 | 85,986 | - | - | - | - | - | - |
| Charges for services | 875,874 | 925,905 | 1,029,659 | 789,008 | 795,560 | 961,636 | 65 | - | - | - |
| Total General Revenues and Other Changes in Net Position | 907,585 | 952,534 | 1,080,091 | 875,382 | 795,734 | 980,140 | 16,266 | 966,099 | 1,196,236 | 1,402,036 |
| Total Component Unit - All Others Aggregate Change in Net Position | (79,227) | (63,728) | 159,939 | (56,187) | 261,768 | 110,425 | (36,355) | (63,542) | 263,910 | 270,024 |
| Total Component Units Change in Net Position | (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) | (1,290,004) |
| Total Reporting Entity Change in Net Position | \$ 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 | \$ 14,129,893 |

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>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|
| Primary Government: | | | | | |
| Governmental Activities: | | | | | |
| General government administration | \$ 574,968 | \$ 565,818 | \$ 553,825 | \$ 657,828 | \$ 583,606 |
| Judicial administration | 768,841 | 855,289 | 1,005,567 | 1,026,807 | 944,447 |
| Public safety | 2,933,092 | 3,156,009 | 2,978,716 | 3,603,710 | 3,610,023 |
| Public works | 4,876,234 | 3,094,193 | 4,480,497 | 4,797,389 | 4,435,093 |
| Parks, recreation, and cultural | 923,688 | 976,880 | 1,050,705 | 1,094,986 | 991,345 |
| Planning and community development | 363,769 | 386,282 | 282,954 | 358,896 | 292,178 |
| Total Governmental Activities | <u>10,440,592</u> | <u>9,034,471</u> | <u>10,352,264</u> | <u>11,539,616</u> | <u>10,856,692</u> |
| Business-type Activities: | | | | | |
| Sewer | 3,323,391 | 3,532,646 | 4,270,816 | 4,709,696 | 5,431,654 |
| Water | 8,893,201 | 9,319,840 | 9,226,309 | 7,958,831 | 10,029,097 |
| Transportation | 1,950,476 | 2,519,217 | 3,009,846 | 2,192,675 | 2,455,436 |
| Total Business-type Activities | <u>14,167,068</u> | <u>15,371,703</u> | <u>16,506,971</u> | <u>14,861,202</u> | <u>17,916,187</u> |
| Total Government | <u>24,607,660</u> | <u>24,406,174</u> | <u>26,859,235</u> | <u>26,400,818</u> | <u>28,772,879</u> |
| Component Units: | | | | | |
| Component Unit - School Board: | | | | | |
| Instruction | <u>7,367,709</u> | <u>7,186,929</u> | <u>6,731,757</u> | <u>7,240,176</u> | <u>7,820,146</u> |
| Component Units - All Others Aggregate: | | | | | |
| Industrial Development Authority | 819,095 | 866,044 | 963,797 | 747,255 | 782,732 |
| Economic Development Authority | 56,779 | 59,861 | 65,862 | 66,753 | 12,828 |
| Total Nonmajor Component Units | <u>875,874</u> | <u>925,905</u> | <u>1,029,659</u> | <u>814,008</u> | <u>795,560</u> |
| Total Reporting Entity | <u>\$ 32,851,243</u> | <u>\$ 32,519,008</u> | <u>\$ 34,620,651</u> | <u>\$ 34,455,002</u> | <u>\$ 37,388,585</u> |

Table 3

| | 2014 | 2015 | 2016 | 2017 | 2018 |
|----|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| \$ | 519,069 | \$ 653,843 | \$ 655,387 | \$ 739,193 | \$ 776,582 |
| | 1,011,907 | 1,331,838 | 1,369,624 | 1,450,925 | 1,540,749 |
| | 3,592,461 | 3,176,328 | 3,018,018 | 3,378,108 | 4,714,215 |
| | 6,089,042 | 9,917,522 | 14,105,298 | 14,568,952 | 21,428,864 |
| | 1,028,692 | 1,103,761 | 2,093,552 | 2,088,801 | 2,344,179 |
| | 336,430 | 377,567 | 277,677 | 226,924 | 276,205 |
| | <u>12,577,601</u> | <u>16,560,859</u> | <u>21,519,556</u> | <u>22,452,903</u> | <u>31,080,794</u> |
| | 5,037,310 | 6,095,415 | 6,346,155 | 7,572,436 | 9,000,919 |
| | 5,508,137 | - | - | - | - |
| | 1,523,155 | 2,165,151 | 4,546,880 | 2,053,567 | 1,021,222 |
| | <u>12,068,602</u> | <u>8,260,566</u> | <u>10,893,035</u> | <u>9,626,003</u> | <u>10,022,141</u> |
| | <u>24,646,203</u> | <u>24,821,425</u> | <u>32,412,591</u> | <u>32,078,906</u> | <u>41,102,935</u> |
| | 7,615,571 | 8,094,638 | 8,391,345 | 8,803,853 | 10,857,514 |
| | 961,636 | 65 | - | - | - |
| | - | - | - | - | - |
| | <u>961,636</u> | <u>65</u> | <u>-</u> | <u>-</u> | <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> | <u><u>51,960,449</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>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013*</u> |
|-------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| General Fund: | | | | | |
| Reserved | \$ 1,278,465 | \$ 1,254,535 | \$ - | \$ - | \$ - |
| Unreserved | 14,420,568 | 15,569,904 | - | - | - |
| Nonspendable | - | - | 810,071 | 705,866 | 724,455 |
| Restricted | - | - | 66,439 | 4,598,270 | 188,048 |
| Assigned | - | - | 470,845 | 597,541 | 4,422,688 |
| Unassigned | - | - | 15,171,679 | 13,205,665 | 16,288,209 |
| Total General Fund | <u>\$ 15,699,033</u> | <u>\$ 16,824,439</u> | <u>\$ 16,519,034</u> | <u>\$ 19,107,342</u> | <u>\$ 21,623,400</u> |
| All Other Governmental Funds: | | | | | |
| Reserved | \$ 8,581,428 | \$ 6,682,971 | \$ - | \$ - | \$ - |
| Unreserved, reported in: | | | | | |
| Capital projects funds | 10,360,928 | 10,959,407 | - | - | - |
| Nonspendable | - | - | 4,056,171 | 4,075,739 | 4,061,007 |
| Restricted | - | - | 135,766 | 169,362 | 192,927 |
| Committed | - | - | 590,673 | 2,454,002 | 579,763 |
| Assigned | - | - | 10,662,464 | 6,202,671 | 4,766,255 |
| Unassigned* | - | - | - | - | (568,873) |
| Total Reporting Entity | <u>\$ 18,942,356</u> | <u>\$ 17,642,378</u> | <u>\$ 15,445,074</u> | <u>\$ 12,901,774</u> | <u>\$ 9,031,079</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

| | 2014 | 2015 | 2016 | 2017 | 2018 |
|-----------|-------------------|----------------------|----------------------|----------------------|----------------------|
| \$ | - | \$ - | \$ - | \$ - | \$ - |
| | - | - | - | - | - |
| | 793,671 | 834,723 | 1,037,026 | 1,154,363 | 950,369 |
| | 230,671 | 623,913 | 557,948 | 618,971 | 12,210,339 |
| | 381,377 | 484,181 | 507,402 | 352,661 | 249,088 |
| | 15,130,848 | 13,429,441 | 14,734,868 | 16,931,385 | 18,087,673 |
| \$ | 16,536,567 | \$ 15,372,258 | \$ 16,837,244 | \$ 19,057,380 | \$ 31,497,469 |
| | | | | | |
| \$ | - | \$ - | \$ - | \$ - | \$ - |
| | - | - | - | - | - |
| | - | 61,611 | 5,065 | - | - |
| | 514,198 | 4,272,822 | 2,478,724 | 2,934,918 | 1,334,510 |
| | 7,534,934 | 3,507,814 | 5,304,227 | 3,659,521 | 4,346,426 |
| | 10,788,822 | 9,131,829 | 10,280,944 | 9,980,238 | 11,657,324 |
| | - | - | - | - | - |
| \$ | 18,837,954 | \$ 16,974,076 | \$ 18,068,960 | \$ 16,574,677 | \$ 17,338,260 |

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,

| | 2009 | 2010 | 2011 | 2012 |
|---|----------------|----------------|----------------|----------------|
| Revenues: | | | | |
| General property taxes | \$ 55,639,263 | \$ 56,070,278 | \$ 56,771,987 | \$ 57,920,903 |
| Other local taxes | 29,080,239 | 28,091,384 | 28,665,267 | 30,248,908 |
| Permits, privilege fees, and licenses | 1,228,451 | 1,484,843 | 1,434,252 | 1,843,288 |
| Fines and forfeitures | 873,601 | 919,492 | 1,041,171 | 1,288,332 |
| Use of money and property | 946,400 | 350,867 | 282,100 | 379,849 |
| Charges for services | 2,027,265 | 2,101,186 | 2,456,278 | 2,731,888 |
| Miscellaneous | 1,244,816 | 2,200,585 | 2,845,072 | 372,970 |
| Recovered costs | 420,009 | 3,244,991 | - | - |
| Intergovernmental | 10,552,826 | 11,024,414 | 11,806,319 | 12,023,789 |
| Total Revenues | 102,012,870 | 105,488,040 | 105,302,446 | 106,809,927 |
| Expenditures: | | | | |
| General government administration | 6,954,234 | 7,123,209 | 7,120,746 | 7,342,947 |
| Judicial administration | 1,720,033 | 1,950,422 | 1,728,595 | 1,920,697 |
| Public safety | 21,745,756 | 21,821,855 | 22,457,743 | 22,542,972 |
| Public works | 15,269,159 | 17,229,424 | 15,846,187 | 16,711,634 |
| Health and welfare | 4,746,065 | 4,787,163 | 4,666,290 | 4,757,819 |
| Education | 27,724,105 | 28,571,397 | 30,181,608 | 32,168,415 |
| Parks, recreation, and cultural | 8,977,780 | 7,401,377 | 7,938,260 | 5,556,258 |
| Planning and community development | 3,505,001 | 3,988,566 | 3,322,835 | 2,777,070 |
| Debt service: | | | | |
| Principal | 6,951,253 | 7,003,215 | 7,549,852 | 12,125,002 |
| Interest and fiscal charges | 8,319,147 | 8,482,176 | 7,890,102 | 7,645,385 |
| Total Expenditures | 105,912,533 | 108,358,804 | 108,702,218 | 113,548,199 |
| Excess of Revenues (Under) Expenditures | (3,899,663) | (2,870,764) | (3,399,772) | (6,738,272) |
| Other Financing Sources (Uses): | | | | |
| Transfers in | 3,383,729 | 5,441,825 | 3,570,275 | 4,802,436 |
| Transfers out | (4,398,729) | (6,221,825) | (3,590,786) | (5,230,436) |
| Issuance of debt | - | - | 690,807 | 6,819,091 |
| Proceeds from the sale of capital assets | - | 3,129,357 | - | - |
| Issuance of refunding bonds | - | 32,480,000 | 19,905,800 | 64,066,000 |
| Payment to refunded bond escrow agent | - | (35,442,932) | (19,679,033) | (63,673,811) |
| Premium on issuance of debt | - | 3,309,767 | - | - |
| Total Other Financing Sources (Uses), net | (1,015,000) | 2,696,192 | 897,063 | 6,783,280 |
| Net Changes in Fund Balance | \$ (4,914,663) | \$ (174,572) | \$ (2,502,709) | \$ 45,008 |
| Debt Service as a Percentage of Noncapital Expenditures: | | | | |
| Primary Government: | | | | |
| Total debt service | \$ 15,270,400 | \$ 15,485,391 | \$ 15,439,954 | \$ 19,770,387 |
| Total Expenditures | 105,912,533 | 108,358,804 | 108,702,218 | 113,548,199 |
| Less capital outlay - Primary Government | 9,842,310 | 11,609,406 | 5,712,018 | 4,991,167 |
| Noncapital Expenditures | \$ 96,070,223 | \$ 96,749,398 | \$ 102,990,200 | \$ 108,557,032 |
| Debt Service as a Percentage of Noncapital Expenditures | 15.90% | 16.01% | 14.99% | 18.21% |
| Component Units: (2) | | | | |
| Expenditures: | | | | |
| School board | \$ 41,994,373 | \$ 37,941,520 | \$ 39,434,345 | \$ 41,509,575 |
| All other aggregate | 986,812 | 1,018,335 | 935,843 | 935,843 |
| Less capital outlay - school board | 1,532,448 | 227,897 | - | 2,473,840 |
| Noncapital Expenditures | 41,448,737 | 38,731,958 | 40,370,188 | 39,971,578 |
| Total Reporting Entity: | | | | |
| Total Noncapital Expenditures (3) | \$ 107,789,125 | \$ 106,925,459 | \$ 113,118,045 | \$ 116,444,823 |
| Debt Service as a Percentage of Noncapital Expenditures | 14.17% | 14.48% | 13.65% | 16.98% |

Notes:

- (1) For fiscal years 2009 through 2018, the amounts used for capital outlay were obtained from the Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities.
- (2) 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

| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|----|--------------|----------------|----------------|----------------|----------------|----------------|
| \$ | 64,350,723 | \$ 66,650,305 | \$ 68,513,720 | \$ 72,377,725 | \$ 72,039,315 | \$ 76,305,278 |
| | 30,808,906 | 32,082,834 | 31,971,371 | 36,900,641 | 36,854,900 | 37,660,874 |
| | 1,638,948 | 1,612,136 | 1,300,349 | 1,584,549 | 1,667,130 | 1,905,027 |
| | 1,148,262 | 1,113,718 | 1,233,802 | 1,232,773 | 1,344,266 | 1,408,264 |
| | 582,790 | 628,143 | 896,735 | 734,272 | 929,833 | 1,179,638 |
| | 2,758,969 | 2,549,407 | 2,767,312 | 2,781,916 | 2,753,271 | 3,061,844 |
| | 491,046 | 7,088,666 | 2,603,713 | 1,238,009 | 353,685 | 1,064,935 |
| | - | - | - | - | - | - |
| | 11,727,058 | 13,720,623 | 17,534,748 | 19,332,756 | 23,219,455 | 27,715,403 |
| | 113,506,702 | 125,445,832 | 126,821,750 | 136,182,641 | 139,161,855 | 150,301,263 |
| | 7,479,585 | 7,858,184 | 11,032,996 | 12,772,823 | 10,937,883 | 11,367,578 |
| | 1,990,262 | 2,431,157 | 2,524,409 | 2,760,270 | 2,641,135 | 2,849,199 |
| | 23,422,922 | 25,324,764 | 25,729,580 | 24,755,406 | 26,534,586 | 30,513,312 |
| | 19,022,312 | 22,956,008 | 27,421,472 | 30,837,567 | 31,592,799 | 36,655,857 |
| | 5,139,751 | 5,243,811 | 5,499,532 | 5,755,718 | 6,021,992 | 6,385,447 |
| | 34,822,695 | 35,482,847 | 36,363,877 | 35,973,538 | 37,022,219 | 38,243,246 |
| | 5,372,128 | 6,865,979 | 6,996,194 | 6,492,492 | 6,616,398 | 6,863,935 |
| | 2,702,948 | 2,139,855 | 2,390,017 | 2,551,354 | 2,530,958 | 2,931,699 |
| | 8,627,619 | 16,884,749 | 7,923,005 | 8,006,433 | 8,172,242 | 7,878,462 |
| | 6,007,069 | 5,806,134 | 5,244,669 | 5,131,898 | 5,097,492 | 4,293,550 |
| | 114,587,291 | 130,993,488 | 131,125,751 | 135,037,499 | 137,167,704 | 147,982,285 |
| | (1,080,589) | (5,547,656) | (4,304,001) | 1,145,142 | 1,994,151 | 2,318,978 |
| | 4,834,425 | 12,756,654 | 8,482,156 | 10,595,449 | 16,000,826 | 13,539,971 |
| | (4,949,606) | (12,747,406) | (8,792,342) | (11,370,201) | (17,564,400) | (14,964,377) |
| | 875,000 | 10,258,450 | 1,586,000 | 2,189,480 | - | 12,309,100 |
| | 150,000 | - | - | - | - | - |
| | 35,685,000 | - | - | - | 31,658,000 | - |
| | (35,826,362) | - | - | - | (31,362,724) | - |
| | 619,778 | - | - | - | - | - |
| | 1,388,235 | 10,267,698 | 1,275,814 | 1,414,728 | (1,268,298) | 10,884,694 |
| \$ | 307,646 | \$ 4,720,042 | \$ (3,028,187) | \$ 2,559,870 | \$ 725,853 | \$ 13,203,672 |
| \$ | 14,634,688 | \$ 22,690,883 | \$ 13,167,674 | \$ 13,138,331 | \$ 13,269,734 | \$ 12,172,012 |
| | 114,587,291 | 130,993,488 | 131,125,751 | 135,037,499 | 137,167,704 | 147,982,285 |
| | 7,549,604 | 7,796,757 | 11,475,931 | 14,936,926 | 16,787,756 | 17,927,713 |
| \$ | 107,037,687 | \$ 123,196,731 | \$ 119,649,820 | \$ 120,100,573 | \$ 120,379,948 | \$ 130,054,572 |
| | 13.67% | 18.42% | 11.01% | 10.94% | 11.02% | 9.36% |
| \$ | 44,122,119 | \$ 44,900,191 | \$ 46,358,234 | \$ 46,212,455 | \$ 46,997,710 | \$ 49,120,225 |
| | 528,269 | 1,528,441 | 52,621 | 1,029,641 | 932,326 | 1,132,012 |
| | - | - | - | 3,726,550 | 3,865,264 | 35,589 |
| | 44,650,388 | 46,428,632 | 46,410,855 | 43,515,546 | 44,064,772 | 50,216,648 |
| \$ | 116,995,751 | \$ 134,428,790 | \$ 129,696,798 | \$ 127,642,581 | \$ 127,422,501 | \$ 142,027,974 |
| | 12.51% | 16.88% | 10.15% | 10.29% | 10.41% | 8.57% |

(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 |
|---------------------------------|-----------------|--------------------|-----------------------------|-----------------------------|--------------|----------------|--------------|---------------|
| 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 |
| 2017 | 76,305,278 | 11,721,703 | 8,745,395 | 1,607,476 | 5,967,535 | 718,296 | 4,423,666 | 109,489,349 |
| Change 2009-2018 | 37.14% | 32.73% | 4.42% | 6.25% | 28.42% | (7.40%) | (10.41%) | 29.24% |

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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 |
|---------------------------------|---------------------------------|----------------------------|--------------------------------|----------------------------|---|-------------------|
| 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 |
| 2018 | 3,967,151,300 | 1.060 | 2,127,875,000 | 1.060 | 97,739,044 | 529,185,500 |

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) 2018 Public Service Corporation not yet available as of this document.

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 |
|----|-----------------------------|-------------------------------------|-----------------------|------------------------------|-----------------------------|--|
| \$ | 5,842,133,326 | \$ 5,453,654,626 | (4.8%) | \$ 0.880 | \$ 5,453,654,626 | 100% |
| | 5,464,947,877 | 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% |
| | 6,281,323,119 | 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% |
| | 6,721,950,844 | 6,192,765,344 | 2.5% | 1.060 | 6,192,765,344 | 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 |
|---------------------------------|------------------------|------------------------------|
| 2009 | \$ 0.88 | \$ 4.13 |
| 2010 | 0.96 | 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 |
| 2018 | 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
Principal Property Taxpayers
Current Year and Nine Years Ago
(Unaudited)

Table 9

For the Year Ended June 30,

| Taxpayer | 2018 | | | 2009 | | |
|--|------------------------|------|---|------------------------|------|---|
| | 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 | \$ 108,774,100 | 1 | 1.76% | \$ 83,107,300 | 3 | 1.52% |
| Fair City HHH, LLC | 108,225,800 | 2 | 1.75% | 84,270,000 | 2 | 1.55% |
| Combined Properties | 93,420,800 | 3 | 1.51% | 30,915,100 | 9 | 0.57% |
| CH Realty III & VI/R | 69,809,800 | 4 | 1.13% | 42,644,100 | 5 | 0.78% |
| Army Navy Country Club | 53,725,600 | 5 | 0.87% | 70,576,900 | 4 | 1.29% |
| Willowood Eaton, LLC | 46,782,900 | 6 | 0.76% | -- | - | - |
| Regency Centers (Fairfax Regency/USRP I) | 45,338,300 | 7 | 0.73% | 32,375,400 | 8 | 0.59% |
| Saul Holdings (Shops at Fairfax, LLC) | 39,575,700 | 8 | 0.64% | 36,283,800 | 6 | 0.67% |
| US Bank National Association | 37,052,600 | 9 | 0.60% | -- | - | - |
| Avalon at Providence Park, LLC | 35,209,800 | 10 | 0.57% | -- | - | - |
| RKB/RPB Willowood LLC (I, II) | - | - | - | 138,275,900 | 1 | 2.54% |
| Main Street Retail Partners, LLC | - | - | - | 33,870,700 | 7 | 0.62% |
| Higginbotham | - | - | - | 27,997,400 | 10 | 0.51% |
| John F. Swart, ETAL | | | | | | |
| Total | \$ 637,915,400 | | 10.32% | \$ 580,316,600 | | 10.64% |

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 |
| 2009 | \$ 47,682,500 | \$ 46,678,811 | 97.90% | \$ 1,003,689 | \$ 47,682,500 | 100.00% |
| 2010 | 49,560,633 | 48,593,292 | 98.05% | 967,341 | 49,560,633 | 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% | 872,009 | 52,346,460 | 100.00% |
| 2013 | 56,984,359 | 56,079,986 | 98.41% | 904,373 | 56,984,359 | 100.00% |
| 2014 | 59,363,005 | 58,015,432 | 97.73% | 1,347,573 | 59,363,005 | 100.00% |
| 2015 | 60,183,528 | 58,867,230 | 97.81% | 1,315,588 | 60,182,818 | 100.00% |
| 2016 | 62,690,196 | 61,955,837 | 98.83% | 728,062 | 62,683,899 | 99.99% |
| 2017 | 64,546,058 | 63,867,036 | 98.95% | 655,809 | 64,522,845 | 99.96% |
| 2018 | 66,148,234 | 65,294,566 | 98.71% | 562,011 | 65,856,577 | 99.56% |

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 | Lease Revenue | Notes Payable | Public Improvement | Capital Leases | Revenue Bonds | Notes Payable | | | |
| | Bonds | Bonds | | COPS | | | | | | |
| 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 |
| 2018 | 77,902,596 | 37,639,564 | 5,720,000 | 11,361,000 | 4,718,611 | 22,514,805 | - | 159,856,576 | 8.33% | 6,568 |

General bonded debt outstanding:

| Fiscal Year June 30, | General Obligation Bonds | Percentage of Actual Taxable Value of Property | Debt Per Capita |
|----------------------------|--------------------------------|---|-----------------------|
| 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 |
| 2018 | 77,902,596 | 1.26% | 3,201 |

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 2018 and prior years.

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

For the Year Ended June 30,

| | 2009 | 2010 | 2011 | 2012 |
|--|-------------------------|-----------------------|------------------------------|-----------------------|
| Debt Limit | \$ 545,365,463 | \$ 507,579,408 | \$ 517,453,893 | \$ 531,407,768 |
| Total net debt applicable to limit | <u>178,390,075</u> | <u>171,782,734</u> | <u>165,213,830</u> | <u>161,751,368</u> |
| Legal debt margin | <u>\$ 366,975,388</u> | <u>\$ 335,796,674</u> | <u>\$ 352,240,063</u> | <u>\$ 369,656,400</u> |
| Total net debt applicable to the limit as a percentage of debt limit | 32.71% | 33.84% | 31.93% | 30.44% |
| Legal debt margin calculation for fiscal year 2018: | | | Summary of outstanding debt: | |
| Assessed value of real estate | <u>\$ 6,192,765,344</u> | | Public Improvement COPS | \$ 17,572,800 |
| Debt limit (10% of assessed value) | \$ 619,276,534 | | General Obligation Bonds | 104,828,512 |
| Debt applicable to limit: | | | Lease Revenue Bonds | 38,609,131 |
| Net direct debt outstanding | <u>157,365,611</u> | | Notes payable | 8,433,465 |
| Legal debt margin | <u>\$ 461,910,923</u> | | Capital leases | <u>1,279,103</u> |
| | | | | <u>\$ 170,723,011</u> |

Notes:

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

Table 12

| 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| \$ 563,713,420 | \$ 563,713,420 | \$ 578,519,412 | \$ 594,825,081 | \$ 603,962,304 | \$ 619,276,534 |
| 157,447,157 | 150,897,380 | 144,643,892 | 146,069,319 | 153,499,973 | 157,365,611 |
| <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> | <u>\$ 461,910,923</u> |
| 27.93% | 26.77% | 25.00% | 24.56% | 25.42% | 25.41% |
| \$ 15,095,100 | \$ 12,573,100 | \$ 10,925,800 | \$ 10,134,800 | \$ - | \$ 11,361,000 |
| 104,170,295 | 100,033,400 | 94,565,323 | 89,550,655 | 119,838,000 | 113,581,000 |
| 37,287,030 | 36,114,928 | 34,912,827 | 33,660,725 | 22,550,000 | 21,985,000 |
| 8,316,733 | 7,250,000 | 7,250,000 | 6,750,000 | 6,240,000 | 5,720,000 |
| 1,608,324 | 3,956,280 | 4,818,092 | 5,973,139 | 4,871,973 | 4,718,611 |
| <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> | <u>\$ 157,365,611</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 | | |
| 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 | |
| 2018 | 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 | | |
| \$ 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 | |
| 9,000,919 | 5,638,565 | 3,362,354 | 656,000 | 1,282,189 | 1.73 | |

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 |
|---------------------------------|---------------------------|------------------------------------|---|--------------------------------------|--------------------------------------|
| 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% |
| 2018 | 24,338 | * 1,919,418,000 * | 69,600 * | 3,080 * | 2.40% |

Notes:

* Estimated by City of Fairfax

- (1) Population updated from 2010 US Census Bureau results and annual population estimates. 2018 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 2016 (released in November 2017).
- (2) To estimate personal income for 2017-2018, 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. 2018 unemployment rate estimated by averaging all available months (Jan-Jul) of 2018 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) | 2018 | | | 2009 | | |
|-------------------------------|------------------|------|---|------------|------|---|
| | (1) Employees | Rank | Percentage (1) of Total City Employment | Employees | Rank | Percentage (1) of Total City Employment |
| City of Fairfax | 406 | 1 | 2.08% | 360 | 2 | 1.23% |
| The Wackenhut Corporation | 399 | 2 | 2.04% | - | - | - |
| Ted Britt Ford Sales | 389 | 3 | 1.99% | 250 | 6 | 0.85% |
| Zeta Associates | 280 | 4 | 1.43% | - | - | - |
| Fairfax Nursing Center | 266 | 5 | 1.36% | 250 | 5 | 0.85% |
| Catholic Diocese of Arlington | 252 | 6 | 1.29% | - | - | - |
| Inova Health System | 238 | 7 | 1.22% | - | - | - |
| Inova VNA Home Care | 224 | 8 | 1.15% | - | - | - |
| Dominion Virginia Power | 146 | 9 | 0.75% | - | - | - |
| Fairfax Volkswagen, Honda | 146 | 10 | 0.75% | - | - | - |
| Total | 2,746 | | 14.06% | 860 | | 2.93% |

Source:

(1) Virginia Employment Commission & City of Fairfax Staff, Nov. 2018

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 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|----------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| City Clerk | 2.00 | 2.00 | 2.00 | 1.50 | 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 | 2.13 | 2.63 | 2.63 | 3.00 | 3.00 | 3.00 | 3.00 | 2.50 |
| Personnel | 5.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 |
| Community Relations | 2.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Marketing | 0.88 | 0.00 | 0.50 | 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 | 1.75 | 1.75 | 1.75 | 1.75 | 1.75 |
| Information Technology | 11.00 | 9.00 | 9.00 | 9.00 | 9.00 | 9.00 | 9.00 | 9.00 | 9.00 | 9.00 |
| Printing & Office Supplies | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Motor Pool | 13.00 | 13.00 | 13.00 | 13.00 | 13.00 | 12.00 | 12.00 | 12.00 | 12.00 | 12.00 |
| Finance & Accounting | 7.50 | 7.50 | 7.50 | 7.50 | 7.50 | 7.50 | 7.50 | 7.50 | 7.50 | 8.50 |
| Real Estate Assessment | 5.00 | 4.00 | 4.00 | 4.00 | 4.00 | 5.00 | 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 | 8.75 |
| 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 | 90.00 | 91.13 | 90.00 | 90.00 | 90.25 | 90.25 | 90.25 | 89.00 | 89.00 |
| Fire Department | 80.00 | 79.00 | 80.00 | 79.00 | 79.00 | 80.00 | 80.00 | 80.00 | 80.00 | 80.00 |
| Public Works | 77.00 | 76.10 | 77.50 | 75.50 | 75.50 | 77.20 | 76.10 | 76.10 | 76.95 | 78.95 |
| Social Services | 0.62 | 0.62 | 0.62 | 0.62 | 0.62 | 0.62 | 0.62 | 0.62 | 0.62 | 0.62 |
| Parks & Recreation | 18.25 | 17.13 | 19.88 | 19.13 | 19.13 | 19.88 | 19.38 | 19.38 | 20.63 | 20.38 |
| Historic Resources | 3.95 | 3.95 | 3.95 | 3.95 | 3.95 | 3.95 | 3.95 | 3.95 | 3.95 | 3.95 |
| Planning & Design | 15.70 | 15.70 | 15.70 | 15.70 | 15.70 | 16.50 | 17.50 | 17.50 | 17.50 | 16.50 |
| Economic Development | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.50 |
| Education | 1.90 | 1.90 | 2.85 | 1.90 | 1.90 | 1.90 | 1.85 | 1.85 | 1.85 | 1.85 |
| Wastewater | 8.00 | 8.00 | 6.00 | 8.60 | 8.60 | 9.10 | 9.20 | 9.20 | 8.35 | 8.35 |
| Water | 32.00 | 32.00 | 32.00 | 34.40 | 34.40 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Stormwater | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.70 | 0.70 | 0.70 | 0.70 | 0.70 |
| Transit | 30.50 | 30.38 | 31.50 | 30.50 | 30.50 | 30.50 | 33.25 | 33.25 | 33.25 | 33.25 |
| Total | 427.55 | 420.53 | 427.01 | 425.18 | 425.18 | 397.10 | 399.30 | 399.30 | 399.30 | 402.05 |

Source: City Budget Office

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

For the Year Ended June 30,

| | Actual 2009 | Actual 2010 | Actual 2011 | Actual 2012 |
|--|----------------|----------------|----------------|----------------|
| GENERAL GOVERNMENT | | | | |
| Public Works: | | | | |
| Homes served - refused collection | 6,249 | 6,249 | 6,249 | 6,338 |
| Elections: | | | | |
| Registered Voters | 15,525 | 14,937 | 15,027 | 14,835 |
| Number of votes last General Election | 11,478 | 6,197 | 7,112 | 4,638 |
| Percent of registered voters last General Election | 73.93% | 41.49% | 47.33% | 31.26% |
| Parks and Recreation: | | | | |
| Old Town Hall Rentals | 85 | 153 | 231 | 164 |
| Total Unique Recreation Programs | 50 | 98 | 71 | 80 |
| Total Recreation Programs | 306 | 512 | 513 | 686 |
| Day Camp program participants | 759 | 819 | 927 | 801 |
| Community Development and Planning: | | | | |
| Neighborhood Renaissance Conferences | 600 | 600 | 600 | 600 |
| Board of Architectural Review (BAR) Applications | 51 | 48 | 86 | 80 |
| Enforcement Citations | 550 | 450 | 550 | 550 |
| Land Use Applications | 45 | 38 | 31 | 44 |
| Development Plans and Subdivisions | 60 | 37 | 47 | 49 |
| Economic Development: | | | | |
| Vacancy Rate - office space | 9.50% | 12.00% | 13.00% | 12.40% |
| Vacancy Rate - retail space | 6.00% | 4.50% | 5.50% | 4.70% |
| SCHOOLS | | | | |
| Education: | | | | |
| Average daily membership | 2,764 | 2,905 | 2,976 | 3,081 |
| Elementary - Kindergarten | 198 | 221 | 239 | 210 |
| Elementary - (1-6) | 1,307 | 1,319 | 1,259 | 1,386 |
| Secondary - (7-12) | 1,260 | 1,398 | 1,478 | 1,485 |
| Tuition cost per student | \$ 13,078 | \$ 12,027 | \$ 12,745 | \$ 13,110 |
| PUBLIC SAFETY | | | | |
| Police Department: | | | | |
| Cases assigned | 250 | 240 | 169 | 198 |
| Cases closed | 168 | 171 | 130 | 172 |
| Calls for service | 13,958 | 13,764 | 13,896 | 13,947 |
| Criminal arrests | 1,340 | 1,243 | 1,272 | 1,373 |
| Fire Department: | | | | |
| Staff training hours | 15,090 | 16,568 | 16,879 | 15,536 |
| Responses to fire incidents | 3,327 | 2,585 | 2,846 | 4,015 |
| Responses to EMS incidents | 5,907 | 6,409 | 6,569 | 5,766 |
| Plans reviewed | 894 | 972 | 1,333 | 1,401 |
| Building Permits Issued | 530 | 494 | 605 | 647 |
| Cost associated with building permits | \$ 21,654,448 | \$ 38,388,562 | \$ 27,634,266 | \$ 39,254,118 |
| UTILITIES | | | | |
| Wastewater: (1) | | | | |
| Number of new service connections | 31 | 20 | 20 | 54 |
| Amount of new service connections | \$ 347,858 | \$ 223,358 | \$ 223,358 | \$ 558,027 |
| Average daily flow (MGD) | 3.90 | 3.90 | 2.95 | 2.95 |
| Feet of pipeline rehabilitated | 4,500 | 3,906 | 7,840 | 7,840 |
| Site plans reviewed | 21 | 23 | 40 | 40 |
| Water: (2) | | | | |
| Amount of new customer connections | \$ 61,213 | \$ 64,450 | \$ 64,450 | \$ 62,954 |
| Number of new service connections | 200 | 40 | 40 | 59 |
| Amount of new service connections | \$ 1,621,803 | \$ 1,294,495 | \$ 1,294,495 | \$ 426,329 |
| Gallons of water produced (millions) | 3,400 | 3,167 | 2,900 | 2,620 |
| Feet of pipeline replaced | 3,000 | 1,100 | 447 | 100 |
| Number of site plans reviewed | 22 | 49 | 40 | 40 |
| TRANSIT | | | | |
| Total Ridership | 952,072 | 941,694 | 910,549 | 908,367 |

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 2013 | Actual 2014 | Actual 2015 | Actual 2016 | Actual 2017 | Actual/Estimate 2018 |
|----------------|----------------|----------------|----------------|----------------|-------------------------|
| 6,498 | 6,498 | 6,498 | 6,498 | 6,473 | 6,512 |
| 15,794 | 15,372 | 15,496 | 15,996 | 14,820 | 15,841 |
| 11,706 | 7,120 | 7,052 | 12,100 | 8,318 | 8,318 |
| 74.12% | 46.32% | 45.51% | 75.64% | 56.00% | 52.51% |
| 165 | 165 | 160 | 165 | 165 | 151 |
| 223 | 252 | 238 | 242 | 248 | 255 |
| 422 | 428 | 458 | 475 | 490 | 495 |
| 707 | 727 | 938 | 956 | 1,040 | 1,148 |
| 600 * | | * | * | * | * |
| 80 | 62 | 81 | 57 | 67 | 60 |
| 550 | 458 | 450 | 450 | 450 | 450 |
| 33 | 30 | 41 | 24 | 19 | 15 |
| 49 | 59 | 56 | 40 | 42 | 46 |
| 13.60% | 15.00% | 14.10% | 14.10% | 12.40% | 12.50% |
| 3.15% | 3.40% | 2.40% | 3.00% | 3.80% | 4.90% |
| 3,039 | 3,078 | 3,160 | 3,125 | 3,081 | 3,137 |
| 216 | 240 | 208 | 245 | 225 | 246 |
| 1,346 | 1,351 | 1,415 | 1,361 | 1,357 | 1,368 |
| 1,477 | 1,487 | 1,537 | 1,519 | 1,499 | 1,523 |
| \$ 14,268 | \$ 14,088 | \$ 13,782 | \$ 13,872 | \$ 14,438 | \$ 14,825 |
| 204 | 225 | 220 | 225 | 245 | 220 |
| 178 | 168 | 165 | 155 | 118 | 145 |
| 14,000 | 14,176 | 15,026 | 14,981 | 13,721 | 13,202 |
| 1,359 | 1,323 | 1,192 | 1,092 | 986 | 873 |
| 13,790 | 9,900 | 8,566 | 16,775 | 14,010 | 18,741 |
| 2,899 | 4,135 | 2,320 | 2,200 | 2,312 | 2,540 |
| 7,709 | 5,595 | 4,311 | 4,317 | 4,187 | 4,445 |
| 1,353 | 1,003 | 884 | 1,023 | 1,194 | 1,138 |
| 621 | 578 | 503 | 564 | 779 | 356 |
| \$ 34,633,451 | \$ 30,308,610 | \$ 27,034,602 | \$ 33,430,366 | \$ 121,674,456 | \$ 157,500,340 |
| 30 | * | * | * | * | * |
| \$ 335,025 | * | * | * | * | * |
| 3.20 | * | * | * | * | * |
| 7,000 | * | * | * | * | * |
| 33 | * | * | * | * | * |
| \$ 62,882 | N/A | N/A | N/A | N/A | N/A |
| 55 | N/A | N/A | N/A | N/A | N/A |
| \$ 144,208 | N/A | N/A | N/A | N/A | N/A |
| 600 | N/A | N/A | N/A | N/A | N/A |
| 100 | N/A | N/A | N/A | N/A | N/A |
| 30 | N/A | N/A | N/A | N/A | N/A |
| 850,809 | 826,747 | 766,708 | 678,967 | 646,096 | 605,962 |

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

Table 18

For the Year Ended June 30,

| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| GENERAL GOVERNMENT | | | | | | | | | | |
| Parks and Recreation: | | | | | | | | | | |
| Acres of parks | 279 | 279 | 279 | 279 | 279 | 283 | 286 | 286 | 286 | 286 |
| Number of major parks | 9 | 9 | 9 | 9 | 9 | 9 | 10 | 10 | 11 | 11 |
| Number of Neighborhood parks | 14 | 14 | 14 | 15 | 15 | 15 | 15 | 15 | 15 | 15 |
| Public Works: | | | | | | | | | | |
| Vehicle availability (%) | 97% | 97% | 97% | 98% | 98% | 90% | 88% | 90% | 95% | 97% |
| Vehicle repair orders | 3,600 | 3,600 | 2,600 | 3,766 | 3,766 | 2,872 | 3,112 | 3,670 | 3,650 | 3,966 |
| Total fleet | 590 | 590 | 590 | 664 | 664 | 653 | 661 | 692 | 642 | 648 |
| Miles of streets - primary | 15.58 | 15.58 | 15.58 | 16.50 | 15.50 | 15.50 | 15.50 | 15.5 | 15.44 | 15.44 |
| Miles of streets - secondary | 55.33 | 55.33 | 55.33 | 54.00 | 56.50 | 56.50 | 56.50 | 56.5 | 56.12 | 56.27 |
| Number of street lights | 2,967 | 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 | 878 | 878 |
| UTILITIES | | | | | | | | | | |
| Water: | | | | | | | | | | |
| Gallons produced (millions) (1) | 3,431 | 3,500 | 2,900 | 2,620 | 2,620 | N/A | N/A | N/A | N/A | N/A |
| Water mains (miles) | 183.77 | 184.01 | 184.01 | 184.01 | 184.01 | N/A | N/A | N/A | N/A | N/A |
| Sewer: | | | | | | | | | | |
| Sanitary sewers (miles) | 97.07 | 97.14 | 97.14 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 108.20 | 108.00 |
| 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.