



CITY OF FAIRFAX, VIRGINIA  
**ANNUAL COMPREHENSIVE  
FINANCIAL REPORT**  
FOR THE FISCAL YEAR END  
JUNE 30, 2021



**CITY OF FAIRFAX, VIRGINIA**  
**ANNUAL COMPREHENSIVE FINANCIAL REPORT**  
**FISCAL YEAR ENDED JUNE 30, 2021**

**Prepared by**

**Department of Finance**  
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# CITY OF FAIRFAX, VIRGINIA

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## City of Fairfax, Virginia

10455 Armstrong Street • Fairfax, VA 22030-3630

December 14, 2021

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) Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2021. The Code of the Commonwealth of Virginia requires that all local governments shall be audited annually with a report to the Governing Body. The ACFR 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 Robinson, Farmer, Cox Associates, 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, 2021, 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 ACFR.

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 ACFR.

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, Katherine Johnson 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 followed suit with the region and experienced a sharp downturn just prior to the fourth quarter of F/Y 20 and continued into F/Y 21 due to the impact from COVID-19. According to the US Bureau of Labor Statistics, the City of Fairfax was home to approximately 18,300 jobs in 2021. Like localities nationwide, the City has seen a decrease in workforce participation since the equivalent period in 2020 – the City's March 2021 at-place employment figures represent a 4.3% decrease since March 2020, in line with overall Virginia decreases of 3.9% and national decreases of 4.5%.

The City's unemployment rate now stands at 2.8% as of September 2021, which is a substantial improvement from 10.4% in April 2020 – and has continued to fall throughout this current year. Seven of the year's nine recorded months have seen decreases in the City's unemployment rate. The City's current unemployment rate stands below the statewide average of 3.8%.

With 4.5 million square feet of office space, the City of Fairfax remains one of Northern Virginia's employment hubs. The City's office market currently has a 9.7% vacancy rate, considerably lower than that of Fairfax County and of Northern Virginia as a whole. The retail market remains healthy, with a vacancy rate of only 5.0%, which is equal to the regional average for retail vacancies.

Four key revenue sources are bellwethers for the local economy - general property taxes, local sales and use taxes, business license taxes and meals tax showed mixed results for F/Y 21. During the COVID-19 pandemic, home prices have increased nearly nationwide. A robust 5.9% increase in the calendar year 2021 real property assessments accounts for an increase in general property tax revenues of \$3.2 million or 4.0% in F/Y 21 over F/Y 20. Local sales and use tax increased substantially by \$0.8 million or 6.5% in F/Y 21. Business license taxes decreased by \$0.7 million or 7.3%. Meals tax remained flat.

## **Economic Development Program**

The Office of Economic Development (OED) in partnership with the Economic Development Authority (EDA) is focused on developing a strong economic base throughout the city. Despite the challenges that pandemic brought, the OED continued to support the economic recovery and vitality of the City by promoting the City's office and retail spaces to business prospects and vacant commercial properties to developers, assisting businesses in their location decisions and processing through the administrative procedures, and acting as a facilitator for existing businesses in understanding and working through issues with City rules, regulations, and policies. Recently, the OED has developed a robust programming apparatus to connect businesses directly with residents and visitors of Fairfax.

The City Council remains the driving force behind increased outreach and communication with the business community. Recognizing the significant impact the economic development operations have on the City's economy, City leadership authorized the addition of a full-time operations manager and a part-time business engagement specialist. The operations manager supports the entire office, the Director, and the Assistant Director, and facilitates programming and coordination for program implementation. The business engagement specialist is responsible for developing a comprehensive communications strategy to match the City's growing business environment and appeal. The OED is further supported with temporary or part-time employees by the EDA.

The City's OED has been coordinating with the EDA to continue growing 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 consists of a renewal of the City's commitment to small business/ entrepreneurship development; during this year, the EDA, under the leadership provided by the Economic Development Office, announced plans for a new Memorandum of Agreement between the EDA, the City, and George Mason University for the continuation of the Mason Enterprise Center - Fairfax. In addition, the working group convened by the Director during the previous fiscal year identified a new partnership term. The group endorsed the EDA's plan to relocate the MEC – Fairfax to a new facility on the north side of the City.

In previous years the City's OED, in partnership with the EDA, worked to establish a tax incentive zone focusing 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.

The OED and EDA have continued to partner together on several initiatives seeking to expand the City's profile to out-of-city visitors and shoppers. The EDA, along with the City and the Central Fairfax Chamber of Commerce, continues developing and implementing the increasingly popular Fairfax City Restaurant Week program. In FY22, plans were developed to increase this program from once a year two twice a year based on its success for local restaurants and positive fiscal impact.

The OED and EDA are currently playing an active role in attracting new businesses and developing multifaceted strategies to contribute to the thoughtful planning and branding of our new commercial centers. Both economic development entities played a central role in the Small Area Plan process in conjunction with the Department of Community Development and Planning. 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. Similarly, the economic development teams are currently investigating how best to leverage the newly completed Small Area Plans for marketing to potential investors. A microsite sponsored by the EDA will tell a vibrant, consistent, and cohesive message for the city while targeting property owners and developers within the Small Area Plan boundaries. The microsite is expected to launch in 2022.

In 2019 the EDA led efforts, with the support of OED, to oversee the leasing and redevelopment agreements between a restaurant operator for the demolition and construction of the Park View property, owned by the EDA. At no expense to taxpayers, this project will take advantage of the property's location overlooking the City's Old Town Park to establish a new dining destination within the City and the region. The previous structure was demolished in mid-2020; substantial construction was completed in December of 2021, and the restaurant is expected to open in early 2022.

The OED maintains its strong partnership with 9 other local jurisdictions through the creation of the Northern Virginia Economic Development Alliance (NoVA EDA). The Alliance allows the jurisdictions to collaborate and market the localities together to strengthen and highlight the region nationally and internationally. Fairfax City has leveraged its role as a founding member of the NOVA EDA and, as such, has been afforded access to at least three intentional business recruitment efforts in coordination with the Virginia Economic Development Partnership (VEDP).

Fairfax continues to wrestle with the challenges of the COVID-19 pandemic. In 2021 the OED concluded the ReConnected program – Fairfax’s largest single small business support program in history. Through the CARES-funded ReConnected programs, Fairfax City awarded 250 grants to small businesses (including an impressive 67% to small minority and women owned businesses), supported city residents directly with subsidized gift cards, facilitated outdoor dining permits, and bolstered the hospitality industry with equipment for temporary outdoor dining. In total, the Economic Development Office oversaw more than 1,300 business support contacts and engagements. All programs required considerable documentation and program management and, as a result, CARES funds were used to temporarily grow the department in order to manage the increased activity.

Finally, the OED and EDA continue to prioritize constituent communications. The OED maintains a vibrant eNewsletter with information that is relevant and enticing. FairfaxCityConnected.com will embark on a total redesign and relaunch. The focus on the website is critical to properly market the City to entrepreneurs, property owners, brokers, and site selectors. While these tools aid the economic development programs in communicating with businesses, they also serve as the strongest avenues of keeping city residents and businesses engaged and informed about economic development activities, COVID-19 relief efforts, and future programmatic developments. Taken together, the OED programs represent a significant and sincere investment in economic development by the governing body to support the small and growing business community in Fairfax City.

## **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:

*Scout on the Circle:* Final plans to redevelop a 108,000 square foot former shopping center (dating to 1964) were approved in 2014. The mixed-use development includes 400 apartments and 88,000 square feet of retail space, including a 54,000 square foot grocery store. Construction on the project began in February 2018 and began delivering in phases with residential occupancies starting in the spring of 2020. Giant opened the grocery in August 2020. Commercial leases for the ground floor retail spaces have been signed with Republik Coffee, TeaDM, F45, Verizon, Vivian Nail Bar, and Peri Peri.

*Fairfax Gateway:* A 403-unit apartment building with approximately 29,000 square feet of commercial space was originally approved in 2015 for a former industrial site in the Kamp Washington area. Application was approved in 2018 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. The project broke ground in June 2019 and it is anticipated that the developer will deliver buildings starting in the first half of 2022.

*Point 50:* Project was approved by City Council in July 2017 to redevelop an aging shopping center. The redeveloped shopping center includes 48,000 square feet of commercial space. 30,000 square feet is leased to an Amazon Fresh grocery with the remainder space designated for retail and restaurants. Site construction commenced in June 2019 with tenant fit outs starting in 2020. Tenants other than the grocery store include: The Pediatric Group and Organic Nails, which both opened in February 2021, Orange Theory Fitness and Ideal Image, which both opened in July 2021, and Compass Coffee, Matchbox, and Big Buns, all of which are estimated to open during 2022.

*Paul VI:* The Diocese of Arlington relocated Paul VI High School to Loudoun County after the conclusion of the 2019-2020 school year. In 2018, the City Council approved the site for residential redevelopment, to include 144 condominium units, 115 townhouses and 7 detached homes, as well as 20,000 square feet of new retail space and 24,000 square feet of community/commercial space in a retained portion of the original school building. Site work and demolition of the former school began in September 2020.

### Residential:

*Capstone Collegiate:* Project includes the redevelopment of a 1970's-era low-rise office buildings site into a 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 will be marketed to graduate and undergraduate students at the university. The project was approved by the City Council in December 2018 and site work commenced in September 2020. Occupancy is anticipated in the summer of 2022.

*Northfax West:* This mixed-use redevelopment on the site of former vehicle storage lots and vacant land was approved by the City Council in July 2020. The project will include a senior housing community, with 114 independent living units and 86 assisted living units, 56 townhomes, and 3.3 acres of residual land for future mixed-use development. A public improvement plan for streets and drainage facilities was approved in October 2021.

*Metro Church:* This 50-unit townhouse development was approved by the City Council in June 2020 to replace a former church on Pickett Road. Site plan was submitted to the City in August 2020 and construction began in July 2021.

### FINANCIAL CONDITION

The total taxable assessed value of residential and commercial real property increased by 3.8% over the prior year. The real estate tax rate remained at \$1.075 per \$100 of assessed value. No increase in the commercial and industrial real estate tax rate of 12.5 cents per \$100 of assessed value. School tuition costs of \$49.8 million were 1.7% lower in F/Y 21.

The gross cost for school tuition was lower than budget by \$1.5 million. The actual average daily membership (ADM), which is the population of City students in the Fairfax County Public School (FCPS) System, dropped significantly as a result of the pandemic in F/Y 21 to 2,840 from 3,001 in F/Y 20.

In order to fully fund existing programs, to keep salaries of public employees competitive, and to address the expanding program needs of the community, careful budgeting is required. The City strives to keep overall operating costs flat. In F/Y 21, rapidly rising inflation is a factor that affects the operating costs in many aspects. At the end of F/Y 21, the City provided a delayed merit increase of 2.0% to remain competitive and maintain parity in terms of compensation with surrounding jurisdictions. No cost of living adjustment (COLA) was provided in F/Y 21.



The City took advantage of continued low interest rates to finance a master equipment lease and refinance a general obligation bond in F/Y 20. Wastewater rates increased 8.0% due to 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 set by Fairfax Water.

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 0.99% at June 30, 2021 from 1.09% at June 30, 2020. The City's net direct debt to tax base ratio has declined for the eleventh consecutive year.

The following table shows the assessed value of residential and commercial properties has more than doubled since 2002 including a 3.8% increase from 2020 to 2021. 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
2019	4,044,043,800	1.9	2,195,140,900	3.2	6,239,184,700	2.4
2020	4,119,630,100	1.9	2,320,364,200	5.7	6,439,994,300	3.2
2021	4,362,131,700	5.9	2,319,509,940	0.0	6,681,641,640	3.8

## **BOND RATING**

The City's bond ratings are as follows:

	<u>Moody's Investors Service</u>	<u>Standard &amp; 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. Operating 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, services and projects. 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, review of historic trends and many other factors. 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 ACFR for the 40th 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 ACFR 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".

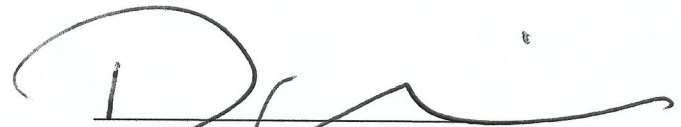
A Certificate is valid for a period of only one year. The City believes its current report continues to conform to the Certificate of Achievement Program requirements and standards, and is submitting it to the GFOA to determine its eligibility for another certificate for the 2021 fiscal year.

**ACKNOWLEDGMENTS**

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

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

Respectfully submitted,



**David E. Hodgkins**  
*Assistant City Manager / Director of Finance*

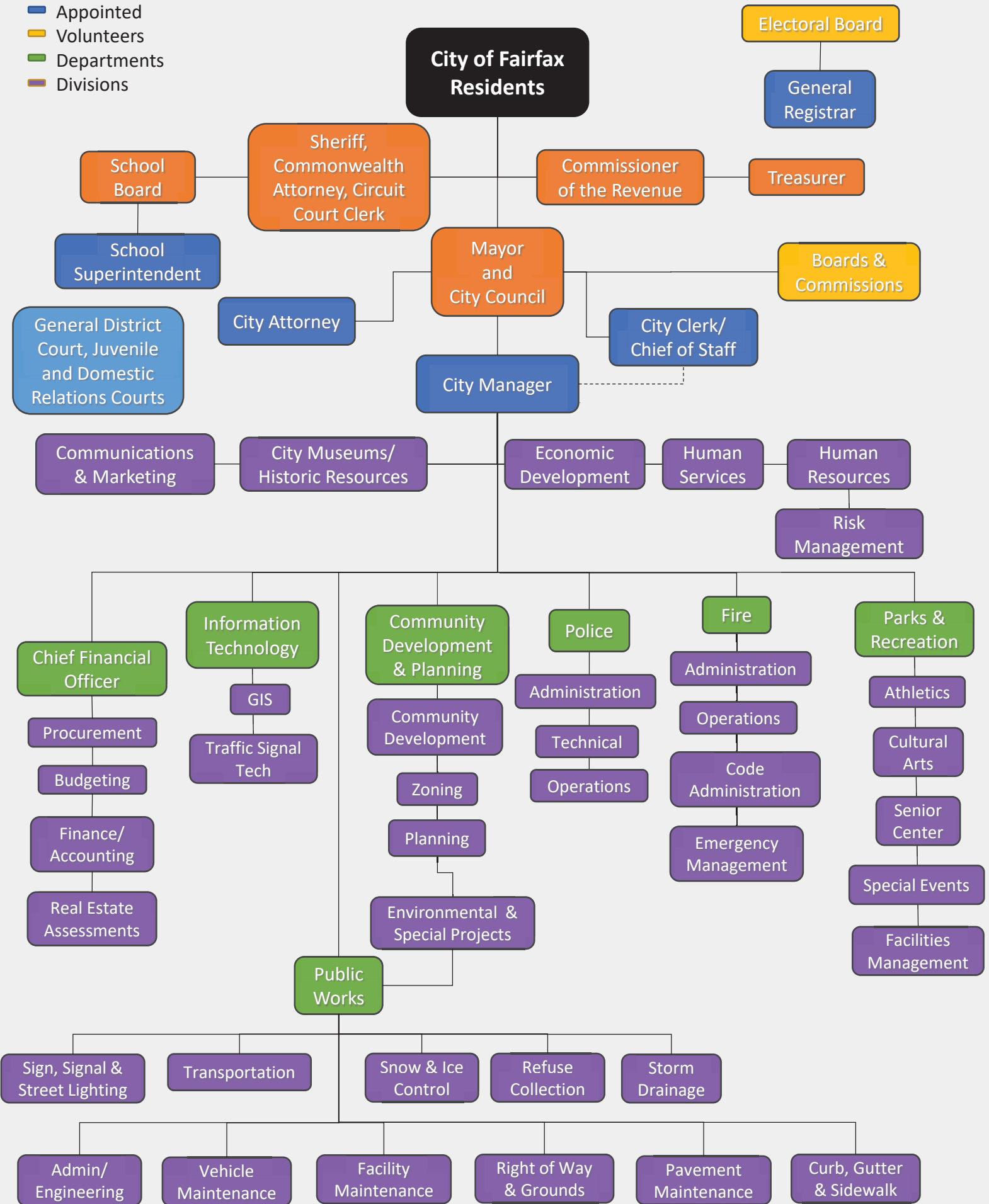


**Robert A. Stalzer**  
*City Manager*

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# City of Fairfax Organizational Chart

- Contracted
- Elected
- Appointed
- Volunteers
- Departments
- Divisions







**CITY OF FAIRFAX, VIRGINIA**  
**PRINCIPAL OFFICIALS**  
June 30, 2021

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**CITY COUNCIL<sup>1</sup>**

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David L. Meyer, Mayor

Joseph D. Harmon  
So P. Lim  
Janice B. Miller

D. Thomas Ross  
Jon R. Stehle, Jr.  
Sang H. Yi

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**STAFF**

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Robert A. Stalzer.....City Manager  
David E. Hodgkins.....Chief Financial Officer  
William Page Johnson II.....Commissioner of Revenue<sup>2</sup>  
Tom Scibilia.....Treasurer<sup>2</sup>  
John O’Neal .....Fire Chief  
Erin Schaible..... Chief of Police  
Brooke Hardin..... Director of Community Development and Planning  
Mark Perry .....Director of Information Technology  
David Summers.....Director of Public Works  
Catherine Salgado..... Director of Parks and Recreation  
Sara Greer.....Human Resources Director  
Christine Johnston.....Real Estate Assessment Director  
Melanie Crowder.....City Clerk/Chief of Staff  
Brenda Cabrera .....General Registrar  
Phyllis Pajardo.....City School Superintendent

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**ADVISORS**

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Brian J. Lubkeman. ....City Attorney  
Robinson, Farmer, Cox Associates..... Independent Auditors

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<sup>1</sup> Elected by City voters to 2-year terms. Current terms expire December 31, 2022.

<sup>2</sup> Elected by City voters to 4-year terms. Current terms expire December 31, 2021. The new terms start January 1, 2022 and expire December 31, 2025.





Government Finance Officers Association

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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, 2020

*Christopher P. Morill*

Executive Director/CEO







**Independent Auditors' Report**

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**To the Honorable Members of  
the 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 discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Fairfax, Virginia, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City of Fairfax'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.

***Auditors' 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 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 auditors' 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 that 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 discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Fairfax, Virginia, as of June 30, 2021, 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.

## ***Change in Accounting Principle***

As described in Note 1 to the financial statements, in 2021, the City adopted new accounting guidance, GASB Statement Nos. 84, *Fiduciary Activities*. Our opinion is 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 schedules related to pension and OPEB funding on pages 21-32 and 126-142 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary and Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Fairfax, Virginia's basic financial statements. The introductory section, other supplementary information, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate 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 and the schedule of expenditures of federal awards are 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 13, 2021, on our consideration of the City of Fairfax, Virginia'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 City of Fairfax, Virginia's 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 of Fairfax, Virginia's internal control over financial reporting and compliance.

*Robinson, Farmer, Cox Associates*  
Fredericksburg, Virginia  
December 13, 2021

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# CITY OF FAIRFAX, VIRGINIA

## MANAGEMENT'S DISCUSSION AND ANALYSIS

*YEAR ENDED JUNE 30, 2021*

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This section of the City of Fairfax, Virginia's ("City") Annual Comprehensive Financial Report (ACFR), 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, 2021. 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 \$96.6 million (net position) at the close of the fiscal year ("F/Y") June 30, 2021, an increase of \$11.2 million from F/Y 20. The Primary Government includes both governmental and business-type activities.

- A combination of a 5.9% increase in residential real property assessments, a \$3.6 million increase in capital grants and contributions, a \$3.2 million increase in operating grants and contributions, a \$1.3 million increase in other local taxes, and a \$1.5 million decrease in parks, recreation & cultural expenses accounted for the majority of the stability in governmental net position during the COVID-19 pandemic. Refer to Tables 1 and 2 for more information.
- The Component Unit School Board had a decrease in its net position of \$2.1 million during the F/Y as expenses outpaced revenues. Overall education costs decreased by \$1.5 million from F/Y 20.
- At the end of June 30, 2021, the City's governmental, business-type, and Component Unit School Board activities had invested \$227.0, \$40.9, \$16.2 million, net of accumulated depreciation, respectively, in capital assets. Refer to Table 4 for more information.
- The City's total governmental outstanding long-term debt at F/Y end was \$128.9 million, a decrease of \$3.0 million, driven mainly by debt retirement during the normal course of business. 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

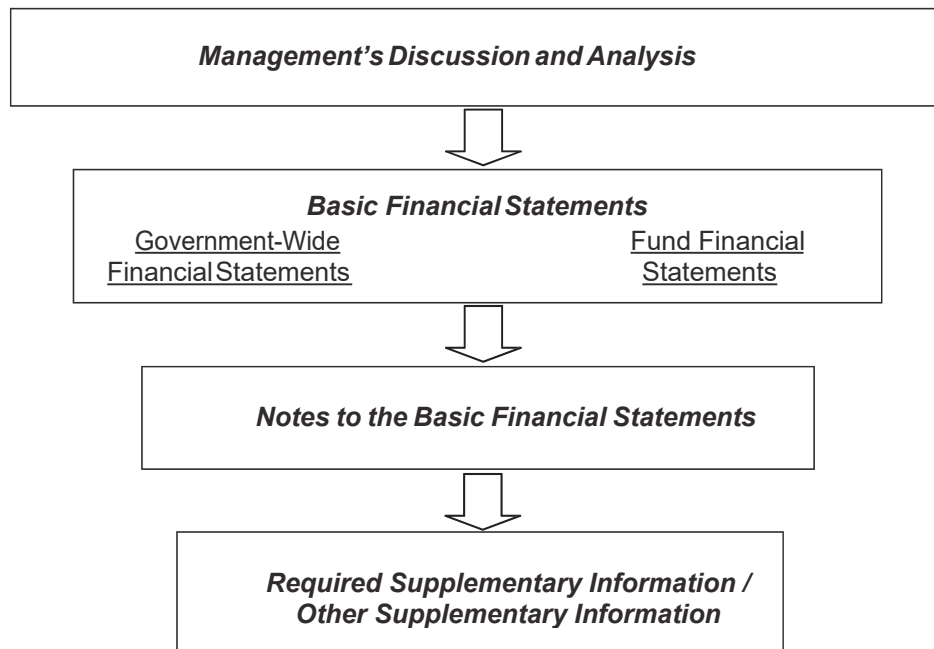
YEAR ENDED JUNE 30, 2021

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### USING THE FINANCIAL SECTION OF THE ANNUAL REPORT

- This Annual Comprehensive 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, 2021

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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, 2021

**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 also be found in the Basic Financial Statements section of the ACFR.

**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, 2021 and 2020**  
**(in millions)\***

	Primary Government						Major Component Unit	
	Governmental Activities		Business-type Activities		Totals		School Board	
	2021	2020	2021	2020	2021	2020	2021	2020
Assets:								
Current and other assets	\$111.4	\$98.3	\$5.8	\$8.3	\$117.2	\$106.6	\$2.9	\$0.9
Capital assets, net	\$227.0	\$219.0	\$40.9	\$38.1	\$267.9	\$257.1	\$16.2	\$18.4
<b>Total Assets</b>	<b>\$338.4</b>	<b>\$317.3</b>	<b>\$46.7</b>	<b>\$46.4</b>	<b>\$385.1</b>	<b>\$363.7</b>	<b>\$19.1</b>	<b>\$19.3</b>
Deferred outflows of resources	\$22.3	\$30.0	\$1.5	\$1.6	\$23.8	\$31.6	-	-
Liabilities:								
Current and other liabilities	\$69.0	\$26.7	\$4.2	\$4.2	\$73.2	\$31.0	\$2.9	\$0.9
Long-term liabilities	\$158.2	\$212.5	\$25.0	\$25.9	\$183.2	\$238.4	\$0.2	\$0.2
<b>Total Liabilities</b>	<b>\$227.3</b>	<b>\$239.2</b>	<b>\$29.2</b>	<b>\$30.1</b>	<b>\$256.4</b>	<b>\$269.4</b>	<b>\$3.1</b>	<b>\$1.1</b>
Deferred inflows of resources	\$55.2	\$40.5	\$0.6	\$0.2	\$55.8	\$40.7	-	-
Net Position:								
Net investment in capital assets	\$113.6	\$110.0	\$20.2	\$16.8	\$133.9	\$126.8	\$16.2	\$18.4
Restricted	\$0.5	-	-	-	\$0.6	-	-	-
Unrestricted	(\$36.0)	(\$42.3)	(\$1.9)	\$0.8	(\$37.9)	(\$41.5)	(\$0.2)	(\$0.2)
<b>Total net position</b>	<b>\$78.2</b>	<b>\$67.7</b>	<b>\$18.4</b>	<b>\$17.6</b>	<b>\$96.6</b>	<b>\$85.4</b>	<b>\$16.0</b>	<b>\$18.1</b>

\* Immaterial rounding differences between the Tables in the MD&A and the Exhibits in the Financial Section of the ACFR 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 \$96.6 million, which is an increase of \$11.2, mainly because of long-term liabilities decrease in F/Y 21. The net position of School Board decreased by \$2.1 million because of the allocation of capital assets between Primary Government and School Board in F/Y 21. The total net position of Primary Government and School Board increased by \$9.1 million from the net position as of June 30, 2020.

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, 2021, this investment totaled \$284.1 million for the entire reporting entity (\$267.9 million for the Primary Government and \$16.2 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.



**CITY OF FAIRFAX, VIRGINIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

YEAR ENDED JUNE 30, 2021

**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, 2021 and 2020**  
**(in millions)\***

	Primary Government						School Board Component Unit	
	Governmental Activities		Business-type Activities		Totals		School Board	
	2021	2020	2021	2020	2021	2020	2021	2020
Revenues:								
Program revenues:								
Charges for services	\$ 4.7	\$ 4.7	\$ 9.3	\$ 11.7	\$ 14.0	\$ 16.4	\$ 0.3	\$ 0.5
Operating grants and contributions	8.5	5.3	-	-	8.5	5.3	9.2	8.8
Capital grants and contributions	8.3	4.6	0.8	0.7	9.0	5.3	-	-
General revenues:								
General property taxes	83.9	80.7	-	-	83.9	80.7	-	-
Other local taxes	36.6	35.3	-	-	36.6	35.3	-	-
Contribution from City	-	-	-	-	-	-	40.5	41.6
Grants and contributions not restricted to specific programs	5.2	5.4	-	-	5.2	5.4	-	-
Use of money and property	0.3	1.3	-	0.1	0.3	1.4	2.1	2.0
Miscellaneous	1.2	1.1	-	-	1.2	1.1	-	-
<b>Total revenues</b>	<b>\$ 148.7</b>	<b>\$ 138.4</b>	<b>\$ 10.1</b>	<b>\$ 12.5</b>	<b>\$ 158.7</b>	<b>\$ 150.9</b>	<b>\$ 52.1</b>	<b>\$ 52.9</b>
Expenses:								
General government	\$ 13.9	\$ 14.1	\$ -	\$ -	\$ 13.9	\$ 14.1	\$ -	\$ -
Judicial administration	2.0	2.3	-	-	2.0	2.3	-	-
Public safety	29.8	32.7	-	-	29.8	32.7	-	-
Public works	24.3	24.7	11.9	11.3	36.2	36.0	-	-
Health & social services	6.7	6.7	-	-	6.7	6.7	-	-
Education	43.5	45.0	-	-	43.5	45.0	54.3	55.4
Parks, recreation and cultural	5.4	7.0	-	-	5.4	7.0	-	-
Planning and community develop	5.3	3.4	-	-	5.3	3.4	-	-
Interest	4.6	5.4	-	-	4.6	5.4	-	-
<b>Total expenses</b>	<b>\$ 135.5</b>	<b>\$ 141.3</b>	<b>\$ 11.9</b>	<b>\$ 11.3</b>	<b>\$ 147.4</b>	<b>\$ 152.6</b>	<b>\$ 54.3</b>	<b>\$ 55.4</b>
Change in net position before transfers & special items	\$ 13.2	\$ (2.9)	\$ (1.8)	\$ 1.2	\$ 11.3	\$ (1.7)	\$ (2.1)	\$ (2.4)
Transfers	(2.6)	(2.1)	2.6	2.1	-	-	-	-
Special items	-	-	-	-	-	-	-	-
Change in net position	\$ 10.5	\$ (5.1)	\$ 0.8	\$ 3.3	\$ 11.3	\$ (1.7)	\$ (2.1)	\$ (2.4)
Net position, beginning of year	\$ 67.7	\$ 72.7	\$ 17.6	\$ 14.4	\$ 85.3	\$ 87.1	\$ 18.1	\$ 20.5
Cumulative effect of prior period adjustment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net position, beginning of year	\$ 67.7	\$ 72.7	\$ 17.6	\$ 14.4	\$ 85.3	\$ 87.1	\$ 18.1	\$ 20.5
Net position, ending of year	\$ 78.2	\$ 67.7	\$ 18.4	\$ 17.6	\$ 96.6	\$ 85.3	\$ 16.0	\$ 18.1

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

# CITY OF FAIRFAX, VIRGINIA

## MANAGEMENT'S DISCUSSION AND ANALYSIS

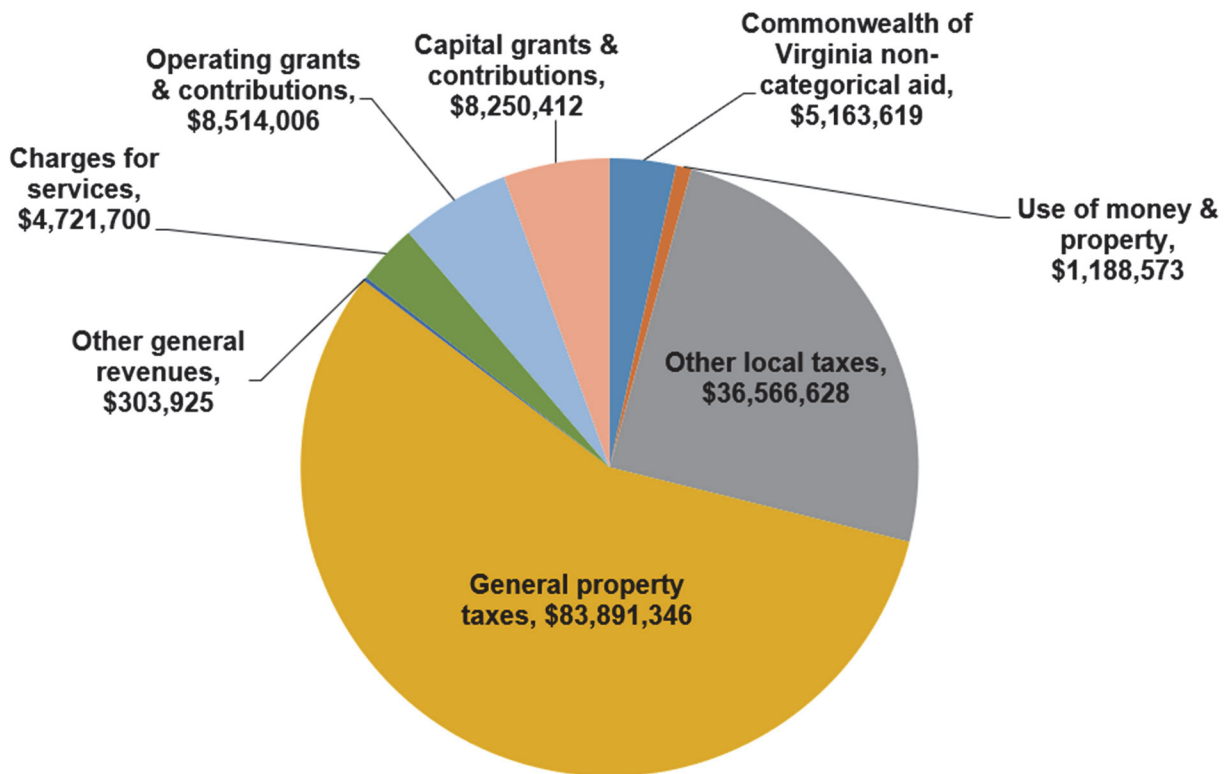
YEAR ENDED JUNE 30, 2021

### Governmental Activities

Revenues for the City's governmental activities were \$148.7 million, which is an increase of \$10.3 million from F/Y 20:

- Grants and contributions increased significantly from F/Y 20 because of COVID-19 grants. Capital grants and contributions increased by \$3.6 million. Operating grants and contributions also increased by \$3.2 million.
- General property taxes are the largest revenue source for the City. A 5.9% increase in the C/Y 21 residential real property assessments accounts for a robust increase in general property tax revenues of \$3.2 million or 4.0% in F/Y 21 over F/Y 20.
- Other local tax revenues increased by \$1.3 million in F/Y 21. Business license tax, tobacco taxes, transient occupancy tax, motor vehicle license tax and communication tax decreased or remained flat, while recordation tax had a significant increase of 80%. Franchise tax also had significant increase of 14%. Consumer utility tax and consumption tax both had solid increases of 12%. Local sale and use tax also had an increase of 6%.
- Charges for services remained flat. Use of money and property increased by \$0.1 million, offset by the decrease in other general revenues and Commonwealth of Virginia non-categorical aid, caused a \$1.1 million decrease in other revenue categories.

The chart below shows F/Y 21 governmental revenues by program source:



**Governmental Activity Revenues**

# CITY OF FAIRFAX, VIRGINIA

## MANAGEMENT'S DISCUSSION AND ANALYSIS

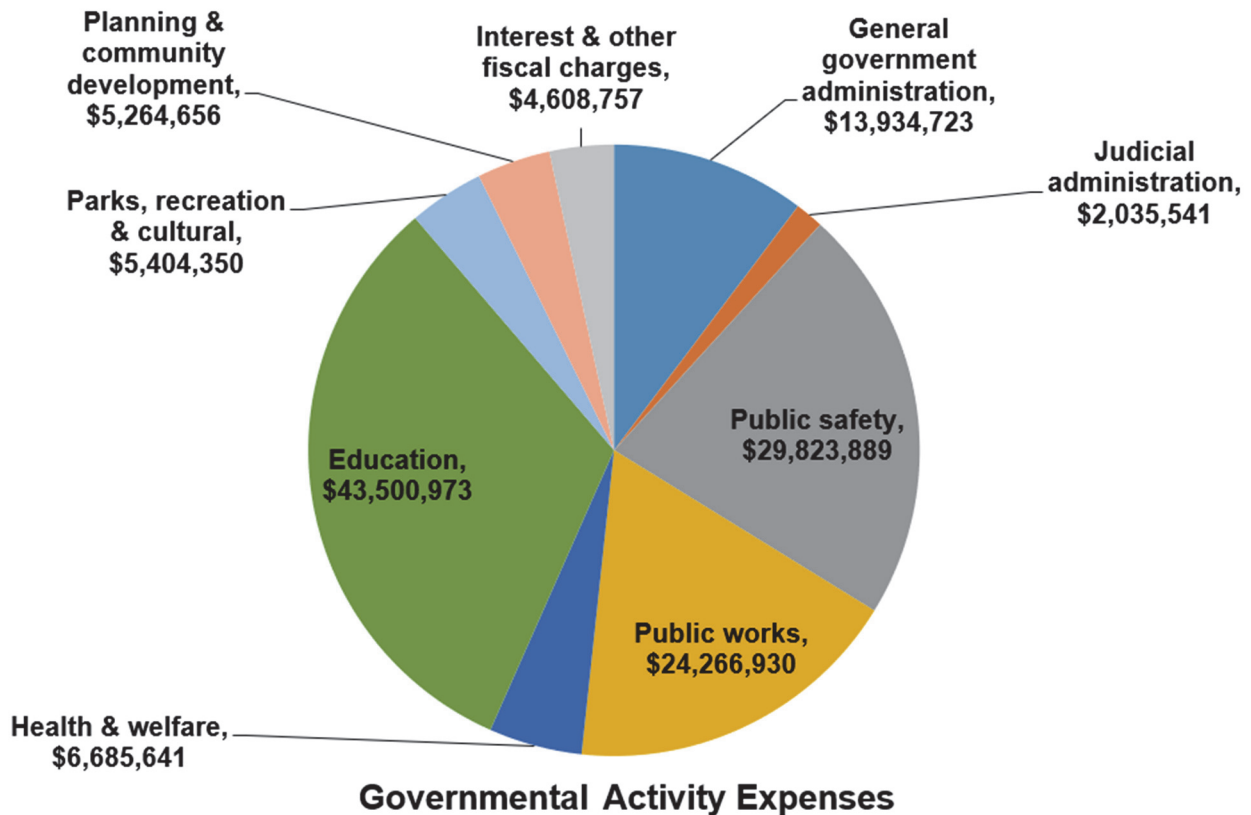
YEAR ENDED JUNE 30, 2021

Expenses for the City's governmental activities were \$135.5 million in F/Y 21, which is a decrease of \$5.8 million from F/Y 20.

- The public safety activities were affected by COVID-19 pandemic and the costs decreased by \$2.9 million in F/Y 21.
- The parks, recreation & cultural activities were affected by COVID-19 pandemic and the costs decreased by \$1.6 million in F/Y 21.
- Another major saving is the education costs, decreased by \$1.5 million in F/Y 21 due to a reduction in student population and the costs of operations.
- The major driver of the increased costs is the investment in economic development, the allocation of CARES funding and supporting the small businesses within the City.

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:



# CITY OF FAIRFAX, VIRGINIA

## MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2021

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### Business-type Activities

Business-type activities increased the City's net position by \$0.8 million, mainly caused by the increased transfer from General Fund. The total revenues decreased \$2.4 million from F/Y 20, as a result of a \$2.4 million decrease in charges for services. Business-type activities expenses increased by \$0.6 million, driven by increased public works expenses.

### Component Unit Activities

The School Board's net position was \$16.0 million at the end of F/Y 21, a decrease of \$2.1 million from the net position as of June 30, 2020. The decrease in net position was mainly caused by education costs exceeding the revenues.

## **FINANCIAL ANALYSIS OF THE CITY'S FUNDS (See Exhibits 3-10)**

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 ACFR 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 the connection.

### 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, the unassigned fund balance is 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 \$47.4 million, an increase of \$2 million from the prior year. Approximately 44.4% of this total amount (\$21.0 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 (\$2.3 million), restricted (\$16.2 million) and assigned (\$8.0 million) to indicate that the funds are not available for discretionary spending.

The General Fund is the primary operating fund of the City. The total fund balance increased by \$11.2 million in F/Y 21 (revenues of \$137.8 million less expenditures of \$121.3 million and other financing uses (net) of \$5.3 million). The City's General Capital Projects Fund and Other Governmental Funds reflected overall decreases of \$9.2 million. The decrease in fund balance of the General Capital Projects Fund was due to budgeted capital project expenditures. Overall the City's total net changes in fund balances increased by \$2.0 million in F/Y 21.

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

### Proprietary funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements for Business-type Activities. Unrestricted net position of the Wastewater Fund and Transportation Fund at June 30, 2021 totaled \$2.1 million and (\$3.8) million, respectively. The total proprietary fund unrestricted net position decreased by \$2.7 million from the prior year to (\$1.9) million.

**CITY OF FAIRFAX, VIRGINIA**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**

YEAR ENDED JUNE 30, 2021

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

- Fire Station project costs totaling \$3.0 million, which was the City’s largest capital project in F/Y 21.
- Significant on-going construction costs on the University Drive Extension project, totaling \$5.1 million in F/Y 21. The construction will continue in F/Y 22.
- Streets repaving project expenditures totaling \$2.8 million. The City took the opportunity to repave many roads during the COVID-19 pandemic when traffic was lighter than usual.
- 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 remained flat at 12.5 cents per \$100 of assessed value on commercial and industrial real property in F/Y 21.
- An increase in Wastewater utility rates of 8.0% 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 20 to F/Y 21, 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 summarizes Exhibit 7, which can be found in the Basic Financial Statements section of the ACFR.

**Table 3**  
**General Fund Budgetary Highlights**  
**Fiscal Year 2021**  
**(in millions)\***

	Final Budget	Actual	Actual Over/(Under) Final Budget
Revenues:			
Taxes	\$ 111.4	\$ 117.5	\$ 6.1
Intergovernmental	11.9	14.4	2.5
Other	5.6	5.8	0.2
<b>Totals</b>	<b>128.9</b>	<b>137.8</b>	<b>8.8</b>
Expenditures	137.7	121.3	(16.4)
Excess of revenues over expenditures:	(8.8)	16.5	25.2
Other financing sources and (uses):			
Transfers out, net	(5.2)	(5.3)	0.0
<b>Changes in fund balance</b>	<b>(14.0)</b>	<b>11.2</b>	<b>25.2</b>
<b>Fund balance, beginning</b>	<b>14.0</b>	<b>31.6</b>	<b>17.6</b>
<b>Fund balance, ending</b>	<b>\$ -</b>	<b>\$ 42.8</b>	<b>\$ 42.8</b>

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

**CITY OF FAIRFAX, VIRGINIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

YEAR ENDED JUNE 30, 2021

Actual General Fund revenues were \$8.8 million more than final budget amounts, and actual expenditures were under the final budget by \$16.4 million. Highlights of the comparison of final budget to actual figures for the fiscal year ended June 30, 2021, 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 \$16.4 million, driven mainly by lower-than-budgeted health and welfare (\$2.9 million), parks, recreation and cultural (\$2.1 million), public safety expenditures (\$1.6 million), planning and community development (\$1.4 million), and public works (\$0.7 million).

**CAPITAL ASSETS**

As of June 30, 2021, the City's governmental activities, business-type activities, and the activities of the Component Unit School Board had invested \$227.0, \$40.9, \$16.2 million net of accumulated depreciation, respectively, in capital assets, as reflected in Table 4 below.

**Table 4**  
**Statement of Capital Assets**  
**June 30, 2021 and 2020**  
**(in millions)\***

	Primary Government						Component Unit	
	Governmental Activities		Business-type Activities		Totals		School Board	
	2021	2020	2021	2020	2021	2020	2021	2020
Land	\$ 59.3	\$ 54.1	\$ -	\$ -	\$ 59.3	\$ 54.1	\$ 1.4	\$ 1.4
Construction in Progress	78.2	68.5	7.1	6.7	85.3	75.2	-	-
Depreciable Capital Assets:								
Buildings and Improvements	57.4	57.4	1.5	1.5	58.9	58.9	57.2	54.0
Machinery and Equipment	32.7	32.1	5.6	5.5	38.3	37.6	1.4	1.4
Joint Tenancy Assets	59.7	62.7	-	-	59.7	62.7	-	-
Intangible Assets	-	-	39.1	34.8	39.1	34.8	-	-
Infrastructure	55.4	55.4	8.2	8.2	63.6	63.6	-	-
Accumulated Amortization	-	-	(10.3)	(8.7)	(10.3)	(8.7)	-	-
Accumulated Depreciation	(115.6)	(111.1)	(10.3)	(9.9)	(125.9)	(121.0)	(43.8)	(38.4)
<b>Total</b>	<b>\$ 227.0</b>	<b>\$ 219.0</b>	<b>\$ 40.9</b>	<b>\$ 38.1</b>	<b>\$ 267.9</b>	<b>\$ 257.1</b>	<b>\$ 16.2</b>	<b>\$ 18.4</b>

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

The City's investment in capital assets for governmental and business-type activities as of June 30, 2021, amounts to \$267.9 million, net of accumulated amortization and 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 investment in capital assets increased by \$10.8 million during F/Y 21, mainly driven by the increase in construction in progress.

**CITY OF FAIRFAX, VIRGINIA**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**

YEAR ENDED JUNE 30, 2021

Major capital asset transactions of the City during F/Y 2021 in both the governmental and business-type activities included the following:

- Continued investment in the roadway infrastructure of \$11.3 million, as construction in progress.
- University Drive Extension project of \$5.1 million, the biggest roadway infrastructure investment in FY21 as construction in progress.
- Continued investment in Street Repaving program of \$2.8 million as construction in progress.

The City's investment in capital assets for its School Board Component Unit as of June 30, 2021, was \$16.2 million, net of accumulated depreciation, a net decrease of \$2.2 million from the prior fiscal year caused by the current depreciation methodology of depreciation. If the factor of depreciation is excluded, the investment in capital assets increased by \$3.2 million during F/Y 21 because the investment in buildings and improvements increased by \$3.2 million.

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

**OUTSTANDING DEBT**

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

	Governmental Activities		Business-type Activities		Totals	
	2021	2020	2021	2020	2021	2020
General Obligation Bonds						
General Obligation Bonds - Public Offerings	\$ 8.2	\$ 12.5	\$ -	\$ -	\$ 8.2	\$ 12.5
General Obligation Bonds - Direct Borrowings	57.7	58.0	-	-	57.7	58.0
General Obligation Bonds - Premiums	2.1	2.3	-	-	2.1	2.3
Lease Revenue Bonds	36.6	38.8	-	-	36.6	38.8
Public Improvement COPs	10.8	11.0	-	-	10.8	11.0
Notes Payable	10.8	5.8	-	-	10.8	5.8
Capital Leases	2.7	3.5	-	-	2.7	3.5
Governmental Debt	\$ 128.9	\$ 131.9	\$ -	\$ -	\$ 128.9	\$ 131.9
Self-Supporting Debt						
WasteWater - Lease Revenue Bonds & Premiums	\$ -	\$ -	\$ 21.1	\$ 21.9	\$ 21.1	\$ 21.9
Total City Debt	\$ 128.9	\$ 131.9	\$ 21.1	\$ 21.9	\$ 150.0	\$ 153.8

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

The City took advantage of continued low interest rates to refinance the general obligation bond in F/Y 21. The City’s total debt for governmental activities decreased by \$3.0 million, and debt for business-type activities decreased by \$0.8 million in F/Y 21. The City’s debt reported a combined total of \$150.0 million, a decrease of \$3.8 million from the prior year, mainly driven by debt retirement during the normal course of business.

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



# **CITY OF FAIRFAX, VIRGINIA**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

*YEAR ENDED JUNE 30, 2021*

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### **ECONOMIC FACTORS**

COVID-19 has severely affected the local economy. While many local revenues, such as tobacco taxes, motor vehicle license tax and communication tax performed negatively compared to budget, the largest revenue source general property taxes increased by \$3.2 million in F/Y 21. Residential real estate assessments increased by 5.9% in calendar year 2021. Residential assessments have increased for the 11th consecutive year, due primarily to surging home prices, indicating a growing demand for residential properties.

Like localities nationwide, the City has seen a decrease in workforce participation since the equivalent period in 2020. The City's March 2021 at-place employment figures represent a 4.3% decrease since March 2020, in line with overall Virginia decreases of 3.9% and national decreases of 4.5%. The City's unemployment rate now stands at 2.8% as of September 2021, which is a substantial improvement from 10.4% in April 2020, and has continued to fall throughout this current year. Seven of the year's nine recorded months have seen decreases in the City's unemployment rate. This demonstrates a considerable amount of resilience within the City's economy. The City's current unemployment rate stands below the statewide average of 3.8%. With 4.5 million square feet of office space, the City of Fairfax remains one of Northern Virginia's employment hubs. The City's office market currently has a 9.7% vacancy rate, considerably lower than that of Fairfax County and of Northern Virginia as a whole. The retail market remains healthy, with a vacancy rate of only 5.0%, which is equal to the regional average for retail vacancies. 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 City continues to promote redevelopment along the Route 50/29 Corridor (Fairfax Boulevard), and has approved mixed-use development projects at Fairfax Circle, Kamp Washington, and Fairfax Gateway, several of which are under construction. In addition, 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 Chief Financial Officer, City of Fairfax, 10455 Armstrong Street, Fairfax, Virginia 22030, telephone (703) 385-7850, or visit the City's web site at [www.fairfaxva.gov](http://www.fairfaxva.gov).



**BASIC FINANCIAL STATEMENTS**



## **Government-wide Financial Statements**



Statement of Net Position  
At June 30, 2021

	Primary Government			Component Units	
	Governmental Activities	Business- type Activities	Totals	School Board	Nonmajor Component Units
<b>ASSETS</b>					
Current Assets:					
Cash and cash equivalents	\$ 38,720,993	\$ 4,424,209	\$ 43,145,202	\$ 2,500	\$ 1,302,640
Cash and cash equivalents - in custody of others	16,553,937	-	16,553,937	-	-
Receivables (net of allowance for uncollectibles):					
Property taxes	38,226,823	-	38,226,823	-	-
Accounts receivable	935,706	2,085,779	3,021,485	-	-
Due from other governments	7,360,875	2,106,000	9,466,875	2,860,525	-
Due from component units	3,855,123	-	3,855,123	-	-
Internal balances	2,977,748	(2,977,748)	-	-	-
Pension asset	549,875	36,471	586,346	-	-
Inventories	887,918	-	887,918	-	862,594
Prepaid items	1,372,097	5,134	1,377,231	-	-
Restricted cash	-	80,360	80,360	-	-
Total Current Assets	\$ 111,441,095	\$ 5,760,205	\$ 117,201,300	\$ 2,863,025	\$ 2,165,234
Noncurrent Assets:					
Capital assets (net of accumulated depreciation):					
Land and improvements	\$ 59,270,983	\$ 17,583	\$ 59,288,566	\$ 1,381,115	\$ -
Buildings and improvements	57,408,899	1,491,528	58,900,427	57,240,872	-
Machinery and equipment	32,659,198	5,609,862	38,269,060	1,376,298	-
Joint tenancy assets	59,695,214	-	59,695,214	-	-
Infrastructure	55,363,461	8,228,776	63,592,237	-	-
Intangible assets	-	39,051,621	39,051,621	-	-
Construction in progress	78,169,675	7,105,082	85,274,757	19,829	-
Accumulated amortization	-	(10,295,140)	(10,295,140)	-	-
Accumulated depreciation	(115,593,143)	(10,303,941)	(125,897,084)	(43,787,605)	-
Total capital assets	\$ 226,974,287	\$ 40,905,371	\$ 267,879,658	\$ 16,230,509	\$ -
Total Noncurrent Assets	\$ 226,974,287	\$ 40,905,371	\$ 267,879,658	\$ 16,230,509	\$ -
Total Assets	\$ 338,415,382	\$ 46,665,576	\$ 385,080,958	\$ 19,093,534	\$ 2,165,234
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Pension related items	\$ 13,527,007	\$ 773,109	\$ 14,300,116	\$ 40,819	\$ -
OPEB related items	4,120,380	263,003	4,383,383	3,189	-
Deferred charge on refunding	4,629,138	478,094	5,107,232	-	-
Total Deferred Outflows of Resources	\$ 22,276,525	\$ 1,514,206	\$ 23,790,731	\$ 44,008	\$ -
<b>LIABILITIES</b>					
Current Liabilities:					
Accounts payable and accrued liabilities	\$ 8,039,079	\$ 2,399,378	\$ 10,438,457	\$ 106,227	\$ -
Retainage payable	521,027	-	521,027	-	-
Accrued interest payable	1,141,296	197,127	1,338,423	-	-
Customer deposits and other liabilities	2,259,978	852,483	3,112,461	-	-
Due to primary government	-	-	-	2,754,298	1,100,825
Unearned revenue	14,492,714	-	14,492,714	-	-
Current portion of long-term obligations	42,586,433	714,562	43,300,995	3,172	-
Total Current Liabilities	\$ 69,040,527	\$ 4,163,550	\$ 73,204,077	\$ 2,863,697	\$ 1,100,825
Noncurrent Liabilities:					
Noncurrent portion of long-term obligations	158,248,680	25,009,307	183,257,987	249,354	-
Total Liabilities	\$ 227,289,207	\$ 29,172,857	\$ 256,462,064	\$ 3,113,051	\$ 1,100,825
<b>DEFERRED INFLOWS OF RESOURCES:</b>					
Pension related items	\$ 15,680,235	\$ 431,783	\$ 16,112,018	\$ 14,115	\$ -
OPEB related items	2,358,865	150,566	2,509,431	1,568	-
Deferred revenue - property taxes	37,177,495	-	37,177,495	-	-
Total Deferred Inflows of Resources	\$ 55,216,595	\$ 582,349	\$ 55,798,944	\$ 15,683	\$ -
<b>NET POSITION</b>					
Net investment in capital assets	\$ 113,626,873	\$ 20,242,955	\$ 133,869,828	\$ 16,230,509	\$ -
Restricted for:					
Net pension asset	549,875	36,471	586,346	-	-
Unrestricted	(35,990,643)	(1,854,850)	(37,845,493)	(221,701)	1,064,409
Total Net Position	\$ 78,186,105	\$ 18,424,576	\$ 96,610,681	\$ 16,008,808	\$ 1,064,409

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

CITY OF FAIRFAX, VIRGINIA

Statement of Activities  
Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>PRIMARY GOVERNMENT:</b>				
Governmental activities:				
General government administration	\$ 13,934,723	\$ 197,779	\$ 882,638	\$ -
Judicial administration	2,035,541	664,425	-	-
Public safety	29,823,889	2,286,600	2,587,849	-
Public works	24,266,930	776,194	3,011,088	8,250,412
Health and welfare	6,685,641	-	150,628	-
Education	43,500,973	-	-	-
Parks, recreation, and cultural	5,404,350	631,011	33,209	-
Community development	5,264,656	165,691	1,848,594	-
Interest on long-term debt	4,608,757	-	-	-
<b>Total governmental activities</b>	<b>\$ 135,525,460</b>	<b>\$ 4,721,700</b>	<b>\$ 8,514,006</b>	<b>\$ 8,250,412</b>
Business-type activities:				
Wastewater	\$ 7,059,800	\$ 8,582,159	\$ -	\$ -
Transportation	4,830,660	750,008	-	758,432
<b>Total business-type activities</b>	<b>\$ 11,890,460</b>	<b>\$ 9,332,167</b>	<b>\$ -</b>	<b>\$ 758,432</b>
<b>Total primary government</b>	<b>\$ 147,415,920</b>	<b>\$ 14,053,867</b>	<b>\$ 8,514,006</b>	<b>\$ 9,008,844</b>
<b>COMPONENT UNITS:</b>				
School Board	\$ 54,298,377	\$ 333,364	\$ 9,212,805	\$ -
Nonmajor component units:				
Industrial Development Authority	\$ 977,301	\$ -	\$ -	\$ -
Economic Development Authority	2,130,301	-	-	-
<b>Total nonmajor component units</b>	<b>\$ 3,107,602</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total component units</b>	<b>\$ 57,405,979</b>	<b>\$ 333,364</b>	<b>\$ 9,212,805</b>	<b>\$ -</b>

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 City  
 Grants and contributions not restricted to specific programs  
 Miscellaneous  
 Transfers  
 Total general revenues and transfers  
 Change in net position  
 Net position - beginning  
 Net position - ending

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

Net (Expense) Revenue and Changes in Net Position					
Primary Government			Component Units		
Governmental Activities	Business-type Activities	Total	School Board	Nonmajor Component Units	
\$ (12,854,306)	\$ -	\$ (12,854,306)	\$ -	\$ -	
(1,371,116)	-	(1,371,116)	-	-	
(24,949,440)	-	(24,949,440)	-	-	
(12,229,236)	-	(12,229,236)	-	-	
(6,535,013)	-	(6,535,013)	-	-	
(43,500,973)	-	(43,500,973)	-	-	
(4,740,130)	-	(4,740,130)	-	-	
(3,250,371)	-	(3,250,371)	-	-	
(4,608,757)	-	(4,608,757)	-	-	
<u>\$ (114,039,342)</u>	<u>\$ -</u>	<u>\$ (114,039,342)</u>	<u>\$ -</u>	<u>\$ -</u>	
\$ -	\$ 1,522,359	\$ 1,522,359	\$ -	\$ -	
-	(3,322,220)	(3,322,220)	-	-	
<u>\$ -</u>	<u>\$ (1,799,861)</u>	<u>\$ (1,799,861)</u>	<u>\$ -</u>	<u>\$ -</u>	
<u>\$ (114,039,342)</u>	<u>\$ (1,799,861)</u>	<u>\$ (115,839,203)</u>	<u>\$ -</u>	<u>\$ -</u>	
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (44,752,208)</u>	<u>\$ -</u>	
\$ -	\$ -	\$ -	\$ -	\$ (977,301)	
-	-	-	-	(2,130,301)	
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (3,107,602)</u>	
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (44,752,208)</u>	<u>\$ (3,107,602)</u>	
\$ 83,891,346	\$ -	\$ 83,891,346	\$ -	\$ -	
12,555,783	-	12,555,783	-	-	
8,575,536	-	8,575,536	-	-	
1,686,103	-	1,686,103	-	-	
5,503,374	-	5,503,374	-	-	
2,995,594	-	2,995,594	-	-	
5,250,238	-	5,250,238	-	-	
303,925	9,033	312,958	2,139,653	774,962	
-	-	-	40,465,698	2,106,750	
5,163,619	-	5,163,619	-	-	
1,188,573	-	1,188,573	-	21,263	
(2,578,242)	2,578,242	-	-	-	
<u>\$ 124,535,849</u>	<u>\$ 2,587,275</u>	<u>\$ 127,123,124</u>	<u>\$ 42,605,351</u>	<u>\$ 2,902,975</u>	
\$ 10,496,507	\$ 787,414	\$ 11,283,921	\$ (2,146,857)	\$ (204,627)	
67,689,598	17,637,162	85,326,760	18,155,665	1,269,036	
<u>\$ 78,186,105</u>	<u>\$ 18,424,576</u>	<u>\$ 96,610,681</u>	<u>\$ 16,008,808</u>	<u>\$ 1,064,409</u>	

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## **Fund Financial Statements**



Balance Sheet - Governmental Funds  
At June 30, 2021

	General	General Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 33,659,251	\$ -	\$ 8,463,603	\$ 42,122,854
Cash and cash equivalents - in custody of others	11,471,396	5,082,541	-	16,553,937
Receivables (Net of allowance for uncollectibles):				
Taxes, including penalties	38,226,823	-	-	38,226,823
Accounts	935,706	-	-	935,706
Inventories	887,918	-	-	887,918
Prepaid items	1,224,041	83,483	64,573	1,372,097
Due from other funds	8,312,748	-	-	8,312,748
Due from other governments	4,056,044	3,294,113	10,718	7,360,875
Due from component units	3,695,123	160,000	-	3,855,123
	<u>102,469,050</u>	<u>8,620,137</u>	<u>8,538,894</u>	<u>119,628,081</u>
Total assets	\$ <u>102,469,050</u>	\$ <u>8,620,137</u>	\$ <u>8,538,894</u>	\$ <u>119,628,081</u>
<b>LIABILITIES</b>				
Reconciled overdraft	\$ -	\$ 3,401,861	\$ -	\$ 3,401,861
Accounts payable and accrued liabilities	5,164,472	2,462,104	412,503	8,039,079
Retainage payable	-	505,717	15,310	521,027
Customer deposits and other liabilities	2,030,212	229,766	-	2,259,978
Due to component unit	-	-	-	-
Due to other funds	-	5,335,000	-	5,335,000
Unearned revenues	14,367,125	125,589	-	14,492,714
	<u>21,561,809</u>	<u>12,060,037</u>	<u>427,813</u>	<u>34,049,659</u>
Total liabilities	\$ <u>21,561,809</u>	\$ <u>12,060,037</u>	\$ <u>427,813</u>	\$ <u>34,049,659</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>				
Unavailable revenue - property taxes	\$ 38,133,830	\$ -	\$ -	\$ 38,133,830
	<u>38,133,830</u>	<u>-</u>	<u>-</u>	<u>38,133,830</u>
<b>FUND BALANCES</b>				
Nonspendable	\$ 2,111,959	\$ 83,483	\$ 64,573	\$ 2,260,015
Restricted	15,793,451	-	368,306	16,161,757
Assigned	296,231	-	7,678,202	7,974,433
Unassigned	24,571,770	(3,523,383)	-	21,048,387
	<u>42,773,411</u>	<u>(3,439,900)</u>	<u>8,111,081</u>	<u>47,444,592</u>
Total fund balances	\$ <u>42,773,411</u>	\$ <u>(3,439,900)</u>	\$ <u>8,111,081</u>	\$ <u>47,444,592</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 102,469,050</u>	<u>\$ 8,620,137</u>	<u>\$ 8,538,894</u>	<u>\$ 119,628,081</u>

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

Reconciliation of the Balance Sheet of the Governmental Funds  
to the Statement of Net Position  
At June 30, 2021

		<u>Primary Government</u>
Total fund balances - governmental funds	\$	47,444,592
Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:		
Capital assets used in governmental activities are not current financial resources and therefore not reported in the governmental funds:		
Capital assets	\$ 342,567,430	
Accumulated depreciation	<u>(115,593,143)</u>	226,974,287
Unavailable revenue represents amounts that were not available to fund current expenditures and therefore is not reported as revenue in the governmental funds.		
		956,335
Deferred outflows of resources are not available to pay for current-period expenditures and, therefore are not reported in the funds.		
Deferred charge on refunding	\$ 4,629,138	
Pension related items	13,527,007	
OPEB related items	<u>4,120,380</u>	22,276,525
Long-term liabilities, including bonds payable, are not due and payable in the current current period and therefore are not reported as liabilities in the governmental funds.		
General obligation bonds	\$ (65,925,000)	
Lease revenue bonds	(36,563,000)	
Notes payable	(10,830,000)	
Public facility certificate of participation	(10,778,000)	
Capital leases	(2,707,666)	
Premiums on bonds payable	(2,084,703)	
Net pension liability/asset	(50,666,518)	
Net OPEB liability	(17,675,629)	
Accrued interest on debt	(1,141,296)	
Compensated absences	<u>(3,054,722)</u>	(201,426,534)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.		
Pension related items	\$ (15,680,235)	
OPEB related items	<u>(2,358,865)</u>	(18,039,100)
Net position of governmental activities	\$	<u>78,186,105</u>

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

Statement of Revenues, Expenditures and Changes in Fund Balances -  
 Governmental Funds  
 Year Ended June 30, 2021

	Governmental Funds			Total Governmental Funds
	General	General Capital Projects	Other Governmental Funds	
<b>Revenues:</b>				
General property taxes	\$ 83,717,767	\$ -	\$ -	\$ 83,717,767
Other local taxes	33,813,768	-	2,752,860	36,566,628
Permits, privilege fees and regulatory licenses	1,960,625	189,008	13,600	2,163,233
Fines and forfeitures	663,424	-	-	663,424
Revenue from use of money and property	293,562	10,363	-	303,925
Charges for services	1,895,043	-	-	1,895,043
Miscellaneous	1,034,893	96,797	56,883	1,188,573
<b>Intergovernmental:</b>				
Fairfax County	846,901	-	-	846,901
Commonwealth	9,333,192	1,744,666	146,058	11,223,916
Federal	4,230,499	6,473,622	-	10,704,121
<b>Total revenues</b>	<b>\$ 137,789,674</b>	<b>\$ 8,514,456</b>	<b>\$ 2,969,401</b>	<b>\$ 149,273,531</b>
<b>Expenditures:</b>				
<b>Current:</b>				
General government administration	\$ 10,809,235	\$ 2,085,083	\$ -	\$ 12,894,318
Judicial administration	2,035,541	-	-	2,035,541
Public safety	27,954,380	9,417,962	-	37,372,342
Public works	12,164,384	13,613,233	2,559,134	28,336,751
Health and welfare	6,654,856	-	-	6,654,856
Education	38,944,050	411,248	-	39,355,298
Parks, recreation, and cultural	5,083,044	1,056,533	18,896	6,158,473
Planning and community development	5,220,985	-	-	5,220,985
<b>Debt service:</b>				
Principal retirement	9,044,835	-	-	9,044,835
Interest and other fiscal charges	3,257,383	-	-	3,257,383
Bond issuance costs	148,650	-	-	148,650
<b>Total expenditures</b>	<b>\$ 121,317,343</b>	<b>\$ 26,584,059</b>	<b>\$ 2,578,030</b>	<b>\$ 150,479,432</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>\$ 16,472,331</b>	<b>\$ (18,069,603)</b>	<b>\$ 391,371</b>	<b>\$ (1,205,901)</b>
<b>Other financing sources (uses):</b>				
Issuance of debt	\$ 18,106,000	\$ 5,600,000	\$ -	\$ 23,706,000
Payment to refunded bond escrow agent	(17,957,552)	-	-	(17,957,552)
Transfers in	-	2,938,354	4,488,706	7,427,060
Transfers (out)	(5,425,357)	-	(4,579,945)	(10,005,302)
<b>Total other financing sources (uses)</b>	<b>\$ (5,276,909)</b>	<b>\$ 8,538,354</b>	<b>\$ (91,239)</b>	<b>\$ 3,170,206</b>
<b>Net changes in fund balances</b>	<b>\$ 11,195,422</b>	<b>\$ (9,531,249)</b>	<b>\$ 300,132</b>	<b>\$ 1,964,305</b>
<b>Fund balances at beginning of year</b>	<b>31,577,989</b>	<b>6,091,349</b>	<b>7,810,949</b>	<b>45,480,287</b>
<b>Fund balances at end of year</b>	<b>\$ 42,773,411</b>	<b>\$ (3,439,900)</b>	<b>\$ 8,111,081</b>	<b>\$ 47,444,592</b>

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

Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances  
of Governmental Funds to the Statement of Activities  
Year Ended June 30, 2021

	Primary Government Governmental Funds
Amounts reported for governmental activities in the Statement of Activities are different because:	
Net changes in fund balances - total governmental funds	\$ 1,964,305
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 capital outlays exceeded depreciation in the current period. The following details support this adjustment:	
Capital outlay	\$ 16,178,697
Depreciation expense	(6,902,943)
	<u>9,275,754</u>
Transfer of assets from Primary Government to the Component Unit School Board	(1,302,265)
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is to decrease net position.	(33,783)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. Details of this item consist of:	
Unavailable taxes	173,579
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:	
Debt issued or incurred:	
Issuance of refunding debt	\$ (23,706,000)
Deferred amount on refunding	57,002
Principal retired on general obligation debt	22,703,000
Principal retired on public improvement bonds	206,000
Principal retired on lease revenue bonds	2,217,000
Principal retired on notes payable	560,000
Principal retired on capital lease obligations	753,409
	<u>2,790,411</u>
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds. The following is a summary of items supporting this adjustment:	
Change in accrued interest payable	\$ 163,950
Change in compensated absences	(240,436)
OPEB expense	(764,286)
Pension expense	(167,598)
Amortization of premiums on bonds payable	232,844
Amortization of loss on refunding	(1,595,968)
	<u>(2,371,494)</u>
Change in net position of governmental activities	<u>\$ 10,496,507</u>

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

Statement of Revenues, Expenditures and Changes in Fund Balances -  
Budget and Actual - General Fund  
Year Ended June 30, 2021

Fund, Function, Activity, Element	General Fund			Variance From Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
General property taxes	\$ 87,086,057	\$ 87,086,057	\$ 83,717,767	\$ (3,368,290)
Other local taxes	24,339,628	24,339,628	33,813,768	9,474,140
Permits, privilege fees and regulatory licenses	1,750,555	1,750,555	1,960,625	210,070
Fines and forfeitures	933,772	933,772	663,424	(270,348)
Revenue from use of money and property	467,480	513,464	293,562	(219,902)
Charges for services	1,612,384	1,612,384	1,895,043	282,659
Miscellaneous	547,900	756,048	1,034,893	278,845
Intergovernmental:				
Fairfax County	971,424	971,424	846,901	(124,523)
Commonwealth	6,239,000	6,248,009	9,333,192	3,085,183
Federal	274,507	4,732,920	4,230,499	(502,421)
Total revenues	\$ 124,222,707	\$ 128,944,261	\$ 137,789,674	\$ 8,845,413
Expenditures:				
General government administration:				
Legislative:				
City council	\$ 197,016	\$ 212,789	\$ 154,789	\$ 58,000
City clerk	201,317	205,723	313,680	(107,957)
Total legislative	\$ 398,333	\$ 418,512	\$ 468,469	\$ (49,957)
Board of elections:				
Electoral board	\$ 395,639	\$ 449,629	\$ 429,763	\$ 19,866
General and financial administration:				
City manager	\$ 581,829	\$ 4,096,944	\$ 866,429	\$ 3,230,515
City attorney	529,000	529,000	586,056	(57,056)
Public audit of accounts	86,466	86,466	83,746	2,720
Personnel	858,805	1,026,333	977,241	49,092
Community relations	400,190	419,401	388,751	30,650
Cable television	301,710	325,571	345,859	(20,288)
Risk management	338,772	338,772	421,463	(82,691)
Telephone services	80,532	80,532	94,302	(13,770)
Information technology	2,519,249	1,736,605	1,993,769	(257,164)
Printing and office supplies	273,569	282,071	200,967	81,104
Fleet maintenance	-	338,920	-	338,920
Finance and Accounting	1,080,668	1,123,845	1,049,667	74,178
Real estate assessment	701,387	736,321	620,089	116,232
Treasurer	1,042,739	1,055,094	1,002,574	52,520
Commissioner of revenue	1,223,474	1,266,226	1,093,340	172,886
Salary vacancy factor	(1,164,541)	103,766	-	103,766
Retirement	200,425	200,425	159,457	40,968
Pool maintenance	-	12,234	27,293	(15,059)
Contingencies	75,000	38,775	-	38,775
Budget cuts	(535,437)	(257,516)	-	(257,516)
Total general and financial administration	\$ 8,593,837	\$ 13,539,785	\$ 9,911,003	\$ 3,628,782
Total general government administration	\$ 9,387,809	\$ 14,407,926	\$ 10,809,235	\$ 3,598,691

Statement of Revenues, Expenditures and Changes in Fund Balances -  
Budget and Actual - General Fund  
Year Ended June 30, 2021

Fund, Function, Activity, Element	General Fund			Variance From Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Expenditures: (continued)				
Judicial administration:				
General district court	\$ 20,620	\$ 93,070	\$ 46,323	\$ 46,747
Joint court service	366,901	366,901	296,989	69,912
Juvenile and domestic relations	711,649	711,649	486,387	225,262
Commonwealth attorney	142,089	142,089	147,705	(5,616)
Court services and custody	1,309,612	1,309,612	1,058,137	251,475
Total judicial administration	\$ 2,550,871	\$ 2,623,321	\$ 2,035,541	\$ 587,780
Public safety:				
Police administration	\$ 1,652,737	\$ 1,696,505	\$ 1,535,256	\$ 161,249
Police services	4,517,852	4,666,931	4,472,061	194,870
Police operations	7,359,878	7,778,448	7,179,377	599,071
Fire and rescue administration	1,731,598	1,804,598	1,392,261	412,337
Fire and rescue suppression	11,247,224	11,498,386	11,393,888	104,498
Code enforcement	1,883,290	2,087,701	1,981,537	106,164
Total public safety	\$ 28,392,579	\$ 29,532,569	\$ 27,954,380	\$ 1,578,189
Public works:				
Asphalt maintenance	\$ 1,104,220	\$ 1,162,229	\$ 936,459	\$ 225,770
Concrete maintenance	1,002,564	1,115,433	1,005,916	109,517
Snow and ice removal	320,464	385,164	298,538	86,626
Storm drainage	969,813	981,089	879,585	101,504
Signs, signals, and lighting	1,914,283	2,059,276	2,032,180	27,096
Refuse collection	2,928,132	3,070,126	2,988,098	82,028
Facilities maintenance	1,437,304	1,623,733	1,732,454	(108,721)
Street rights of way	1,184,695	1,270,195	1,083,793	186,402
Public works administration	905,705	969,654	999,699	(30,045)
County agent	40,662	40,662	28,438	12,224
Regional agencies	196,098	196,098	179,224	16,874
Total public works	\$ 12,003,940	\$ 12,873,659	\$ 12,164,384	\$ 709,275
Health and welfare:				
Health service department	\$ 1,624,720	\$ 1,624,720	\$ 1,074,660	\$ 550,060
Commission for women	712	2,137	251	1,886
Community Services Board	2,178,000	3,087,637	2,218,098	869,539
Senior citizen tax relief	1,004,900	1,004,900	979,849	25,051
Human services coordinator	210,999	213,465	203,750	9,715
Social services	2,606,958	3,644,816	2,178,248	1,466,568
Total health and welfare	\$ 7,626,289	\$ 9,577,675	\$ 6,654,856	\$ 2,922,819
Education:				
Contribution to Fairfax City School Board	\$ 42,158,107	\$ 42,772,027	\$ 38,944,050	\$ 3,827,977



Statement of Revenues, Expenditures and Changes in Fund Balances -  
Budget and Actual - General Fund  
Year Ended June 30, 2021

Fund, Function, Activity, Element	General Fund			Variance From Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Expenditures: (continued)				
Parks, recreation and cultural:				
Recreation:				
Recreation - administration	\$ 1,133,367	\$ 2,572,594	\$ 1,779,202	\$ 793,392
Special events	245,556	932,998	297,586	635,412
Parks and recreation facilities	268,551	875,945	338,013	537,932
Parks and ball field maintenance	1,270,048	1,457,648	1,338,673	118,975
Total recreation	\$ 2,917,522	\$ 5,839,185	\$ 3,753,474	\$ 2,085,711
Historic services	\$ 639,574	\$ 725,079	\$ 482,669	\$ 242,410
Library services	\$ 971,424	\$ 971,424	\$ 846,901	\$ 124,523
Total parks, recreation and cultural	\$ 4,528,520	\$ 7,535,688	\$ 5,083,044	\$ 2,452,644
Planning and community development:				
Economic development	\$ 792,872	\$ 3,378,391	\$ 2,906,167	\$ 472,224
Planning design and review	1,476,171	1,998,816	1,476,724	522,092
Current planning	983,060	1,269,383	838,094	431,289
Total planning and community development	\$ 3,252,103	\$ 6,646,590	\$ 5,220,985	\$ 1,425,605
Debt service:				
Principal retirement	\$ 8,542,410	\$ 8,542,410	\$ 9,044,835	\$ (502,425)
Interest and fiscal charges	3,181,031	3,225,231	3,257,383	(32,152)
Bond issuance costs	-	-	148,650	(148,650)
Total debt service	\$ 11,723,441	\$ 11,767,641	\$ 12,450,868	\$ (683,227)
Total expenditures	\$ 121,623,659	\$ 137,737,096	\$ 121,317,343	\$ 16,419,753
Excess (deficiency) of revenues over expenditures	\$ 2,599,048	\$ (8,792,835)	\$ 16,472,331	\$ 25,265,166
Other financing sources (uses):				
Issuance of debt	\$ -	\$ -	\$ 18,106,000	\$ 18,106,000
Payment to refunded bond escrow agent	-	-	(17,957,552)	(17,957,552)
Transfers (out)	(4,499,358)	(5,238,495)	(5,425,357)	(186,862)
Total other financing sources (uses)	\$ (4,499,358)	\$ (5,238,495)	\$ (5,276,909)	\$ (38,414)
Net changes in fund balance	\$ (1,900,310)	\$ (14,031,330)	\$ 11,195,422	\$ 25,226,752
Fund balance at beginning of year	1,900,310	14,031,330	31,577,989	17,546,659
Fund balance at end of year	\$ -	\$ -	\$ 42,773,411	\$ 42,773,411

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

Statement of Net Position - Proprietary Funds  
At June 30, 2021

	Wastewater Fund	Transportation Fund	Nonmajor Fund Water Utility Fund	Totals
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$ 4,117,293	\$ -	\$ 306,916	\$ 4,424,209
Receivables (net of allowance for uncollectibles):				
Accounts receivable	2,085,779	-	-	2,085,779
Due from other governments	-	2,106,000	-	2,106,000
Pension asset	9,499	26,972	-	36,471
Restricted cash	80,360	-	-	80,360
Prepaid items	1,024	4,110	-	5,134
<b>Total Current Assets</b>	<b>\$ 6,293,955</b>	<b>\$ 2,137,082</b>	<b>\$ 306,916</b>	<b>\$ 8,737,953</b>
<b>Noncurrent Assets</b>				
<b>Capital assets:</b>				
Land and improvements	\$ 17,583	\$ -	\$ -	\$ 17,583
Buildings and improvements	1,264,570	226,958	-	1,491,528
Machinery and equipment	2,335,516	3,274,346	-	5,609,862
Water and sewer infrastructure	8,228,776	-	-	8,228,776
Intangible assets	39,051,621	-	-	39,051,621
Construction in progress	7,105,082	-	-	7,105,082
Accumulated amortization	(10,295,140)	-	-	(10,295,140)
Accumulated depreciation	(8,056,063)	(2,247,878)	-	(10,303,941)
<b>Total Capital Assets (net)</b>	<b>\$ 39,651,945</b>	<b>\$ 1,253,426</b>	<b>\$ -</b>	<b>\$ 40,905,371</b>
<b>Total Noncurrent Assets</b>	<b>\$ 39,651,945</b>	<b>\$ 1,253,426</b>	<b>\$ -</b>	<b>\$ 40,905,371</b>
<b>Total Assets</b>	<b>\$ 45,945,900</b>	<b>\$ 3,390,508</b>	<b>\$ 306,916</b>	<b>\$ 49,643,324</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension related items	\$ 203,516	\$ 569,593	\$ -	\$ 773,109
OPEB related items	87,668	175,335	-	263,003
Deferred charge on refunding	478,094	-	-	478,094
<b>Total Deferred Outflows of Resources</b>	<b>\$ 769,278</b>	<b>\$ 744,928</b>	<b>\$ -</b>	<b>\$ 1,514,206</b>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	\$ 2,337,651	\$ 61,727	\$ -	\$ 2,399,378
Due to other funds	-	2,881,772	95,976	2,977,748
Accrued interest payable	197,127	-	-	197,127
Customer deposits and other liabilities	545,566	-	306,917	852,483
Compensated absences - current portion	3,525	14,262	-	17,787
Bonds payable - current portion	696,775	-	-	696,775
<b>Total Current Liabilities</b>	<b>\$ 3,780,644</b>	<b>\$ 2,957,761</b>	<b>\$ 402,893</b>	<b>\$ 7,141,298</b>
<b>Noncurrent Liabilities</b>				
Compensated absences - net of current portion	\$ 55,702	\$ 146,713	\$ -	\$ 202,415
Net Pension liability	842,537	2,392,389	-	3,234,926
Net OPEB liability	376,077	752,154	-	1,128,231
Bonds payable - net of current portion	20,443,735	-	-	20,443,735
<b>Total Noncurrent Liabilities</b>	<b>\$ 21,718,051</b>	<b>\$ 3,291,256</b>	<b>\$ -</b>	<b>\$ 25,009,307</b>
<b>Total Liabilities</b>	<b>\$ 25,498,695</b>	<b>\$ 6,249,017</b>	<b>\$ 402,893</b>	<b>\$ 32,150,605</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension related items	\$ 112,458	\$ 319,325	\$ -	\$ 431,783
OPEB related items	50,189	100,377	-	150,566
<b>Total Deferred Inflows of Resources</b>	<b>\$ 162,647</b>	<b>\$ 419,702</b>	<b>\$ -</b>	<b>\$ 582,349</b>
<b>NET POSITION</b>				
Net investment in capital assets	\$ 18,989,529	\$ 1,253,426	\$ -	\$ 20,242,955
Restricted - net pension asset	9,499	26,972	-	36,471
Unrestricted	2,054,808	(3,813,681)	(95,977)	(1,854,850)
<b>Total Net Position</b>	<b>\$ 21,053,836</b>	<b>\$ (2,533,283)</b>	<b>\$ (95,977)</b>	<b>\$ 18,424,576</b>

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

Statement of Revenues, Expenses and Changes in Net Position -  
 Proprietary Funds  
 Year Ended June 30, 2021

	Wastewater Fund	Transportation Fund	Nonmajor Fund Water Utility Fund	Totals
Operating revenues:				
Charges for services	\$ 8,582,159	\$ 750,008	\$ -	\$ 9,332,167
Total operating revenues	\$ 8,582,159	\$ 750,008	\$ -	\$ 9,332,167
Operating expenses:				
Salaries	\$ 676,558	\$ 1,872,879	\$ -	\$ 2,549,437
Fringe benefits	310,263	971,057	-	1,281,320
Contractual services	2,360,679	19,559	-	2,380,238
Internal services	586,961	1,584,209	-	2,171,170
Other operating expenses	410,229	107,308	-	517,537
Miscellaneous capital outlay	133,983	11,097	-	145,080
Depreciation and amortization	1,863,406	264,551	-	2,127,957
Total operating expenses	\$ 6,342,079	\$ 4,830,660	\$ -	\$ 11,172,739
Income (loss) from operations	\$ 2,240,080	\$ (4,080,652)	\$ -	\$ (1,840,572)
Nonoperating revenues (expenses):				
Investment income	\$ 9,033	\$ -	\$ -	\$ 9,033
Interest expense	(717,721)	-	-	(717,721)
Northern Virginia Transportation Commission	-	758,432	-	758,432
Total nonoperating revenues (expenses)	\$ (708,688)	\$ 758,432	\$ -	\$ 49,744
Net income (loss) before transfers	\$ 1,531,392	\$ (3,322,220)	\$ -	\$ (1,790,828)
Transfers:				
Transfers in	\$ 51,417	\$ 2,526,825	\$ -	\$ 2,578,242
Change in net position	\$ 1,582,809	\$ (795,395)	\$ -	\$ 787,414
Net position, beginning of year	19,471,027	(1,737,888)	(95,977)	17,637,162
Net position, end of year	\$ 21,053,836	\$ (2,533,283)	\$ (95,977)	\$ 18,424,576

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

Statement of Cash Flows - Proprietary Funds  
Year Ended June 30, 2021

	Wastewater Fund	Transportation Fund	Nonmajor Fund Utility Fund	Totals
Cash flows from operating activities:				
Receipts from customers and users	\$ 8,785,196	\$ (674,409)	\$ -	\$ 8,110,787
Payments to employees (including fringe benefits)	(953,642)	(2,661,977)	-	(3,615,619)
Payments for operating activities	(3,360,345)	(1,822,128)	-	(5,182,473)
Net cash provided by (used for) operating activities	<u>\$ 4,471,209</u>	<u>\$ (5,158,514)</u>	<u>\$ -</u>	<u>\$ (687,305)</u>
Cash flows from non-capital financing activities:				
Transfers in	\$ 51,417	\$ 2,526,825	\$ 95,976	\$ 2,674,218
Net cash provided by (used for) non-capital financing activities	<u>\$ 51,417</u>	<u>\$ 3,817,593</u>	<u>\$ 95,976</u>	<u>\$ 3,964,986</u>
Cash flows from capital and related financing activities:				
Purchase and construction of capital assets	\$ (4,919,072)	\$ -	\$ -	(4,919,072)
Intergovernmental grants	-	758,432	-	758,432
Principal paid on bonds and notes	(660,000)	-	-	(660,000)
Interest paid on debt	(797,005)	-	-	(797,005)
Net cash provided by (used for) capital and related financing activities	<u>\$ (6,376,077)</u>	<u>\$ 758,432</u>	<u>\$ -</u>	<u>\$ (5,617,645)</u>
Cash flows from investing activities:				
Interest income	\$ 9,033	\$ -	\$ -	\$ 9,033
Net increase (decrease) in cash and cash equivalents	<u>\$ (1,844,418)</u>	<u>\$ (582,489)</u>	<u>\$ 95,976</u>	<u>\$ (2,330,931)</u>
Cash and cash equivalents at beginning of year	<u>6,042,071</u>	<u>582,489</u>	<u>210,940</u>	<u>6,835,500</u>
Cash and cash equivalents at end of year	<u><u>\$ 4,197,653</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 306,916</u></u>	<u><u>\$ 4,504,569</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Cash flows from operations:				
Income (loss) from operations	\$ 2,240,080	\$ (4,080,652)	\$ -	\$ (1,840,572)
Adjustment to reconcile net income (loss) to net cash provided by (used for) operating activities:				
Depreciation and amortization	1,863,406	264,551	-	2,127,957
Changes in operating accounts:				
(Increase) decrease in:				
Accounts receivable	96,838	-	-	96,838
Prepaid items	141,326	(4,096)	-	137,230
Due from other governments	-	(1,424,417)	-	(1,424,417)
Increase (decrease) in:				
Accounts payable and accrued liabilities	(9,819)	(95,859)	-	(105,678)
Compensated absences	3,573	12,673	-	16,246
Net OPEB activity	16,261	32,522	-	48,783
Net pension activity	13,345	136,764	-	150,109
Customer deposits and other liabilities	106,199	-	-	106,199
Net cash provided by (used for) operating activities	<u><u>\$ 4,471,209</u></u>	<u><u>\$ (5,158,514)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (687,305)</u></u>

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

Statement of Fiduciary Net Position  
Fiduciary Funds  
At June 30, 2021

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**Assets**

Cash and cash equivalents	\$	888
Mutual and money market funds		154,069,265
Accrued interest		<u>4</u>
Total assets	\$	<u><u>154,070,157</u></u>

**Net Position**

Restricted for pension benefits	\$	<u><u>154,070,157</u></u>
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The accompanying notes to financial statements are an integral part of this statement.

Statement of Changes in Fiduciary Net Position  
 Fiduciary Funds  
 Year Ended June 30, 2021

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**Additions**

Plan members and employer contributions	\$ 5,676,909
Investment income:	
Interest and dividends earned on investments	\$ 1,348,175
Net appreciation in fair value of investments	30,480,316
Total investment income	<u>\$ 31,828,491</u>
Less: Investment expenses	812,935
Net investment income	<u>\$ 31,015,556</u>
Total additions	<u>\$ 36,692,465</u>

**Deductions**

Retirement and disability benefits	\$ 8,890,880
Total deductions	<u>\$ 8,890,880</u>
Change in net position	\$ 27,801,585
Net position - beginning	126,268,572
Net position - ending	<u><u>\$ 154,070,157</u></u>

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

## CITY OF FAIRFAX, VIRGINIA

### Notes to the Financial Statements June 30, 2021

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#### **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.

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

**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

**B. Financial Reporting Entity: (Continued)**

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.



**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.

**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

**C. Government-Wide and Fund Financial Statements: (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, 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.

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

**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

**C. Government-Wide and Fund Financial Statements: (Continued)**

**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.

**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

**D. Basis of Accounting: (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 \$16,133,437 in the general fund.

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, 2021 (Continued)

**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

**E. Stewardship, Compliance, and Accountability: (Continued)**

**Budgeting Information: (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 \$296,231 for the General Fund as of June 30, 2021.

**Excess of expenditures over appropriations**

Expenditures exceeded appropriations for the year ended June 30, 2021 as follows:

<u>Fund</u>	<u>Appropriations</u>	<u>Actual</u>	<u>Variance</u>
General Fund			
City clerk	\$ 205,723	\$ 313,680	\$ (107,957)
City attorney	529,000	586,056	(57,056)
Cable television	325,571	345,859	(20,288)
Risk management	338,772	421,463	(82,691)
Telephone services	80,532	94,302	(13,770)
Information technology	1,736,605	1,993,769	(257,164)
Pool maintenance	12,234	27,293	(15,059)
Commonwealth attorney	142,089	147,705	(5,616)
Facilities maintenance	1,623,733	1,732,454	(108,721)
Public works administration	969,654	999,699	(30,045)
Principal retirement	8,542,410	9,044,835	(502,425)
Interest and fiscal charges	3,225,231	3,257,383	(32,152)
Bond issuance costs	-	148,650	(148,650)

**F. Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the government. For purposes of the statement of cash flows, the government's proprietary funds consider their demand deposits and all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

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.

**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. Prepaid items are reported on the Consumption Method. 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 \$344,869 at June 30, 2021 in the General Fund for property taxes.

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. Repairs and maintenance are charged to operations as they are incurred. Additions and betterments are capitalized. The cost of assets retired, along with accumulated depreciation, are removed from the accounts.

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



**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

**I. Capital Assets: (Continued)**

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
Wastewater infrastructure	25-50 years
Machinery and equipment	5-25 years
Intangibles	25-32 years

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

**J. Compensated Absences**

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

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

**K. Deferred Outflows/Inflows of Resources**

In addition to assets, the financial statements will sometimes report a separate section for deferred outflows of resources representing a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. One City deferred outflow of resources relates to the amount by which the principal and premium of a refunding bond exceed the net carrying amount of the refunded debt and is being amortized over the shorter of the life of the refunded or refunding debt. Deferred outflows for pensions 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.

**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

**K. Deferred Outflows/Inflows of Resources**

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. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's and School Board's Retirement Plan and the additions to/deductions from the City's and School Board's Retirement Plan's net fiduciary position have been determined on the same basis as they were reported by the Virginia Retirement System (VRS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**M. Other Postemployment Benefits (OPEB)**

For purposes of measuring the net VRS related OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to the OPEB, and OPEB expense, information about the fiduciary net position of the VRS GLI, and Teacher HIC OPEB Plans and the additions to/deductions from the VRS OPEB Plans' 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.

**N. 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.



**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

**O. Net Position**

The difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

- Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of bonds, notes, and other debt that are attributable 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 included in this component of net position.
- Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.
- Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

**O. Net Position Flow Assumption**

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

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

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

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

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.

**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

**R. 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.

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

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

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements  
June 30, 2021 (Continued)

**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

**S. Fund Equity: (Continued)**

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 Chief Financial Officer as amounts intended for specific purpose (such as the purchase of capital assets, construction, debt service, or for other purposes).

	<u>General Fund</u>	<u>General Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<b>Fund Balances:</b>				
<b>Nonspendable:</b>				
Inventory	\$ 887,918	\$ -	\$ -	\$ 887,918
Prepays	1,224,041	83,483	64,573	1,372,097
<b>Total Nonspendable Fund Balance</b>	<u>\$ 2,111,959</u>	<u>\$ 83,483</u>	<u>\$ 64,573</u>	<u>\$ 2,260,015</u>
<b>Restricted:</b>				
Grants	\$ 4,295,455	\$ -	\$ -	\$ 4,295,455
Legacy for fairfax donations	-	-	368,306	368,306
Debt proceeds	11,471,396	-	-	11,471,396
Other purposes	26,600	-	-	26,600
<b>Total Restricted Fund Balance</b>	<u>\$ 15,793,451</u>	<u>\$ -</u>	<u>\$ 368,306</u>	<u>\$ 16,161,757</u>
<b>Assigned:</b>				
Equipment replacement/maintenance	\$ 30,649	\$ -	\$ -	\$ 30,649
Contract services	258,275	-	-	258,275
Capital projects	-	-	7,678,202	7,678,202
Other purposes	7,307	-	-	7,307
<b>Total Assigned Fund Balance</b>	<u>\$ 296,231</u>	<u>\$ -</u>	<u>\$ 7,678,202</u>	<u>\$ 7,974,433</u>
<b>Unassigned Fund Balance</b>	<u>\$ 24,571,770</u>	<u>\$ (3,523,383)</u>	<u>\$ -</u>	<u>\$ 21,048,387</u>
<b>Total Fund Balances</b>	<u>\$ 42,773,411</u>	<u>\$ (3,439,900)</u>	<u>\$ 8,111,081</u>	<u>\$ 47,444,592</u>

**T. Adoption of Accounting Principles:**

The City implemented provisions of Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities* during the fiscal year ended June 30, 2021. This statement establishes criteria for identifying fiduciary activities of all state and local governments for accounting and financial reporting purposes and how those activities should be reported.

**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 that has received at least two of the following ratings: P-1 by Moody’s Investors Service, Inc.; A-1 by Standard and Poor’s; or F1 by Fitch Ratings, Inc. (Section 2.2-4502), and certain corporate notes banker’s acceptances, repurchase agreements, and the State Treasurer’s Local Government Investment Pool (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, 2021 (Continued)

**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.

**City's Rated Debt Investments' Values**

Rated Debt Investments	Fair Quality Ratings		
	AAAm	AAA	AA+
U.S. Agencies	\$ -	\$ 4,254,376	\$ 6,533,574
Local Government Investment Pool	19,802,629	-	-
Money Market Mutual Funds	5,580,787	-	-
SNAP	5,603,274	-	-
Total	\$ 30,986,690	\$ 4,254,376	\$ 6,533,574

**External Investment Pools**

The value of the positions in the external investment pool (Local Government Investment Pool LGIP and SNAP) are the same as the value of the pool shares. As LGIP and SNAP are not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. LGIP is amortized cost basis portfolios. There are no withdrawal limitations or restrictions imposed on participants.

*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, 2021, 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.

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements  
June 30, 2021 (Continued)

**NOTE 2—DEPOSITS AND INVESTMENTS: (CONTINUED)**

External Investment Pools: (Continued)

*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.

Investment Type	Fair Value	Investment Maturities			
		Less Than 1 Year	1-5 Years	6-10 Years	Greater Than 10 Years
U.S. Agencies	\$ 10,787,950	\$ 6,631	\$ 10,185,075	\$ 250,015	\$ 346,229
Local Government Investment Pool	19,802,629	19,802,629	-	-	-
SNAP	5,603,274	5,603,274	-	-	-
U.S. Treasuries	438,042	-	438,042	-	-
<b>Total</b>	<b>\$ 36,631,895</b>	<b>\$ 25,412,534</b>	<b>\$ 10,623,117</b>	<b>\$ 250,015</b>	<b>\$ 346,229</b>

*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.

The City has the following recurring fair value measurements at June 30, 2021:

Investment	June 30, 2021	Fair Value Measure Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Quoted Prices In Active Markets for Similar Assets Level (2)	Unobservable Inputs Level (3)
U.S. Agencies	\$ 10,787,950	\$ 10,787,950	\$ -	\$ -
U.S. Treasuries	438,042	438,042	-	-
Money Market Mutual Funds	5,580,787	5,580,787	-	-
<b>Total</b>	<b>\$ 16,806,779</b>	<b>\$ 16,806,779</b>	<b>\$ -</b>	<b>\$ -</b>

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements  
June 30, 2021 (Continued)

**NOTE 2—DEPOSITS AND INVESTMENTS: (CONTINUED)**

The City’s fiduciary funds had the following recurring fair value measurements at June 30, 2021:

Investment	June 30, 2021	Fair Value Measure Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Quoted Prices In Active Markets for Similar Assets Level (2)	Unobservable Inputs Level (3)
Mutual and money market funds	\$ 154,069,265	\$ 86,354,752	\$ 67,714,513	\$ -

**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, 2021 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	Totals
Property taxes	\$ 38,571,692	\$ -	\$ 38,571,692
Trade and other accounts	935,706	2,085,779	3,021,485
Gross receivables	\$ 39,507,398	\$ 2,085,779	\$ 41,593,177
Less allowance for uncollectible accounts	(344,869)	-	(344,869)
Net receivables	\$ 39,162,529	\$ 2,085,779	\$ 41,248,308

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements  
June 30, 2021 (Continued)

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

**Primary Government: (Continued)**

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:

	<b>Unavailable/Unearned</b>	
	<b>Governmental Activities</b>	<b>Governmental Funds</b>
Property taxes receivable \$	36,587,368	\$ 37,543,703
Prepaid property taxes	590,127	590,127
American rescue plan	12,460,056	12,460,056
Other	2,032,658	2,032,658
<b>Total</b>	<b>\$ 51,670,209</b>	<b>\$ 52,626,544</b>

Amounts due from other governments include the following:

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	<b>Component Unit School Board</b>
	<b>General</b>	<b>General Capital Projects Fund</b>	<b>Old Town Fairfax Fund</b>	<b>Transportation Fund</b>		
Commonwealth of Virginia:						
Local sales tax	\$ 2,186,465	\$ -	\$ -	\$ -	\$ 2,186,465	-
Communication sales tax	261,000	-	-	-	261,000	-
State sales tax	-	-	-	-	-	549,745
Other	114,603	3,169,332	10,718	-	3,294,653	393,737
Federal government	168,880	-	-	-	168,880	-
County of Fairfax	826,888	-	-	-	826,888	1,917,043
George Mason University	-	-	-	750,000	750,000	-
Northern Virginia Transportation Commission	-	-	-	1,356,000	1,356,000	-
District Court	42,723	-	-	-	42,723	-
Other	455,485	124,781	-	-	580,266	-
<b>Total</b>	<b>\$ 4,056,044</b>	<b>\$ 3,294,113</b>	<b>\$ 10,718</b>	<b>\$ 2,106,000</b>	<b>\$ 9,466,875</b>	<b>\$ 2,860,525</b>



CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements  
June 30, 2021 (Continued)

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

Interfund receivables and payables related to working capital loans at June 30, 2021 are as follows:

	<u>Due From</u>	<u>Due To</u>
General Fund	\$ 8,312,748	\$ -
Transportation Fund	-	2,881,772
General Capital Projects	-	5,335,000
Water Utility Fund	-	95,976
Total	<u>\$ 8,312,748</u>	<u>\$ 8,312,748</u>

A summary of interfund activity is presented as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 5,425,357
Capital Projects Fund	2,938,354	-
Old Town Fairfax Fund	195,871	-
Commercial Transportation Tax Fund	2,332,091	4,579,945
Stormwater Fund	1,960,744	-
Wastewater Fund	51,417	-
Transportation Fund	2,526,825	-
Totals	<u>\$ 10,005,302</u>	<u>\$ 10,005,302</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. The transfer from the Commercial Transportation Tax Fund to the Transportation Fund is to fund transportation expenditures.

**NOTE 5—INVENTORY:**

At June 30, 2021, the City has inventory recorded in the General Fund (\$887,918 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, 2021 (Continued)

**NOTE 6—CAPITAL ASSETS:**

The following is a summary of capital asset activity for the year ended June 30, 2021:

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021
<b>Primary Government:</b>				
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 54,106,268	\$ 5,164,715	\$ -	\$ 59,270,983
Construction in progress	68,468,887	9,700,788	-	78,169,675
Total capital assets, not being depreciated	<u>\$ 122,575,155</u>	<u>\$ 14,865,503</u>	<u>\$ -</u>	<u>\$ 137,440,658</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 57,408,899	-	-	\$ 57,408,899
Machinery and equipment	32,089,399	1,313,194	743,395	32,659,198
Jointly owned assets	62,729,176	-	3,033,962	59,695,214
Infrastructure	55,363,461	-	-	55,363,461
Total capital assets being depreciated	<u>\$ 207,590,935</u>	<u>\$ 1,313,194</u>	<u>\$ 3,777,357</u>	<u>\$ 205,126,772</u>
Accumulated depreciation:				
Buildings and improvements	\$ 21,488,709	\$ 1,328,986	-	\$ 22,817,695
Machinery and equipment	21,708,407	1,550,513	709,612	22,549,308
Jointly owned assets	43,315,738	2,846,875	1,731,697	44,430,916
Infrastructure	24,618,655	1,176,569	-	25,795,224
Total accumulated depreciation	<u>\$ 111,131,509</u>	<u>\$ 6,902,943</u>	<u>\$ 2,441,309</u>	<u>\$ 115,593,143</u>
Total capital assets being depreciated, net	<u>\$ 96,459,426</u>	<u>\$ (5,589,749)</u>	<u>\$ 1,336,048</u>	<u>\$ 89,533,629</u>
Governmental activities capital assets, net	<u><u>\$ 219,034,581</u></u>	<u><u>\$ 9,275,754</u></u>	<u><u>\$ 1,336,048</u></u>	<u><u>\$ 226,974,287</u></u>
<b>Business-type Activities:</b>				
<b>Wastewater Fund:</b>				
Capital assets, not being depreciated:				
Land and land improvements	\$ 17,583	-	-	\$ 17,583
Construction in Progress	6,711,014	394,068	-	7,105,082
Total capital assets, not being depreciated	<u>\$ 6,728,597</u>	<u>\$ 394,068</u>	<u>\$ -</u>	<u>\$ 7,122,665</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 1,264,570	-	-	\$ 1,264,570
Machinery and equipment	2,193,827	306,463	164,774	2,335,516
Intangibles	34,833,080	4,218,541	-	39,051,621
Infrastructure	8,228,776	-	-	8,228,776
Total capital assets being depreciated, net	<u>\$ 46,520,253</u>	<u>\$ 4,525,004</u>	<u>\$ 164,774</u>	<u>\$ 50,880,483</u>
Accumulated depreciation:				
Buildings and improvements	\$ 330,575	25,291	-	\$ 355,866
Machinery and equipment	1,639,114	115,545	164,774	1,589,885
Intangibles	8,703,387	1,591,753	-	10,295,140
Infrastructure	5,979,495	130,817	-	6,110,312
Total accumulated depreciation	<u>\$ 16,652,571</u>	<u>\$ 1,863,406</u>	<u>\$ 164,774</u>	<u>\$ 18,351,203</u>
Total capital assets being depreciated, net	<u>\$ 29,867,682</u>	<u>\$ 2,661,598</u>	<u>\$ -</u>	<u>\$ 32,529,280</u>
Net capital assets	<u><u>\$ 36,596,279</u></u>	<u><u>\$ 3,055,666</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 39,651,945</u></u>

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements  
June 30, 2021 (Continued)

**NOTE 6—CAPITAL ASSETS: (CONTINUED)**

	<u>Balance</u> <u>July 1, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2021</u>
<b>Transportation Fund:</b>				
Capital assets being depreciated:				
Buildings and improvements	\$ 226,958	\$ -	\$ -	\$ 226,958
Machinery and equipment	<u>3,274,346</u>	<u>-</u>	<u>-</u>	<u>3,274,346</u>
Total capital assets being depreciated	<u>\$ 3,501,304</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,501,304</u>
Accumulated depreciation:				
Buildings and improvements	\$ 72,627	\$ 4,539	\$ -	\$ 77,166
Machinery and equipment	<u>1,910,700</u>	<u>260,012</u>	<u>-</u>	<u>2,170,712</u>
Total accumulated depreciation	<u>\$ 1,983,327</u>	<u>\$ 264,551</u>	<u>\$ -</u>	<u>\$ 2,247,878</u>
Total capital assets being depreciated, net	<u>\$ 1,517,977</u>	<u>\$ (264,551)</u>	<u>\$ -</u>	<u>\$ 1,253,426</u>
Net capital assets	<u>\$ 1,517,977</u>	<u>\$ (264,551)</u>	<u>\$ -</u>	<u>\$ 1,253,426</u>
<b>Discretely Presented Component Unit-School Board:</b>				
Capital assets, not being depreciated:				
Land	\$ 1,381,115	\$ -	\$ -	\$ 1,381,115
Construction in progress	<u>19,829</u>	<u>-</u>	<u>-</u>	<u>19,829</u>
Total capital assets, not being depreciated	<u>\$ 1,400,944</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,400,944</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 53,987,527	\$ 3,253,345	\$ -	\$ 57,240,872
Machinery and equipment	<u>1,400,242</u>	<u>-</u>	<u>23,944</u>	<u>1,376,298</u>
Total capital assets being depreciated	<u>\$ 55,387,769</u>	<u>\$ 3,253,345</u>	<u>\$ 23,944</u>	<u>\$ 58,617,170</u>
Accumulated depreciation:				
Buildings and improvements	\$ 37,279,457	\$ 5,324,702	\$ -	\$ 42,604,159
Machinery and equipment	<u>1,141,685</u>	<u>65,705</u>	<u>23,944</u>	<u>1,183,446</u>
Total accumulated depreciation	<u>\$ 38,421,142</u>	<u>\$ 5,390,407</u>	<u>\$ 23,944</u>	<u>\$ 43,787,605</u>
Total capital assets being depreciated, net	<u>\$ 16,966,627</u>	<u>\$ (2,137,062)</u>	<u>\$ -</u>	<u>\$ 14,829,565</u>
School Board capital assets, net	<u>\$ 18,367,571</u>	<u>\$ (2,137,062)</u>	<u>\$ -</u>	<u>\$ 16,230,509</u>

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements  
June 30, 2021 (Continued)

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**NOTE 6—CAPITAL ASSETS: (CONTINUED)**

Depreciation expense was charged to functions / programs as follows:

Primary government:	
Governmental activities:	
General government administration	\$ 477,701
Public safety	584,084
Public works	2,207,762
Education	2,843,410
Parks, recreation and cultural	<u>789,986</u>
Total governmental activities	<u>\$ 6,902,943</u>
Business-type activities:	
Wastewater	\$ 1,863,406
Transportation	<u>264,551</u>
Total business-type activities	<u>\$ 2,127,957</u>
Component Unit-School Board:	<u>\$ 3,658,710</u> (1)
Education	
(1) Depreciation expense	\$ 3,658,710
Accumulated depreciation on Joint tenancy transfer	<u>1,731,697</u>
Total increase in accumulated depreciation, page 75	<u>\$ 5,390,407</u>

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements  
June 30, 2021 (Continued)

**NOTE 7—LONG-TERM OBLIGATIONS:**

The following is a summary of long-term obligation transactions of the City for the year ended June 30, 2021:

	<u>Balance at June 30, 2020</u>	<u>Issuances/ Increases</u>	<u>Retirements/ Decreases</u>	<u>Balance at June 30, 2021</u>	<u>Amounts Due Within One Year</u>
<b>Governmental Activities:</b>					
Public offerings:					
General obligation bonds	\$ 12,520,000	\$ -	\$ 4,290,000	\$ 8,230,000	\$ 2,645,000
Direct borrowings and placements:					
General obligation bonds	58,002,000	18,106,000	18,413,000	57,695,000	35,073,000
Lease revenue bonds	38,780,000	-	2,217,000	36,563,000	2,308,000
Public Improvement COPS	10,984,000	-	206,000	10,778,000	723,000
Notes payable	5,790,000	5,600,000	560,000	10,830,000	570,000
Capital leases	3,461,075	-	753,409	2,707,666	576,381
Compensated absences	2,814,286	662,579	422,143	3,054,722	458,208
Net pension liability	68,843,262	26,371,631	43,998,500	51,216,393	-
Net OPEB liability	18,182,790	2,618,127	3,125,288	17,675,629	-
Premiums on bonds payable	2,317,547	-	232,844	2,084,703	232,844
Total governmental activities	<u>\$ 221,694,960</u>	<u>\$ 53,358,337</u>	<u>\$ 74,218,184</u>	<u>\$ 200,835,113</u>	<u>\$ 42,586,433</u>
<b>Business-type Activities:</b>					
Wastewater Fund:					
Direct borrowings and placements:					
Lease revenue bonds	\$ 19,865,000	\$ -	\$ 660,000	\$ 19,205,000	\$ 600,000
Premium on bonds payable	2,032,285	-	96,775	1,935,510	96,775
Net pension liability	929,002	333,156	419,621	842,537	-
Net OPEB liability	386,868	55,704	66,495	376,077	-
Compensated absences	55,654	7,141	3,568	59,227	3,525
Total	<u>\$ 23,268,809</u>	<u>\$ 396,001</u>	<u>\$ 1,246,459</u>	<u>\$ 22,418,351</u>	<u>\$ 700,300</u>
Transportation Fund:					
Net pension liability	\$ 2,516,047	\$ 968,577	\$ 1,092,235	\$ 2,392,389	\$ -
Net OPEB liability	773,736	111,409	132,991	752,154	-
Compensated absences	148,302	26,091	13,418	160,975	14,262
Total	<u>\$ 3,438,085</u>	<u>\$ 1,106,077</u>	<u>\$ 1,238,644</u>	<u>\$ 3,305,518</u>	<u>\$ 14,262</u>
Total Business-type Activities	<u>\$ 26,706,894</u>	<u>\$ 1,502,078</u>	<u>\$ 2,485,103</u>	<u>\$ 25,723,869</u>	<u>\$ 714,562</u>
<b>Discretely Presented Component Units:</b>					
School Board:					
Net pension liability	\$ 152,663	\$ 59,915	\$ 45,223	\$ 167,355	\$ -
Net OPEB liability	22,766	4,175	4,617	22,324	-
Compensated absences	54,461	11,109	2,723	62,847	3,172
Total School Board	<u>\$ 229,890</u>	<u>\$ 75,199</u>	<u>\$ 52,563</u>	<u>\$ 252,526</u>	<u>\$ 3,172</u>

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements  
June 30, 2021 (Continued)

**NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)**

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.

For information related to the legal debt limit and the amount of debt the City can still issue without violating the limit see statistical table 12.

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

Year Ending June 30,	Governmental Activities											
	Public Offerings		Direct Borrowings and Placements									
	General Obligation Bonds		General Obligation Bonds		Public Facility Lease Revenue Bonds		COPS		Notes Payable		Capital Leases	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 2,645,000	\$ 318,925	\$ 35,073,000	\$ 969,394	\$ 2,308,000	\$ 1,030,697	\$ 723,000	\$ 280,228	\$ 570,000	\$ 193,321	\$ 576,381	\$ 61,768
2023	2,750,000	210,500	1,691,000	279,263	2,372,000	948,124	742,000	261,430	585,000	180,084	592,230	49,320
2024	1,380,000	107,250	1,715,000	251,795	3,013,000	869,013	560,000	242,138	595,000	166,555	410,679	36,496
2025	1,455,000	36,375	1,740,000	232,430	3,088,000	796,737	574,000	227,578	615,000	152,685	258,470	26,762
2026	-	-	3,296,000	221,172	3,242,000	719,686	589,000	212,654	7,075,000	89,985	268,960	19,700
2027	-	-	3,335,000	172,708	3,325,000	637,185	605,000	197,340	335,000	30,196	280,760	12,354
2028	-	-	3,577,000	123,633	2,290,000	556,107	620,000	181,610	345,000	21,798	155,870	6,755
2029	-	-	3,612,000	82,855	2,355,000	488,713	637,000	165,490	350,000	13,215	164,316	2,964
2030	-	-	3,656,000	41,678	2,420,000	417,711	802,000	148,928	360,000	4,444	-	-
2031	-	-	-	-	2,495,000	342,953	659,000	128,076	-	-	-	-
2032	-	-	-	-	2,575,000	265,101	671,000	110,942	-	-	-	-
2033	-	-	-	-	2,660,000	183,848	683,000	93,496	-	-	-	-
2034	-	-	-	-	2,745,000	98,175	700,000	75,738	-	-	-	-
2035	-	-	-	-	350,000	48,062	719,000	57,538	-	-	-	-
2036	-	-	-	-	250,000	37,300	737,000	38,844	-	-	-	-
2037	-	-	-	-	255,000	29,009	757,000	19,682	-	-	-	-
2038	-	-	-	-	265,000	21,284	-	-	-	-	-	-
2039	-	-	-	-	275,000	13,047	-	-	-	-	-	-
2040	-	-	-	-	280,000	4,375	-	-	-	-	-	-
Total	\$ 8,230,000	\$ 673,050	\$ 57,695,000	\$ 2,374,928	\$ 36,563,000	\$ 7,507,127	\$ 10,778,000	\$ 2,441,712	\$ 10,830,000	\$ 852,283	\$ 2,707,666	\$ 216,117

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements  
June 30, 2021 (Continued)

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**NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)**

**Details of Long-Term Obligations—Primary Government:**

**Governmental Activities:**

General Obligation 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%.	\$ 8,230,000
\$18,106,000 refunding bonds issued March 2021, due in periodic maturities of \$191,000 to \$3,656,000 beginning January 15, 2022 through January 15, 2030, interest due semiannually at 1.14%	18,106,000
\$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%.	3,073,000
\$3,202,000 refunding bonds issued April 2020 due in periodic maturities of \$54,000 to \$1,506,000 beginning January 15, 2021 through January 15, 2027, interest due semiannually at 1.874%.	3,148,000
\$33,871,000 refunding bonds issued November 2019 due in periodic maturities of \$293,000 to \$33,154,000 beginning January 15, 2020 through January 18, 2022, interest due semiannually at 2.10%.	<u>33,368,000</u>
Total General Obligation Bonds	<u>\$ 65,925,000</u>

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements  
June 30, 2021 (Continued)

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**NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)**

**Details of Long-Term Obligations—Primary Government: (Continued)**

**Governmental Activities: (Continued)**

Lease Revenue Bonds:

\$96,000 to \$577,000 beginning July 15, 2017 through January 15, 2027, interest at 2.14% \$ 6,298,000

\$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% 2,715,000

\$1,025,000 lease revenue bonds dated October 2019, due in annual maturities of \$65,000 to \$110,000 beginning October 1, 2023 through October 1, 2034, interest at 3.568% to 5.125% 1,025,000

\$3,595,000 lease revenue bonds dated October 2019, due in annual maturities of \$140,000 to \$280,000 beginning October 1, 2023 through October 1, 2039, interest at 2.974% to 5.125% 3,595,000

\$22,930,000 lease revenue bonds dated October 2019, due in annual maturities of \$1,795,000 to \$2,410,000 beginning October 1, 2023 through October 1, 2033, interest at 2.135% to 3.047% 22,930,000

Total Lease Revenue Bonds \$ 36,563,000



CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements  
June 30, 2021 (Continued)

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**NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)**

**Details of Long-Term Obligations—Primary Government: (Continued)**

**Governmental Activities: (Continued)**

Notes Payable:

\$1,150,000 revenue note dated June 30, 2020, due in in one principal installment on June 30, 2026, interest payable at 1.53%	\$ 6,750,000
\$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%	<u>4,080,000</u>
Total Notes Payable	<u>\$ 10,830,000</u>

Public Improvement 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%.	<u>\$ 10,778,000</u>
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Capital Leases:

\$1,235,430 capital lease for tower fire truck due in annual maturities of \$166,351 through 2024, including interest at 1.81%.	\$ 481,550
\$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%.	387,330
\$961,000 capital lease for financing turf and equipment, due in various annual maturities through July 2026, including interest at 3.010%	743,000
\$1,708,450 capital lease for financing energy efficient improvements, due in various semi-annual maturities through January 2029, including interest at 2.40%	<u>1,095,786</u>
Total Capital Leases	<u>\$ 2,707,666</u>
Compensated absences	<u>\$ 3,054,722</u>
Net OPEB liability	<u>\$ 17,675,629</u>
Net pension liability	<u>\$ 51,216,393</u>
Premium on bonds payable	<u>\$ 2,084,703</u>
Total governmental activities	<u><u>\$ 200,835,113</u></u>

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements  
June 30, 2021 (Continued)

**NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)**

**Details of Long-Term Obligations—Primary Government: (Continued)**

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

Year Ending June 30,	Business-type Activities	
	Direct Borrowings and Placements	
	Lease Revenue Bonds	
	Principal	Interest
2022	\$ 600,000	\$ 764,469
2023	630,000	732,950
2024	665,000	699,766
2025	695,000	664,916
2026	735,000	628,272
2027	775,000	589,578
2028	815,000	548,834
2029	850,000	506,169
2030	900,000	461,325
2031	945,000	414,047
2032	990,000	364,463
2033	1,040,000	315,594
2034	1,080,000	276,634
2035	1,110,000	244,806
2036	1,140,000	211,125
2037	1,175,000	175,969
2038	1,210,000	139,219
2039	1,245,000	100,859
2040	1,280,000	61,406
2041	1,325,000	20,702
Total	\$ <u>19,205,000</u>	\$ <u>7,921,103</u>

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements  
June 30, 2021 (Continued)

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**NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)**

**Details of Long-Term Obligations—Primary Government: (Continued)**

**Business-Type Activities:**

Lease Revenue Bonds:	
\$19,205,000 VRA revenue refunding bonds issued May 2019, due in annual maturities ranging from \$600,000 to \$1,325,000 through October 2040, plus interest ranging from 2.863% to 5.125%	\$ <u>19,205,000</u>
Total Lease Revenue Bonds	\$ <u>19,205,000</u>
Compensated absences	\$ <u>220,202</u>
Net OPEB liability	\$ <u>1,128,231</u>
Net pension liability	\$ <u>3,234,926</u>
Premium on bonds payable	\$ <u>1,935,510</u>
Total business-type activities	\$ <u><u>25,723,869</u></u>

**NOTE 8—PENSION PLANS:**

***Plan Description***

All full-time, salaried permanent employees of the City and (nonprofessional) employees of public school divisions are automatically covered by a VRS Retirement Plan upon employment. This is an agent multiple-employer plan administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the Code of Virginia, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

**NOTE 8—PENSION PLANS:**

***Benefit Structures***

The System administers three different benefit structures for covered employees - Plan 1, Plan 2 and Hybrid. Each of these benefit structures has different eligibility criteria, as detailed below.

- a. Employees with a membership date before July 1, 2010, vested as of January 1, 2013, and have not taken a refund, are covered under Plan 1, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of service credit or age 50 with at least 30 years of service credit. Non-hazardous duty employees may retire with a reduced benefit as early as age 55 with at least 5 years of service credit or age 50 with at least 10 years of service credit. Hazardous duty employees (law enforcement officers, firefighters, and sheriffs) are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of service credit.
- b. Employees with a membership date from July 1, 2010 to December 31, 2013, that have not taken a refund or employees with a membership date prior to July 1, 2010 and not vested before January 1, 2013, are covered under Plan 2, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit or when the sum of their age and service equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. Hazardous duty employees are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of service credit.
- c. Non-hazardous duty employees with a membership date on or after January 1, 2014 are covered by the Hybrid Plan combining the features of a defined benefit plan and a defined contribution plan. Plan 1 and Plan 2 members also had the option of opting into this plan during the election window held January 1 - April 30, 2014 with an effective date of July 1, 2014. Employees covered by this plan are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit, or when the sum of their age and service equal 90. Employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. For the defined contribution component, members are eligible to receive distributions upon leaving employment, subject to restrictions.

***Average Final Compensation and Service Retirement Multiplier***

The VRS defined benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the employee's average final compensation multiplied by the employee's total creditable service. Under Plan 1, average final compensation is the average of the employee's 36 consecutive months of highest compensation and the multiplier is 1.70% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.70% or 1.85% for hazardous duty employees as elected by the employer. Under Plan 2, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the retirement multiplier is 1.65% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.70% or 1.85% for hazardous duty employees as elected by the employer. Under the Hybrid Plan, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the multiplier is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements  
June 30, 2021 (Continued)

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**NOTE 8—PENSION PLANS: (CONTINUED)**

***Cost-of-Living Adjustment (COLA) in Retirement and Death and Disability Benefits***

Retirees with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service are eligible for an annual COLA beginning July 1 after one full calendar year from the retirement date. Retirees with a reduced benefit and who have less than 20 years of creditable service are eligible for an annual COLA beginning on July 1 after one calendar year following the unreduced retirement eligibility date. Under Plan 1, the COLA cannot exceed 5.00%. Under Plan 2 and the Hybrid Plan, the COLA cannot exceed 3.00%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

***Employees Covered by Benefit Terms***

As of the June 30, 2019 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Primary Government</u>
Inactive members or their beneficiaries currently receiving benefits	355
Inactive members:	
Vested inactive members	70
Non-vested inactive members	66
Long-term disability (LTD)	-
Inactive members active elsewhere in VRS	<u>72</u>
Total inactive members	208
Active members	<u>376</u>
Total covered employees	<u><u>939</u></u>

***Contributions***

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement

The City's contractually required employer contribution rate for the year ended June 30, 2021 was 13.73% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019.

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 from the City were \$3,926,288 and \$3,625,317 for the years ended June 30, 2021 and June 30, 2020, respectively.

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements  
June 30, 2021 (Continued)

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**NOTE 8—PENSION PLANS: (CONTINUED)**

***Net Pension Liability***

The net pension liability (NPL) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. The City's net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2019, and rolled forward to the measurement date of June 30, 2020.

***Actuarial Assumptions - General Employees***

The total pension liability for General Employees in the City's Retirement Plan was based on an actuarial valuation as of June 30, 2019, 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, 2020.

Inflation	2.50%
Salary increases, including inflation	3.50% - 5.35%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation*

\* Administrative expenses as a percent of the fair 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 GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% 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 6.75% to simplify preparation of pension liabilities.

**Mortality rates:**

All Others (Non-10 Largest) - Non-Hazardous Duty: 15% of deaths are assumed to be service related

**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.

**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.

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements  
June 30, 2021 (Continued)

**NOTE 8—PENSION PLANS: (CONTINUED)**

***Actuarial Assumptions - General Employees (Continued)***

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016 except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

All Others (Non-10 Largest) - Non-Hazardous Duty:

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	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

***Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits***

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the City’s Retirement Plan was based on an actuarial valuation as of June 30, 2019, 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, 2020.

Inflation	2.50%
Salary increases, including inflation	3.50% - 4.75%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation*

\* Administrative expenses as a percent of the fair 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 GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% 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 6.75% to simplify preparation of pension liabilities.

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements  
June 30, 2021 (Continued)

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**NOTE 8—PENSION PLANS: (CONTINUED)**

***Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits: (Continued)***

Mortality rates: (Continued)

All Others (Non-10 Largest) - Hazardous Duty: 45% of deaths are assumed to be service related

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

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 1 year, 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016 except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

All Others (Non-10 Largest) - Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
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 fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%
Discount Rate	Decreased rate from 7.00% to 6.75%



CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements  
June 30, 2021 (Continued)

**NOTE 8—PENSION PLANS: (CONTINUED)**

***Long-Term Expected Rate of Return***

The long-term expected rate of return on pension System 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 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 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 (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	34.00%	4.65%	1.58%
Fixed Income	15.00%	0.46%	0.07%
Credit Strategies	14.00%	5.38%	0.75%
Real Assets	14.00%	5.01%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS - Multi-Asset Public Strategies	6.00%	3.04%	0.18%
PIP - Private Investment Partnership	3.00%	6.49%	0.19%
Total	100.00%		4.64%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.14%

\* The above allocation provides a one-year return of 7.14%. 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 7.11%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY2020 actuarial valuations provide a median return of 6.81%.

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements  
June 30, 2021 (Continued)

**NOTE 8—PENSION PLANS: (CONTINUED)**

**Discount Rate**

The discount rate used to measure the total pension liability was 6.75%. 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. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; the City) was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2020, the alternate rate was the employer contribution rate used in FY 2012 or 90% of the actuarially determined employer contribution rate from the June 30, 2017 actuarial valuations, whichever was greater. Through the fiscal year ended June 30, 2020, the rate contributed by the school division for the VRS Teacher Retirement Plan was subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2021 on, participating employers and school divisions are assumed to continue 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.

**Changes in Net Pension Liability**

	Primary Government		
	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2019	\$ 174,610,872	\$ 129,453,722	\$ 45,157,150
Changes for the year:			
Service cost	\$ 2,641,322	\$ -	\$ 2,641,322
Interest	11,460,855	-	11,460,855
Differences between expected and actual experience	214,430	-	214,430
Contributions - employer	-	3,608,836	(3,608,836)
Contributions - employee	-	1,457,166	(1,457,166)
Net investment income	-	2,487,781	(2,487,781)
Benefit payments, including refunds	(9,640,851)	(9,640,851)	-
Administrative expenses	-	(85,616)	85,616
Other changes	-	(2,870)	2,870
Net changes	\$ 4,675,756	\$ (2,175,554)	\$ 6,851,310
Balances at June 30, 2020	\$ 179,286,628	\$ 127,278,168	\$ 52,008,460

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements  
June 30, 2021 (Continued)

**NOTE 8—PENSION PLANS: (CONTINUED)**

***Sensitivity of the Net Pension Liability to Changes in the Discount Rate***

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

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
City Net Pension Liability	\$ 74,748,640	\$ 52,008,460	\$ 33,141,390

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

For the year ended June 30, 2021, the City and recognized pension expense of \$7,600,143. At June 30, 2021, the City and reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Primary Government	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,542,650	\$ -
Change in assumptions	2,174,613	-
Net difference between projected and actual earnings on pension plan investments	3,794,268	-
Employer contributions subsequent to the measurement date	3,926,288	-
Total	<u>\$ 11,437,819</u>	<u>\$ -</u>

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements  
June 30, 2021 (Continued)

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**NOTE 8—PENSION PLANS: (CONTINUED)**

***Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)***

\$3,926,288 reported as deferred outflows of resources related to pensions resulting from the City’s and contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year Ended June 30</u>	<u>Primary Government</u>
2022	\$ 2,730,687
2023	2,230,144
2024	1,332,107
2025	1,218,593
2026	-
Thereafter	-

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2020 Annual Comprehensive Financial Report (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2020-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

**Component Unit School Board (professional)**

***Plan Description***

All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Retirement Plan upon employment. This is a cost-sharing multiple employer plan administered by the Virginia Retirement System (the system). Additional information related to the plan description is included in the first section of this note.

***Contributions***

The contribution requirement for active employees is governed by §51.1-145 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. Employees are required to contribute 5.00% of their compensation toward their retirement. Each school division’s contractually required employer contribution rate for the year ended June 30, 2021 was 16.62% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined 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 from the school division were \$16,224 and \$15,306 for the years ended June 30, 2021 and June 30, 2020, respectively.

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements  
June 30, 2021 (Continued)

**NOTE 8—PENSION PLANS: (CONTINUED)**

**Component Unit School Board (professional) (Continued)**

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

At June 30, 2021, the school division reported a liability of \$167,355 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2020 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation performed as of June 30, 2019 and rolled forward to the measurement date of June 30, 2020. The school division's proportion of the Net Pension Liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2020 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2020, the school division's proportion was .00120% as compared to .00116% at June 30, 2019.

For the year ended June 30, 2021, the school division recognized pension expense of \$17,990. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2021, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 9,809
Change in assumptions	11,424	-
Net difference between projected and actual earnings on pension plan investments	12,729	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	442	4,306
Employer contributions subsequent to the measurement date	<u>16,224</u>	<u>-</u>
Total	<u>\$ 40,819</u>	<u>\$ 14,115</u>

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements  
June 30, 2021 (Continued)

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**NOTE 8—PENSION PLANS: (CONTINUED)**

**Component Unit School Board (professional) (Continued)**

\$16,224 reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

**Year Ended June 30**

2022	\$	(764)
2023		3,379
2024		4,438
2025		3,677
2026		(250)

***Actuarial Assumptions***

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2019, 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, 2020.

Inflation	2.50%
Salary increases, including inflation	3.50% - 5.95%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation*

\* Administrative expenses as a percent of the fair 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 GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% 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 6.75% to simplify preparation of pension liabilities.

**Mortality rates:**

**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 75 and 2.0% increase compounded from ages 75 to 90.

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements  
June 30, 2021 (Continued)

**NOTE 8—PENSION PLANS: (CONTINUED)**

**Component Unit School Board (professional) (Continued)**

*Actuarial Assumptions: (Continued)*

Mortality rates: (Continued)

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, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016 except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action 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
Discount Rate	Decreased rate from 7.00% to 6.75%

***Net Pension Liability***

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67, less that system's fiduciary net position. As of June 30, 2020, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

		<b>Teacher Employee Retirement Plan</b>
Total Pension Liability	\$	51,001,855
Plan Fiduciary Net Position		36,449,229
Employers' Net Pension Liability (Asset)	\$	<u>14,552,626</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		71.47%

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements  
June 30, 2021 (Continued)

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**NOTE 8—PENSION PLANS: (CONTINUED)**

**Component Unit School Board (professional) (Continued)**

***Net Pension Liability: (Continued)***

The total pension liability is calculated by the System’s actuary, and each plan’s fiduciary net position is reported in the System’s financial statements. The net pension liability is disclosed in accordance with the requirements of GASB Statement No. 67 in the System’s notes to the financial statements and required supplementary information.

The long-term expected rate of return and discount rate information previously described also apply to this plan.

***Sensitivity of the School Division’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate***

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

	<u>Rate</u>		
	<u>1% Decrease</u>	<u>Current Discount</u>	<u>1% Increase</u>
	<u>(5.75%)</u>	<u>(6.75%)</u>	<u>(7.75%)</u>
School division's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability	\$ 245,548	\$ 167,355	\$ 102,680

***Pension Plan Fiduciary Net Position***

Detailed information about the VRS Teacher Retirement Plan’s Fiduciary Net Position is available in the separately issued VRS 2020 Annual Comprehensive Financial Report (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2020-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

**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.



CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements  
June 30, 2021 (Continued)

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**NOTE 8—PENSION PLANS: (CONTINUED)**

**City Supplemental Pension Plans: (Continued)**

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, 2021 is as follows:

	<u>City General Plan</u>	<u>City Public Safety Plan</u>
Inactive plan members or beneficiaries receiving benefits	\$ 230	\$ 121
Inactive plan members entitled to but not yet receiving benefits	43	15
Active members	<u>244</u>	<u>132</u>
Total	<u>\$ 517</u>	<u>\$ 268</u>

***Significant Accounting Policies***

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

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

**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.

## CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements  
June 30, 2021 (Continued)

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### NOTE 8—PENSION PLANS: (CONTINUED)

#### City Supplemental Pension Plans (Continued)

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, 2021 are summarized in the following table:

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
US Large Cap Equity	22.00%	5.18%
US Small/Mid Cap Equity	8.00%	6.11%
Non-US Developed Equity	7.00%	5.84%
Non-US Developed Equity (USD Hedged)	4.00%	5.74%
Non-US Developed Small-Cap Equities	4.00%	6.62%
Emerging Market Equity	5.00%	9.37%
Global Equity	8.00%	6.06%
US TIPS	3.00%	0.04%
US Treasury Bond	3.00%	-0.08%
US Aggregate Bond	14.00%	0.58%
Absolute Return Fixed Income	12.00%	1.94%
GMO Global Balanced	5.00%	4.20%
PIMCO All Assets	5.00%	3.89%
Total	<u>100.00%</u>	

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements  
June 30, 2021 (Continued)

**NOTE 8—PENSION PLANS: (CONTINUED)**

**City Supplemental Pension Plans (Continued)**

For the year ended June 30, 2021, 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 25.39%.

***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, 2021, were as follows:

	<u>General</u>	<u>Public Safety</u>	<u>Total</u>
Total pension liability	\$ 71,689,008	\$ 84,237,662	\$ 155,926,670
Plan fiduciary net position	(72,275,354)	(81,794,803)	(154,070,157)
Net Pension Liability (Asset)	<u>\$ (586,346)</u>	<u>\$ 2,442,859</u>	<u>\$ 1,856,513</u>
Plan fiduciary net position as a percentage of the total pension liability	100.82%	97.10%	98.81%

*Pension Expense:* For the year ended June 30, 2021, the City recognized pension expense of \$531,593 (General) and \$373,520 (Public Safety).

*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:

	<u>City General Plan</u>		<u>City Public Safety Plan</u>		<u>Total</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 206,001	\$ 480,682	\$ 539,293	\$ 1,927,827	\$ 745,294	\$ 2,408,509
Change in assumptions	746,356	-	1,370,647	-	2,117,003	-
Net difference between projected and actual earnings on pension plan investments	-	6,461,184	-	7,242,325	-	13,703,509
Total	<u>\$ 952,357</u>	<u>\$ 6,941,866</u>	<u>\$ 1,909,940</u>	<u>\$ 9,170,152</u>	<u>\$ 2,862,297</u>	<u>\$ 16,112,018</u>

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

<u>Year Ended June 30</u>	<u>City General Plan</u>	<u>City Public Safety Plan</u>
2022	\$ (750,967)	\$ (965,021)
2023	(1,479,131)	(1,261,362)
2024	(1,616,320)	(1,988,462)
2025	(2,143,091)	(2,760,043)
2026	-	(285,324)
Thereafter	-	-

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements  
June 30, 2021 (Continued)

**NOTE 8—PENSION PLANS: (CONTINUED)**

**City Supplemental Pension Plans (Continued)**

	City General Plan		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2020	\$ 69,387,533	\$ 59,246,933	\$ 10,140,600
Changes for the year:			
Service cost	\$ 1,661,358	\$ -	\$ 1,661,358
Interest	4,268,057	-	4,268,057
Differences between expected and actual experience	230,670	-	230,670
Contributions - employer	-	1,757,645	(1,757,645)
Contributions - employee	-	537,398	(537,398)
Net investment income	-	14,577,311	(14,577,311)
Benefit payments, including refunds	(3,858,610)	(3,858,610)	-
Other changes	-	14,677	(14,677)
Net changes	\$ 2,301,475	\$ 13,028,421	\$ (10,726,946)
Balances at June 30, 2021	\$ 71,689,008	\$ 72,275,354	\$ (586,346)

	City Public Safety Plan		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2020	\$ 84,012,200	\$ 67,021,639	\$ 16,990,561
Changes for the year:			
Service cost	\$ 1,927,358	\$ -	\$ 1,927,358
Interest	5,153,734	-	5,153,734
Differences between expected and actual experience	(1,823,360)	-	(1,823,360)
Contributions - employer	-	2,520,097	(2,520,097)
Contributions - employee	-	830,542	(830,542)
Net investment income	-	16,438,245	(16,438,245)
Benefit payments, including refunds	(5,032,270)	(5,032,270)	-
Other changes	-	16,550	(16,550)
Net changes	\$ 225,462	\$ 14,773,164	\$ (14,547,702)
Balances at June 30, 2021	\$ 84,237,662	\$ 81,794,803	\$ 2,442,859

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements  
June 30, 2021 (Continued)

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**NOTE 8—PENSION PLANS: (CONTINUED)**

**City Supplemental Pension Plans (Continued)**

**Actuarial Assumptions**

The total pension liability was determined by an actuarial valuation as of June 30, 2021, 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:

Price Inflation	2.50%
Salary increases, including inflation	3.75% to 7.75% including inflation
Investment rate of return	6.25%
Remaining amortization period	10 years, closed

The mortality table used to measure non-disabled retired life mortality is the RP-2014 Combined Healthy Mortality Table for males and females. The base table is the RP-2014 Combined Healthy Mortality Table. 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:

	<b>1.00% Lower (5.25%)</b>	<b>Current Discount Rate (6.25%)</b>	<b>1.00% Higher (7.25%)</b>
General Plan Net Pension Liability (Asset) \$	8,474,868	\$ (586,346)	\$ (8,118,255)
Public Safety Plan Net Pension Liability	14,315,887	2,442,859	(7,206,707)

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements  
June 30, 2021 (Continued)

**NOTE 8—PENSION PLANS: (CONTINUED)**

**City Supplemental Pension Plans (Continued)**

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

	<b>Pension Trust Funds</b>		
	<b>City Supplemental Pension Trust Fund</b>	<b>Firefighters, Policemen and Policewomen Pension Trust Fund</b>	<b>Totals</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 417	\$ 471	\$ 888
Mutual and money market funds	72,274,935	81,794,330	154,069,265
Accrued interest	2	2	4
	<u>\$ 72,275,354</u>	<u>\$ 81,794,803</u>	<u>\$ 154,070,157</u>
Total assets			
<b>Net Position</b>			
Held in trust for pension benefits	<u>\$ 72,275,354</u>	<u>\$ 81,794,803</u>	<u>\$ 154,070,157</u>
<b>Additions</b>			
Plan members contributions	<u>\$ 2,309,720</u>	<u>\$ 3,367,189</u>	<u>\$ 5,676,909</u>
Investment income:			
Interest and dividends earned on investments	\$ 633,642	\$ 714,533	\$ 1,348,175
Net appreciation in fair value of investments	14,325,748	16,154,568	30,480,316
Total investment income	<u>\$ 14,959,390</u>	<u>\$ 16,869,101</u>	<u>\$ 31,828,491</u>
Less: Investment expenses	382,079	430,856	812,935
Net investment income	<u>\$ 14,577,311</u>	<u>\$ 16,438,245</u>	<u>\$ 31,015,556</u>
Total additions	<u>\$ 16,887,031</u>	<u>\$ 19,805,434</u>	<u>\$ 36,692,465</u>
<b>Deductions</b>			
Retirement and disability benefits	<u>\$ 3,858,610</u>	<u>\$ 5,032,270</u>	<u>\$ 8,890,880</u>
Total deductions	<u>\$ 3,858,610</u>	<u>\$ 5,032,270</u>	<u>\$ 8,890,880</u>
Change in net position	\$ 13,028,421	\$ 14,773,164	\$ 27,801,585
Net position - beginning	59,246,933	67,021,639	126,268,572
Net position - ending	<u>\$ 72,275,354</u>	<u>\$ 81,794,803</u>	<u>\$ 154,070,157</u>

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements  
June 30, 2021 (Continued)

**NOTE 8—PENSION PLANS: (CONTINUED)**

**City Supplemental Pension Plans (Continued)**

**Concentrations**

At June 30, 2021, 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, 2021 are separately identified. Investments at fair value, as determined by quoted market prices, and accrued interest are as follows:

<b>Investments at Fair Value as Determined by Quoted Market Prices</b>	
Mutual Funds:	
SSGA Funds S&P 500	\$ 36,423,616
PIMCO All Asset Fund	8,148,088
Wellington Core Bond Plus	18,753,507
Fiam Group Small/Mid Cap Core Commingled Pool	12,484,653
Strategic Fixed Inc Fd Cl A	8,161,947
Baxter Street Offshore Fund	12,601,653
William Blair Emerging Markets	8,281,188
WTC-CTF Opportunistic Fixed Income	8,437,410
Other Investments Individually Less than 5% of Plan Assets	<u>40,777,203</u>
Total	<u>\$ 154,069,265</u>

Summary of Net Pension Liabilities and Related Items:

	<b>Primary Government</b>			
	<b>Deferred Outflows</b>	<b>Deferred Inflows</b>	<b>Net Pension Liability (Asset)</b>	<b>Pension Expense</b>
VRS Pension Plans:				
Primary Government	\$ 11,437,819	\$ -	\$ 52,008,460	\$ 7,600,143
City General Plan	952,357	6,941,866	(586,346)	531,593
City Public Safety Plan	1,909,940	9,170,152	2,442,859	373,520
Totals	<u>\$ 14,300,116</u>	<u>\$ 16,112,018</u>	<u>\$ 53,864,973</u>	<u>\$ 8,505,256</u>
	<b>Component Unit School Board</b>			
	<b>Deferred Outflows</b>	<b>Deferred Inflows</b>	<b>Net Pension Liability (Asset)</b>	<b>Pension Expense</b>
VRS Pension Plans:				
School Board Professional	\$ 40,819	\$ 14,115	\$ 167,355	\$ 17,990
Totals	<u>\$ 40,819</u>	<u>\$ 14,115</u>	<u>\$ 167,355</u>	<u>\$ 17,990</u>

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements  
June 30, 2021 (Continued)

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**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	\$	247,110
Juvenile & domestic court		486,057
Commonwealth Attorney		126,079
Jail and custody services		1,003,035
Health		1,074,660
Social services		1,189,196
Library services		846,901
Education		49,796,169
Refuse collection		461,124
Extension services		28,438
Sewage treatment		<u>2,268,621</u>
Total	\$	<u>57,527,390</u>

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

The City pays tuition to Fairfax County Public Schools (FCPS) quarterly, based on estimates provided by FCPS. After the end of each fiscal year, FCPS provides a reconciliation of actual expenditures to estimates, and either increases or decreases the amount due from the City for the first quarter’s tuition for the following fiscal year as a result. As of June 30, 2021, the City had recorded a receivable of approximately \$1,917,043 for overpayment of tuition during fiscal year 2021. This amount will be subtracted by FCPS from the first quarter’s invoice for fiscal year 2022.

**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 operation in cooperation with George Mason University. Funding received from George Mason University was \$750,000 for the fiscal year ended June 30, 2021.

**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, 2021 was \$2,606,463. This amount was paid from the City’s account at the Northern Virginia Transportation Commission (“NVTC”).



CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements  
June 30, 2021 (Continued)

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**NOTE 10—TRANSPORTATION CONTRACTS: (CONTINUED)**

*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, 2021, the balance designated for the City is \$5,590,835. The NVTC received \$3,574,824 and disbursed \$2,721,539 on behalf of the City for the fiscal year ended June 30, 2021.

**NOTE 11—MAJOR CUSTOMER:**

The City has one major sewer customer and for the year ended June 30, 2021, sewer revenue from this customer was approximately \$195,948.

**NOTE 12—SURETY BOND:**

	<u>Coverage</u>
City Funds:	
VML Insurance Programs:	
Tom Scibilia, 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, Commissioner of Revenue	450,000
Commonwealth of Virginia Performance of Duty Bond Self Insurance Plan:	
All Employees of constitutional officers-blanket bond-each loss	250,000

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

**NOTE 13—OTHER POSTEMPLOYMENT BENEFITS - 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.

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements  
June 30, 2021 (Continued)

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**NOTE 13—OTHER POSTEMPLOYMENT BENEFITS - CITY PLAN: (CONTINUED)**

**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.

At June 30, 2020, the following employees were covered by the benefit terms:

Retirees and beneficiaries	140
Active members	376
Total	<u>516</u>

The City’s total OPEB liability of \$18,803,860 was measured as of June 30, 2021 and was determined by an actuarial valuation as of that date.

The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Price Inflation	2.50%
Salary Increases	3.75% to 7.75%
Discount Rate	1.92%
Healthcare cost trend rates	Initial trend of 7.50% gradually decreasing to an ultimate trend rate of 3.5% in year 12 for pre-65. Initial trend of 6.25% gradually decreasing to an ultimate trend rate of 3.5% in year 12 for post-65.

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, 2021 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2017.

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements  
June 30, 2021 (Continued)

**NOTE 13—OTHER POSTEMPLOYMENT BENEFITS - CITY PLAN: (CONTINUED)**

**Changes in the Total OPEB Liability**

	<b>Total OPEB Liability</b>
Balances at June 30, 2020	\$ 19,343,394
Changes for the year:	
Service cost	648,126
Interest	473,434
Difference between expected and actual experience	(2,637,504)
Changes of assumptions	1,663,680
Benefit payments	(687,270)
Net changes	\$ (539,534)
Balances at June 30, 2021	\$ <u>18,803,860</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 2.45% in 2020 to 1.92% in 2021.

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.

<b>Rate</b>		
<b>1% Decrease (.92%)</b>	<b>Current Discount Rate (1.92%)</b>	<b>1% Increase (2.92%)</b>
\$ 21,884,977	\$ 18,803,860	\$ 16,342,523

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.

<b>Rates</b>		
<b>1% Decrease</b>	<b>Healthcare Cost Trend</b>	<b>1% Increase</b>
\$ 15,798,349	\$ 18,803,860	\$ 22,720,309

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements  
June 30, 2021 (Continued)

**NOTE 13—OTHER POSTEMPLOYMENT BENEFITS - CITY PLAN: (CONTINUED)**

**Changes in the Total OPEB Liability: (Continued)**

For the year ended June 30, 2021, the City recognized OPEB expense of \$1,500,339. At June 30, 2021, 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>
Differences between expected and actual experience	\$ 268,226	\$ 2,451,003
Changes in assumptions	4,115,157	58,428
Total	<u>\$ 4,383,383</u>	<u>\$ 2,509,431</u>

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

<u>Year Ended June 30</u>	
2022	\$ 378,779
2023	378,779
2024	378,779
2025	379,352
2026	398,151
Thereafter	(39,888)

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.

**NOTE 14—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN):**

***Plan Description***

The Group Life Insurance (GLI) Plan was established pursuant to §51.1-500 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. All full-time, salaried permanent employees of the state agencies, teachers, and employees of participating political subdivisions are automatically covered by the VRS GLI Plan upon employment. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

**NOTE 14—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN):**

***Plan Description: (Continued)***

In addition to the Basic GLI benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional GLI Plan. 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 GLI Plan OPEB.

The specific information for GLI OPEB, including eligibility, coverage and benefits is described below:

***Eligible Employees***

The GLI Plan was established July 1, 1960, for state employees, teachers, and employees of political subdivisions that elect the program. Basic GLI coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated retirement member contributions and accrued interest.

***Benefit Amounts***

The GLI Plan is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, safety belt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. The benefit amounts 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. For covered members with at least 30 years of service credit, the minimum benefit payable was set at \$8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was \$8,616 as of June 30, 2021.

***Contributions***

The contribution requirements for the GLI Plan are governed by §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 Plan was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% x 60%) and the employer component was 0.54% (1.34% 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, 2021 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. 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 Plan from the School Board were \$527 and \$508 for the years ended June 30, 2021 and June 30, 2020, respectively.

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements  
June 30, 2021 (Continued)

**NOTE 14—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)**

***GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Program OPEB***

At June 30, 2021, the School Board reported a liability of \$7,844 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2020 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2019 and rolled forward to the measurement date of June 30, 2020. The covered employer’s proportion of the Net GLI OPEB Liability was based on the covered employer’s actuarially determined employer contributions to the GLI Plan for the year ended June 30, 2020 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2020, the participating employer’s proportion was .00047% as compared to .00049% at June 30, 2019.

For the year ended June 30, 2021, the participating employer recognized GLI OPEB expense of \$233. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2021, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	<u>School Professional</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 503	\$ 70
Net difference between projected and actual earnings on GLI OPEB program investments	236	-
Change in assumptions	392	164
Changes in proportionate share	-	364
Employer contributions subsequent to the measurement date	<u>527</u>	<u>-</u>
Total	<u>\$ 1,658</u>	<u>\$ 598</u>

**NOTE 14—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)**

***GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Program OPEB: (Continued)***

\$527 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer’s contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2022	\$ 52
2023	119
2024	180
2025	182
2026	5
Thereafter	(5)

***Actuarial Assumptions***

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2019, 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, 2020. The assumptions include several employer groups as noted below. Salary increases and mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS CAFR.

Inflation	2.50%
Salary increases, including inflation:	
General state employees	3.50%-5.35%
Investment rate of return	6.75%, net of investment expenses, including inflation*

\*Administrative expenses as a percent of the fair 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 GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% 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 6.75% to simplify preparation of OPEB liabilities.

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements  
June 30, 2021 (Continued)

**NOTE 14—GROUP LIFE INSURANCE (GLI) PLAN(OPEB PLAN): (CONTINUED)**

**Actuarial Assumptions: (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, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016 except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action 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
Discount Rate	Decreased rate from 7.00% to 6.75%

**NET GLI OPEB Liability**

The net OPEB liability (NOL) for the GLI Plan represents the Plan’s total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2020, NOL amounts for the GLI Plan are as follows (amounts expressed in thousands):

	<b>GLI OPEB Plan</b>
Total GLI OPEB Liability	\$ 3,523,937
Plan Fiduciary Net Position	1,855,102
GLI Net OPEB Liability (Asset)	<u>\$ 1,668,835</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	52.64%



**NOTE 14—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)****NET GLI OPEB Liability: (Continued)**

The total GLI OPEB liability is calculated by the System’s actuary, and each plan’s fiduciary net position is reported in the System’s financial statements. The net GLI OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System’s notes to the financial statements and required supplementary information.

**Long-Term Expected Rate of Return**

The long-term expected rate of return on the System’s 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 System’s 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:

<u>Asset Class (Strategy)</u>	<u>Long-Term Target Asset Allocation</u>	<u>Arithmetic Long-term Expected Rate of Return</u>	<u>Weighted Average Long-term Expected Rate of Return*</u>
Public Equity	34.00%	4.65%	1.58%
Fixed Income	15.00%	0.46%	0.07%
Credit Strategies	14.00%	5.38%	0.75%
Real Assets	14.00%	5.01%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS - Multi-Asset Public Strategies	6.00%	3.04%	0.18%
PIP - Private Investment Partnership	3.00%	6.49%	0.19%
Total	<u>100.00%</u>		<u>4.64%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>7.14%</u>

\*The above allocation provides a one-year return of 7.14%. 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 7.11%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY2020 actuarial valuations provide a median return of 6.81%.

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements  
June 30, 2021 (Continued)

**NOTE 14—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)**

***Discount Rate***

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance 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 ended June 30, 2020, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2020 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB’s fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

***Sensitivity of the Employer’s Proportionate Share of the Net GLI OPEB Liability to Changes in the Discount Rate***

The following presents the employer’s proportionate share of the net GLI OPEB liability using the discount rate of 6.75%, as well as what the employer’s proportionate share of the net GLI OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	Rate		
	1% Decrease	Current Discount	1% Increase
	(5.75%)	(6.75%)	(7.75%)
School Board proportionate share of the GLI Plan Net OPEB Liability	\$ 10,311	\$ 7,844	\$ 5,840

***GLI Program Fiduciary Net Position***

Detailed information about the GLI Plan’s Fiduciary Net Position is available in the separately issued VRS 2020 Annual Comprehensive Financial Report (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2020-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

**NOTE 15—TEACHER EMPLOYEE HEALTH INSURANCE CREDIT (HIC) PLAN (OPEB PLAN):**

***Plan Description***

The Virginia Retirement System (VRS) Teacher Employee Health Insurance Credit (HIC) Plan was established pursuant to §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. All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Employee HIC Plan. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System), 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 HIC 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.

The specific information for the Teacher HIC Plan OPEB, including eligibility, coverage, and benefits is described below:

***Eligible Employees***

The Teacher Employee Retiree HIC Plan was established July 1, 1993 for retired Teacher Employees covered under VRS who retire with at least 15 years of service credit. Eligible employees include full-time permanent (professional) salaried employees of public school divisions covered under VRS. These employees are enrolled automatically upon employment.

***Benefit Amounts***

The Teacher Employee HIC Plan is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired teachers. For Teacher and other professional school employees who retire with at least 15 years of service credit, the monthly benefit is \$4.00 per year of service per month with no cap on the benefit amount. For Teacher and other professional school employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (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 Plan Notes***

The monthly HIC 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 HIC as a retiree.

***Contributions***

The contribution requirements for active employees is governed by §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, 2021 was 1.21% of covered employee compensation for employees in the VRS Teacher Employee HIC Plan.

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements  
June 30, 2021 (Continued)

**NOTE 15—TEACHER EMPLOYEE HEALTH INSURANCE CREDIT (HIC) PLAN (OPEB PLAN): (CONTINUED)**

**Contributions: (Continued)**

This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. 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 from the school division to the VRS Teacher Employee HIC Plan were \$1,181 and \$1,171 for the years ended June 30, 2021 and June 30, 2020, respectively.

**Teacher Employee HIC Plan OPEB Liabilities, Teacher Employee HIC Plan OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Teacher Employee HIC Plan OPEB**

At June 30, 2021, the school division reported a liability of \$14,480 for its proportionate share of the VRS Teacher Employee HIC Plan Net OPEB Liability. The Net VRS Teacher Employee HIC Plan OPEB Liability was measured as of June 30, 2020 and the total VRS Teacher Employee HIC Plan OPEB liability used to calculate the Net VRS Teacher Employee HIC Plan OPEB Liability was determined by an actuarial valuation performed as of June 30, 2019 and rolled forward to the measurement date of June 30, 2020. The school division's proportion of the Net VRS Teacher Employee HIC Plan OPEB Liability was based on the school division's actuarially determined employer contributions to the VRS Teacher Employee HIC Plan OPEB plan for the year ended June 30, 2020 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2020, the school division's proportion of the VRS Teacher Employee HIC Plan was .00111% as compared to .00113% at June 30, 2019.

For the year ended June 30, 2021, the school division recognized VRS Teacher Employee HIC Plan OPEB expense of \$1,074. Since there was a change in proportionate share between measurement dates a portion of the VRS Teacher Employee HIC Plan Net OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2021, the school division reported deferred outflows of resources and deferred inflows of resources related to the VRS Teacher Employee HIC Plan OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 193
Net difference between projected and actual earnings on Teacher HIC OPEB plan investments	64	-
Change in assumptions	286	79
Change in proportionate share	-	698
Employer contributions subsequent to the measurement date	\$ 1,181	\$ -
Total	<u>\$ 1,531</u>	<u>\$ 970</u>

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements  
June 30, 2021 (Continued)

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**NOTE 15—TEACHER EMPLOYEE HEALTH INSURANCE CREDIT (HIC) PLAN (OPEB PLAN): (CONTINUED)**

\$1,181 reported as deferred outflows of resources related to the Teacher Employee HIC OPEB resulting from the school division’s contributions subsequent to the measurement date will be recognized as a reduction of the Net Teacher Employee HIC OPEB Liability in the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Teacher Employee HIC OPEB will be recognized in the Teacher Employee HIC OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2022	\$ (112)
2023	(106)
2024	(108)
2025	(101)
2026	(98)
Thereafter	(95)

***Actuarial Assumptions***

The total Teacher Employee HIC OPEB liability for the VRS Teacher Employee HIC Plan was based on an actuarial valuation as of June 30, 2019, 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, 2020.

Inflation	2.50%
Salary increases, including inflation	3.50%-5.95%
Investment rate of return	6.75%, net of investment expenses, including inflation*

\*Administrative expenses as a percent of the fair 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 GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% 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 6.75% to simplify preparation of OPEB liabilities.

**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.

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements  
June 30, 2021 (Continued)

**NOTE 15—TEACHER EMPLOYEE HEALTH INSURANCE CREDIT (HIC) PLAN (OPEB PLAN): (CONTINUED)**

**Mortality Rates - Teachers: (Continued)**

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, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. 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
Discount Rate	Decreased rate from 7.00% to 6.75%

***Net Teacher Employee HIC OPEB Liability***

The net OPEB liability (NOL) for the Teacher Employee HIC Plan represents the plan’s total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2020, NOL amounts for the VRS Teacher Employee HIC Plan is as follows (amounts expressed in thousands):

		<b>Teacher Employee HIC OPEB Plan</b>
Total Teacher Employee HIC OPEB Liability	\$	1,448,676
Plan Fiduciary Net Position		144,160
Teacher Employee net HIC OPEB Liability (Asset)	\$	<u>1,304,516</u>
Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee HIC OPEB Liability		9.95%

The total Teacher Employee HIC OPEB liability is calculated by the System’s actuary, and the plan’s fiduciary net position is reported in the System’s financial statements. The net Teacher Employee HIC OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System’s notes to the financial statements and required supplementary information.

**NOTE 15—TEACHER EMPLOYEE HEALTH INSURANCE CREDIT (HIC) PLAN (OPEB PLAN): (CONTINUED)*****Long-Term Expected Rate of Return***

The long-term expected rate of return on the VRS System 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 (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	34.00%	4.65%	1.58%
Fixed Income	15.00%	0.46%	0.07%
Credit Strategies	14.00%	5.38%	0.75%
Real Assets	14.00%	5.01%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS - Multi-Asset Public Strategies	6.00%	3.04%	0.18%
PIP - Private Investment Partnership	3.00%	6.49%	0.19%
Total	100.00%		4.64%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.14%

\*The above allocation provides a one-year return of 7.14%. 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 7.11%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY2020 actuarial valuations provide a median return of 6.81%.

***Discount Rate***

The discount rate used to measure the total Teacher Employee HIC OPEB was 6.75%. 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 ended June 30, 2020, the rate contributed by each school division for the VRS Teacher Employee HIC Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2020 on, all agencies are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the Teacher Employee HIC OPEB 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 Teacher Employee HIC OPEB liability.



CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements  
June 30, 2021 (Continued)

**NOTE 15—TEACHER EMPLOYEE HEALTH INSURANCE CREDIT (HIC) PLAN (OPEB PLAN): (CONTINUED)**

***Sensitivity of the School Division’s Proportionate Share of the Teacher Employee HIC Net OPEB Liability to Changes in the Discount Rate***

The following presents the school division’s proportionate share of the VRS Teacher Employee HIC Plan net HIC OPEB liability using the discount rate of 6.75%, as well as what the school division’s proportionate share of the net HIC OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
School division's proportionate share of the VRS Teacher Employee HIC OPEB Plan Net HIC OPEB Liability	\$ 16,209	\$ 14,480	\$ 13,011

***Teacher Employee HIC OPEB Fiduciary Net Position***

Detailed information about the VRS Teacher Employee HIC Plan’s Fiduciary Net Position is available in the separately issued VRS 2020 Annual Comprehensive Financial Report (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2020-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

***Summary of Net OPEB Liabilities, Deferred Outflows of Resources, Deferred Inflows of Resources and OPEB Expense:***

	Primary Government			
	Deferred Outflows	Deferred Inflows	Net OPEB Liability	OPEB Expense
City Stand-Alone Plan (Note 13)	\$ 4,383,383	\$ 2,509,431	\$ 18,803,860	\$ 1,500,339
Totals	<u>\$ 4,383,383</u>	<u>\$ 2,509,431</u>	<u>\$ 18,803,860</u>	<u>\$ 1,500,339</u>
	Component Unit School Board			
	Deferred Outflows	Deferred Inflows	Net OPEB Liability	OPEB Expense
VRS OPEB Plans:				
School Board Professional GLI (Note 14)	\$ 1,658	\$ 598	\$ 7,844	\$ 233
Teacher Health Insurance Credit Program (Note 15)	1,531	970	14,480	1,074
Totals	<u>\$ 3,189</u>	<u>\$ 1,568</u>	<u>\$ 22,324</u>	<u>\$ 1,307</u>



CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements  
June 30, 2021 (Continued)

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**NOTE 16—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 17—COMMITMENTS AND CONTINGENCIES:**

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

While no matters of 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, 2021, management is unaware of any liabilities related to this part of the sale agreement.

**NOTE 18—LITIGATION:**

At June 30, 2021, there were no matters of litigation involving the City which would materially affect the City’s position should any court decisions on pending matters not be favorable.

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements  
June 30, 2021 (Continued)

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**NOTE 19—CONSTRUCTION COMMITMENTS:**

At June 30, 2021, the City had several major projects under construction which are summarized below:

<u>Project</u>	<u>Contract Amount</u>	<u>Expenditures as of June 30, 2021</u>	<u>Contract Balance</u>
Primary Government:			
Street Repaving	\$ 2,826,159	\$ 2,780,212	\$ 45,947
Curb Gutter and Sidewalk	<u>2,221,110</u>	<u>2,207,753</u>	<u>13,357</u>
Total	<u>\$ 5,047,269</u>	<u>\$ 4,987,965</u>	<u>\$ 59,304</u>

**NOTE 20—DEBT REFUNDING:**

On March 18, 2021 the City of Fairfax, Virginia issued \$18,106,000 in General Obligation Refunding Bonds with an effective interest rate of 1.14%. The bonds were issued to refund \$17,897,000 of Bonds. The bonds will be repaid in various installments from January 15, 2022 to January 15, 2030. As a result, the refunded bonds are considered to be defeased in substance and the liability for those bonds has been removed from the financial statements. The reacquisition price exceeded the carrying amount of the old debt by \$57,002. The advance refunding reduced the total debt service payments over the next 9 years by \$590,758 and resulted in an economic gain of \$561,769.

**NOTE 21—NEW ACCOUNTING STANDARDS:**

Statement No. 87, *Leases*, requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021.

Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

Management is currently evaluating the impact these standards will have on the financial statements when adopted.

**NOTE 22—COVID-19:**

The COVID-19 pandemic and its impact on operations continues to evolve. Specific to the City, COVID-19 impacted various parts of its 2021 operations and financial results including, but not limited to, costs for emergency preparedness and shortages of personnel. Federal relief has been received through various programs. Management believes the City is taking appropriate actions to mitigate the negative impact. The extent to which COVID-19 may impact operations in subsequent years remains uncertain, and management is unable to estimate the effects on future results of operations, financial condition, or liquidity for fiscal year 2022.

**CARES Act Funding**

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was passed by the federal government to alleviate some of the effects of the sharp economic downturn due to the COVID-19 pandemic, which included direct aid for state and local governments from the federal Coronavirus Relief Fund (CRF).

Each locality received its CRF allocations based on population in two equal payments, with the second and final round of funding being received during fiscal year 2021. During fiscal year 2021 the City received total CRF funding of \$2,144,604. As a condition of receiving CRF funds, any funds unexpended as of December 31, 2021 will be returned to the federal government.

**ARPA Funding**

On March 11, 2021, the American Rescue Plan (ARPA) Act of 2021 was passed by the federal government. A primary component of the ARPA was the establishment of the Coronavirus State and Local Fiscal Recovery Fund (CSLFRF). Local governments are to receive funds in two tranches, with 50% provided beginning in May 2021 and the balance delivered approximately 12 months later.

In June 2021, the City received its share of the first half of the CSLFRF funds. As a condition of receiving CSLFRF funds, any funds unobligated by December 31, 2024, and unexpended by December 31, 2026, will be returned to the federal government. Unspent funds in the amount of \$12,460,056 from the initial allocation are reported as unearned revenue as of June 30.

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**REQUIRED SUPPLEMENTARY INFORMATION**

Note to Required Supplementary Information:

Presented budgets were prepared in accordance with accounting principles generally accepted in the United States of America.

CITY OF FAIRFAX, VIRGINIA

Schedule of Changes in the Net Pension Liability and Related Ratios - City General and Public Safety Pension Plans  
 Years Ended June 30, 2014 through June 30, 2021

	City General Plan							
	2020	2020	2019	2018	2017	2016	2015	2014
<b>Total pension liability</b>								
Service cost	\$ 1,661,358	\$ 1,640,419	\$ 1,602,295	\$ 1,386,401	\$ 1,353,611	\$ 1,321,396	\$ 1,223,136	\$ 1,238,483
Interest	4,268,057	4,152,694	4,072,120	4,037,857	3,857,917	3,825,762	3,724,963	3,693,905
Benefit changes	-	-	-	-	-	-	-	40,012
Differences between expected and actual experience	230,670	(155,359)	(721,494)	(450,350)	765,030	(1,571,490)	(517,432)	(1,277,224)
Assumption changes	-	-	-	3,791,472	-	-	-	-
Benefit payments, including refunds of member contributions	(3,858,610)	(3,746,226)	(3,619,368)	(3,459,673)	(3,194,674)	(3,036,116)	(2,936,859)	(3,517,912)
Net change in total pension liability	2,301,475	1,891,528	1,333,553	5,305,707	2,781,884	539,552	1,493,808	177,264
Total pension liability - beginning	69,387,533	67,496,005	66,162,452	60,856,745	58,074,861	57,535,309	56,041,501	55,864,237
Total pension liability - ending (a)	\$ <u>71,689,008</u>	\$ <u>69,387,533</u>	\$ <u>67,496,005</u>	\$ <u>66,162,452</u>	\$ <u>60,856,745</u>	\$ <u>58,074,861</u>	\$ <u>57,535,309</u>	\$ <u>56,041,501</u>
<b>Plan fiduciary net position</b>								
Contributions - employer	\$ 1,757,645	\$ 1,722,578	\$ 932,247	\$ 796,752	\$ 745,267	\$ 758,268	\$ 1,064,636	\$ 876,511
Contributions - member	537,398	576,715	524,773	530,846	508,749	489,511	478,806	512,116
Net investment income	14,577,311	855,343	2,348,258	3,617,908	6,142,906	(861,774)	(598,006)	6,985,339
Benefit payments, including refunds of member contributions	(3,858,610)	(3,746,226)	(3,619,368)	(3,459,673)	(3,194,674)	(3,036,116)	(2,936,859)	(3,517,912)
Other	14,677	(1,237)	(7,568)	(133,202)	9,100	30,167	23,402	24,368
Net change in plan fiduciary net position	13,028,421	(592,827)	178,342	1,352,631	4,211,348	(2,619,944)	(1,968,021)	4,880,422
Plan fiduciary net position - beginning	59,246,933	59,839,760	59,661,418	58,308,787	54,097,439	56,717,383	58,685,404	53,804,982
Plan fiduciary net position - ending (b)	\$ <u>72,275,354</u>	\$ <u>59,246,933</u>	\$ <u>59,839,760</u>	\$ <u>59,661,418</u>	\$ <u>58,308,787</u>	\$ <u>54,097,439</u>	\$ <u>56,717,383</u>	\$ <u>58,685,404</u>
Net pension liability (a) - (b)	\$ <u>(586,346)</u>	\$ <u>10,140,600</u>	\$ <u>7,656,245</u>	\$ <u>6,501,034</u>	\$ <u>2,547,958</u>	\$ <u>3,977,422</u>	\$ <u>817,926</u>	\$ <u>(2,643,903)</u>
Plan fiduciary net position as a percentage of the total pension liability	100.82%	85.39%	88.66%	90.17%	95.81%	93.15%	98.58%	104.72%
Covered payroll	\$ 18,501,082	\$ 18,451,387	\$ 18,410,991	\$ 17,962,946	\$ 17,308,380	\$ 16,835,961	\$ 16,374,172	\$ 15,346,754
Net Pension Liability as a percentage of covered payroll	-3.17%	54.96%	41.59%	36.19%	14.72%	23.62%	5.00%	-17.23%

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

		Public Safety Plan						
	2021	2020	2019	2018	2017	2016	2015	2014
\$	1,927,358	\$ 1,905,869	\$ 1,858,187	\$ 1,692,697	\$ 1,654,690	\$ 1,660,398	\$ 1,687,952	\$ 1,721,480
	5,153,734	5,035,873	4,896,030	4,955,670	4,689,991	4,608,292	4,549,584	4,482,529
	-	-	-	-	-	-	-	143,528
	(1,823,360)	(37,117)	384,293	(1,069,579)	1,807,081	(1,105,294)	(1,642,507)	(1,925,872)
	-	-	-	3,892,883	-	-	-	-
	(5,032,270)	(5,026,910)	(4,822,817)	(4,447,734)	(4,021,835)	(3,878,524)	(3,544,481)	(3,278,507)
	225,462	1,877,715	2,315,693	5,023,937	4,129,927	1,284,872	1,050,548	1,143,158
	84,012,200	82,134,485	79,818,792	74,794,855	70,664,928	69,380,056	68,329,508	67,186,350
\$	<u>84,237,662</u>	<u>\$ 84,012,200</u>	<u>\$ 82,134,485</u>	<u>\$ 79,818,792</u>	<u>\$ 74,794,855</u>	<u>\$ 70,664,928</u>	<u>\$ 69,380,056</u>	<u>\$ 68,329,508</u>
\$	2,520,097	\$ 2,282,066	\$ 1,477,700	\$ 1,261,540	\$ 1,173,293	\$ 1,359,471	\$ 1,854,639	\$ 1,772,644
	830,542	871,773	781,348	812,118	800,484	777,157	781,168	816,864
	16,438,245	964,537	2,648,038	4,079,768	6,654,814	(933,589)	(647,840)	7,567,450
	(5,032,270)	(5,026,910)	(4,822,817)	(4,447,734)	(4,021,835)	(3,878,524)	(3,544,481)	(3,278,507)
	16,550	(1,395)	(8,534)	122,489	9,858	32,681	25,352	26,399
	14,773,164	(909,929)	75,735	1,828,181	4,616,614	(2,642,804)	(1,531,162)	6,904,850
	67,021,639	67,931,568	67,855,833	66,027,652	61,411,038	64,053,842	65,585,004	58,680,154
\$	<u>81,794,803</u>	<u>\$ 67,021,639</u>	<u>\$ 67,931,568</u>	<u>\$ 67,855,833</u>	<u>\$ 66,027,652</u>	<u>\$ 61,411,038</u>	<u>\$ 64,053,842</u>	<u>\$ 65,585,004</u>
\$	<u>2,442,859</u>	<u>\$ 16,990,561</u>	<u>\$ 14,202,917</u>	<u>\$ 11,962,959</u>	<u>\$ 8,767,203</u>	<u>\$ 9,253,890</u>	<u>\$ 5,326,214</u>	<u>\$ 2,744,504</u>
	97.10%	79.78%	82.71%	85.01%	88.28%	86.90%	92.32%	95.98%
\$	12,245,664	\$ 11,794,400	\$ 11,830,345	\$ 11,570,282	\$ 11,787,583	\$ 11,490,902	\$ 11,474,760	\$ 11,561,315
	19.95%	144.06%	120.05%	103.39%	74.38%	80.53%	46.42%	23.74%

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Schedule of Employer Contributions - City General and Public Safety Pension Plans  
Years Ended June 30, 2014 through June 30, 2021

City General Plan:	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 1,757,645	\$ 1,722,578	\$ 932,247	\$ 796,752	\$ 745,267	\$ 758,268	\$ 1,064,636	\$ 876,511
Contributions in relation to the actuarially determined contribution	<u>1,757,645</u>	<u>1,722,578</u>	<u>932,247</u>	<u>796,752</u>	<u>745,267</u>	<u>758,268</u>	<u>1,064,636</u>	<u>876,511</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 18,501,082	\$ 18,451,387	\$ 18,410,991	\$ 17,962,946	\$ 17,308,380	\$ 16,835,961	\$ 16,374,172	\$ 15,346,754
Contributions as a percentage of covered payroll	9.50%	9.34%	5.06%	4.44%	4.31%	4.50%	6.50%	5.71%
<b>City Public Safety Plan:</b>								
Actuarially determined contribution	\$ 2,520,097	\$ 2,282,066	\$ 1,477,700	\$ 1,261,540	\$ 1,173,293	\$ 1,359,471	\$ 1,854,639	\$ 1,772,644
Contributions in relation to the actuarially determined contribution	<u>2,520,097</u>	<u>2,282,066</u>	<u>1,477,700</u>	<u>1,261,540</u>	<u>1,173,293</u>	<u>1,359,471</u>	<u>1,854,639</u>	<u>1,772,644</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 12,245,664	\$ 11,794,400	\$ 11,830,345	\$ 11,570,282	\$ 11,787,583	\$ 11,490,902	\$ 11,474,760	\$ 11,561,315
Contributions as a percentage of covered payroll	20.58%	19.35%	12.49%	10.90%	9.95%	11.83%	16.16%	15.33%

**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:**

	General Plan	Public Safety Plan
Actuarial cost method	Entry age actuarial cost method	Entry age actuarial cost method
Amortization method	Level percent of payroll	Level percent of payroll
Remaining amortization period	10 years, closed	10 years, closed
Asset valuation method	5-year smoothed market value for funding purposes	5-year smoothed market value for funding purposes
Price Inflation	2.50%	3.25%
Salary increases	3.75% to 7.75% including inflation	3.75% to 7.75% including inflation
Investment rate of return	6.25%	6.25%
Retirement age	Experience-based table of rates specific to type of eligibility	Experience-based table of rates specific to type of eligibility
Mortality	RP-2014 mortality tables	RP-2014 mortality tables

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

Schedule of Investment Returns - City General and Public Safety Pension Plans  
Years Ended June 30, 2015 through June 30, 2021

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	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Annual money-weighted rate of return, net of investment expense	25.39%	1.50%	4.50%	6.60%	11.29%	-1.50%	-1.10%

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

Schedule of Changes in Net Pension Liability and Related Ratios - VRS  
 Primary Government  
 Pension Plans  
 Measurement Dates of June 30, 2014 through June 30, 2020

	2020	2019	2018	2017	2016	2015	2014
<b>Total pension liability</b>							
Service cost	\$ 2,641,322	\$ 2,399,209	\$ 2,381,646	\$ 2,495,898	\$ 2,423,842	\$ 2,409,740	\$ 2,553,033
Interest	11,460,855	11,141,537	10,543,188	10,484,207	10,049,084	9,813,324	9,430,342
Changes in benefit terms	-	-	-	-	-	65,193	-
Differences between expected and actual experience	214,430	1,352,480	4,284,241	(1,772,110)	1,376,065	(1,785,717)	-
Changes of assumptions	-	4,998,787	-	(2,275,619)	-	-	-
Benefit payments	(9,640,851)	(8,891,913)	(8,430,548)	(7,749,032)	(7,516,872)	(6,752,212)	(6,272,188)
<b>Net change in total pension liability</b>	<b>\$ 4,675,756</b>	<b>\$ 11,000,100</b>	<b>\$ 8,778,527</b>	<b>\$ 1,183,344</b>	<b>\$ 6,332,119</b>	<b>\$ 3,750,328</b>	<b>\$ 5,711,187</b>
<b>Total pension liability - beginning</b>	<b>174,610,872</b>	<b>163,610,772</b>	<b>154,832,245</b>	<b>153,648,901</b>	<b>147,316,782</b>	<b>143,566,454</b>	<b>137,855,267</b>
<b>Total pension liability - ending (a)</b>	<b>\$ 179,286,628</b>	<b>\$ 174,610,872</b>	<b>\$ 163,610,772</b>	<b>\$ 154,832,245</b>	<b>\$ 153,648,901</b>	<b>\$ 147,316,782</b>	<b>\$ 143,566,454</b>
<b>Plan fiduciary net position</b>							
Contributions - employer	\$ 3,608,836	\$ 3,547,019	\$ 3,606,104	\$ 3,571,518	\$ 3,527,021	\$ 3,485,306	\$ 3,659,625
Contributions - employee	1,457,166	1,499,039	1,478,222	1,633,968	1,393,173	1,355,267	1,374,989
Net investment income	2,487,781	8,210,321	8,775,432	13,186,788	1,867,356	4,869,624	14,717,193
Benefit payments	(9,640,851)	(8,891,913)	(8,430,548)	(7,749,032)	(7,516,872)	(6,752,212)	(6,272,188)
Administrator charges	(85,616)	(83,456)	(76,892)	(77,024)	(68,917)	(67,435)	(79,665)
Other	(2,870)	(5,168)	(7,769)	(11,711)	(800)	(1,026)	776
<b>Net change in plan fiduciary net position</b>	<b>\$ (2,175,554)</b>	<b>\$ 4,275,842</b>	<b>\$ 5,344,549</b>	<b>\$ 10,554,507</b>	<b>\$ (799,039)</b>	<b>\$ 2,889,524</b>	<b>\$ 13,400,730</b>
<b>Plan fiduciary net position - beginning</b>	<b>129,453,722</b>	<b>125,177,880</b>	<b>119,833,331</b>	<b>109,278,824</b>	<b>110,077,863</b>	<b>107,188,339</b>	<b>93,787,609</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 127,278,168</b>	<b>\$ 129,453,722</b>	<b>\$ 125,177,880</b>	<b>\$ 119,833,331</b>	<b>\$ 109,278,824</b>	<b>\$ 110,077,863</b>	<b>\$ 107,188,339</b>
<b>County/City/Town's net pension liability (asset) - ending (a) - (b)</b>	<b>\$ 52,008,460</b>	<b>\$ 45,157,150</b>	<b>\$ 38,432,892</b>	<b>\$ 34,998,914</b>	<b>\$ 44,370,077</b>	<b>\$ 37,238,919</b>	<b>\$ 36,378,115</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	<b>70.99%</b>	<b>74.14%</b>	<b>76.51%</b>	<b>77.40%</b>	<b>71.12%</b>	<b>74.72%</b>	<b>74.66%</b>
<b>Covered payroll</b>	<b>\$ 30,126,334</b>	<b>\$ 29,415,870</b>	<b>\$ 28,964,535</b>	<b>\$ 28,412,507</b>	<b>\$ 27,216,054</b>	<b>\$ 26,784,659</b>	<b>\$ 27,316,166</b>
<b>County/City/Town's net pension liability (asset) as a percentage of covered payroll</b>	<b>172.63%</b>	<b>153.51%</b>	<b>132.69%</b>	<b>123.18%</b>	<b>163.03%</b>	<b>139.03%</b>	<b>133.17%</b>

Schedule is intended to show information for 10 years. Information prior to the 2014 valuation is not available. However, additional years will be included as they become available.

Schedule of Employer's Share of Net Pension Liability VRS Teacher Retirement Plan  
Pension Plans  
For the Measurement Dates of June 30, 2014 through June 30, 2020

	2020	2019	2018	2017	2016	2015	2014
Employer's Proportion of the Net Pension Liability (Asset)	0.00120%	0.00116%	0.0012%	0.0012%	0.00117%	0.00115%	0.00116%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 167,355	\$ 152,663	\$ 141,000	\$ 148,000	\$ 164,000	\$ 150,000	\$ 140,000
Employer's Covered Payroll	97,615	95,142	95,142	93,276	89,423	85,543	85,118
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	171.44%	160.46%	148.20%	158.67%	183.40%	175.35%	164.48%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.47%	73.51%	74.81%	72.92%	68.28%	70.68%	70.88%

Schedule is intended to show information for 10 years. Information prior to the 2014 valuation is not available. However, additional years will be included as they become available.

Schedule of Employer Contributions - VRS Pension  
Pension Plans  
Years Ended June 30, 2012 through June 30, 2021

<u>Date</u>	<u>Contractually Required Contribution (1)</u>	<u>Contributions in Relation to Contractually Required Contribution (2)</u>	<u>Contribution Deficiency (Excess) (3)</u>	<u>Employer's Covered Payroll (4)</u>	<u>Contributions as a % of Covered Payroll (5)</u>
<b>Primary Government</b>					
2021	\$ 3,926,288	\$ 3,926,288	\$ -	\$ 29,610,743	13.26%
2020	3,625,317	3,625,317	-	30,126,334	12.03%
2019	3,545,470	3,545,470	-	29,415,870	12.05%
2018	3,613,693	3,613,693	-	28,964,535	12.48%
2017	3,616,912	3,616,912	-	28,412,507	12.73%
2016	3,557,138	3,557,138	-	27,216,054	13.07%
2015	3,500,755	3,500,755	-	26,784,659	13.07%
2014	3,425,447	3,425,447	-	27,316,166	12.54%
2013	3,499,490	3,499,490	-	27,906,618	12.54%
2012	2,592,079	2,592,079	-	26,156,197	9.91%
<b>Component Unit School Board (professional)</b>					
2021	\$ 16,224	\$ 16,224	\$ -	\$ 97,615	16.62%
2020	15,306	15,306	-	97,615	15.68%
2019	16,161	16,161	-	95,142	16.99%
2018	13,674	13,674	-	95,142	14.37%
2017	12,573	12,573	-	93,276	13.48%
2016	12,404	12,404	-	89,423	13.87%
2015	9,925	9,925	-	85,543	11.60%

Schedule is intended to show information for 10 years. Information for the School Board (professional plan prior to 2015 is not available. However, additional years will be included as they become available.

Notes to Required Supplementary Information - VRS Pension  
 Pension Plans  
 Year Ended June 30, 2021

**Changes of benefit terms** - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

**Changes of assumptions** - The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

All Others (Non 10 Largest) - Non-Hazardous Duty:

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	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

All Others (Non 10 Largest) - Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
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 fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60.00% to 45.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

Component Unit School Board - Professional Employees

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
Discount Rate	Decreased rate from 7.00% to 6.75%

Schedule of Changes in Total OPEB Liability and Related Ratios  
City Pay-As-You-Go OPEB Plan  
Years Ended June 30, 2018 through June 30, 2021

	2021	2020	2019	2018
<b>Total OPEB liability</b>				
Service cost	\$ 648,126	\$ 588,840	\$ 493,978	\$ 479,137
Interest	473,434	538,713	509,096	489,539
Differences between expected and actual experience	(2,637,504)	(171,060)	429,083	(37,111)
Changes of assumptions	1,663,680	1,726,104	2,186,815	(117,292)
Benefit payments	(687,270)	(512,096)	(525,039)	(493,675)
<b>Net change in total OPEB liability</b>	<b>\$ (539,534)</b>	<b>\$ 2,170,501</b>	<b>\$ 3,093,933</b>	<b>\$ 320,598</b>
<b>Total OPEB liability - beginning</b>	<b>19,343,394</b>	<b>17,172,893</b>	<b>14,078,960</b>	<b>13,758,362</b>
<b>Total OPEB liability - ending</b>	<b>\$ 18,803,860</b>	<b>\$ 19,343,394</b>	<b>\$ 17,172,893</b>	<b>\$ 14,078,960</b>
Covered-employee payroll	\$ 38,457,799	\$ 37,177,439	\$ 36,723,863	\$ 33,143,226
City's total OPEB liability (asset) as a percentage of covered-employee payroll	48.89%	52.03%	46.76%	42.48%

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

Notes to Required Supplementary Information - City Pay-As-You-Go OPEB Plan  
Year Ended June 30, 2021

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Valuation Date: 6/30/2020  
Measurement Date: 6/30/2021

No assets are accumulated in a trust that meets the criteria in GASB 75 to pay related benefits.

*Methods and assumptions used to determine OPEB liability:*

Actuarial Cost Method	Entry age normal
Amortization Method	Level percentage of payroll
Discount Rate	1.92% as of June 30, 2021 and 2.45% as of June 30, 2020
Inflation	2.50%
Healthcare Trend Rate	Initial trend of 7.50% gradually decreasing to an ultimate trend rate of 3.5% in year 12 for pre-65. Initial trend of 6.25% gradually decreasing to an ultimate trend rate of 3.5% in year 12 for post-65.
Salary Increase Rates	3.75 to 7.75%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition and date of hire
Mortality Rates	RP-2014 Fully Generational Mortality Tables, adjusted backwards to 2006 with the MP-2014 Scale. Future mortality improvements assumed each year using scale MP-2017.



Schedule of City of Fairfax, Virginia's Share of Net OPEB Liability  
 Group Life Insurance (GLI) Plan  
 For the Measurement Dates of June 30, 2017 through 2020

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
<b>Component Unit School Board (professional)</b>					
2021	0.00047% \$	7,844 \$	97,615	8.04%	52.64%
2020	0.00049%	7,973	95,142	8.38%	52.00%
2018	0.00051%	8,000	95,142	8.41%	51.22%
2017	0.00050%	8,000	93,276	8.58%	48.86%

Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available. However, additional years will be included as they become available.

Schedule of Employer Contributions  
 Group Life Insurance (GLI) Plan  
 Years Ended June 30, 2012 through June 30, 2021

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
<b>Component Unit School Board (professional)</b>					
2021	\$ 527	\$ 527	-	\$ 97,615	0.54%
2020	508	508	-	97,615	0.52%
2019	495	495	-	95,142	0.52%
2018	495	495	-	95,142	0.52%
2017	485	485	-	93,276	0.52%
2016	429	429	-	89,423	0.48%
2015	411	411	-	85,543	0.48%
2014	409	409	-	85,118	0.48%
2013	395	395	-	82,239	0.48%
2012	215	215	-	76,881	0.28%

Notes to Required Supplementary Information  
 Group Life Insurance (GLI) Plan  
 Year Ended June 30, 2021

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**Changes of benefit terms** - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

**Changes of assumptions** - The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

**Teachers**

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
Discount Rate	Decreased rate from 7.00% to 6.75%

**Non-Largest Ten Locality Employers - General Employees**

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

**Non-Largest Ten Locality Employers - Hazardous Duty Employees**

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60.00% to 45.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

Schedule of Fairfax City School Board's Share of Net OPEB Liability  
 Teacher Employee Health Insurance Credit (HIC) Plan  
 For the Measurement Dates of June 30, 2017 through June 30, 2020

<b>Date (1)</b>	<b>Employer's Proportion of the Net HIC OPEB Liability (Asset) (2)</b>	<b>Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) (3)</b>	<b>Employer's Covered Payroll (4)</b>	<b>Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)</b>	<b>Plan Fiduciary Net Position as a Percentage of Total HIC OPEB Liability (6)</b>
2020	0.00111% \$	14,480 \$	97,615	14.83%	9.95%
2019	0.00113%	14,793	95,142	15.55%	8.97%
2018	0.00118%	15,000	95,142	15.77%	8.08%
2017	0.00118%	15,000	93,276	16.08%	7.04%

Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available. However, additional years will be included as they become available.

Schedule of Employer Contributions  
 Teacher Employee Health Insurance Credit (HIC) Plan  
 Years Ended June 30, 2012 through June 30, 2021

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2021	\$ 1,181	\$ 1,181	\$ -	\$ 97,615	1.21%
2020	1,171	1,171	-	97,615	1.20%
2019	1,142	1,142	-	95,142	1.20%
2018	1,170	1,170	-	95,142	1.23%
2017	1,035	1,035	-	93,276	1.11%
2016	948	948	-	89,423	1.06%
2015	907	907	-	85,543	1.06%
2014	945	945	-	85,118	1.11%
2013	913	913	-	82,239	1.11%
2012	461	461	-	76,881	0.60%

Notes to Required Supplementary Information  
 Teacher Employee Health Insurance Credit (HIC) Plan  
 Year Ended June 30, 2021

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**Changes of benefit terms** - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

**Changes of assumptions** - The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action 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
Discount Rate	Decreased rate from 7.00% to 6.75%

**OTHER SUPPLEMENTARY INFORMATION**

Combining Balance Sheet  
 Nonmajor Governmental Funds  
 At June 30, 2021

	Special Revenue Funds			Capital Projects Fund	Total Nonmajor Governmental Funds
	Legacy for Fairfax Fund	Old Town Fairfax Fund	Commercial Transportation Tax Fund	Stormwater Fund	
<b>Assets</b>					
Cash and cash equivalents	\$ 368,306	\$ 305,418	\$ 5,419,366	\$ 2,370,513	\$ 8,463,603
Receivables (Net of allowance for uncollectibles):					
Prepaid items	-	6,264	58,309	-	64,573
Due from other governmental units	-	10,718	-	-	10,718
Total assets	<u>\$ 368,306</u>	<u>\$ 322,400</u>	<u>\$ 5,477,675</u>	<u>\$ 2,370,513</u>	<u>\$ 8,538,894</u>
<b>Liabilities</b>					
Accounts payable and accrued liabilities	\$ -	\$ 9,835	\$ 123,720	\$ 278,948	\$ 412,503
Retainage payable	-	-	-	15,310	15,310
Total liabilities	<u>\$ -</u>	<u>\$ 9,835</u>	<u>\$ 123,720</u>	<u>\$ 294,258</u>	<u>\$ 427,813</u>
<b>Fund Balances</b>					
Fund balances:					
Nonspendable	\$ -	\$ 6,264	\$ 58,309	\$ -	\$ 64,573
Restricted	368,306	-	-	-	368,306
Assigned	-	306,301	5,295,646	2,076,255	7,678,202
Total fund balances	<u>\$ 368,306</u>	<u>\$ 312,565</u>	<u>\$ 5,353,955</u>	<u>\$ 2,076,255</u>	<u>\$ 8,111,081</u>
Total liabilities and fund balances	<u>\$ 368,306</u>	<u>\$ 322,400</u>	<u>\$ 5,477,675</u>	<u>\$ 2,370,513</u>	<u>\$ 8,538,894</u>



Combining Statement of Revenues, Expenditures, and  
Changes in Fund Balances - Nonmajor Governmental Funds  
Year Ended June 30, 2021

	Special Revenue Funds			Capital Projects Fund	Total Nonmajor Governmental Funds
	Legacy for Fairfax Fund	Old Town Fairfax Fund	Commercial Transportation Tax Fund	Stormwater Fund	
<b>Revenues</b>					
Other local taxes	\$ -	\$ -	\$ 2,752,860	\$ -	\$ 2,752,860
Permits, privilege fees and regulatory licenses	-	-	-	13,600	13,600
Miscellaneous	56,883	-	-	-	56,883
Intergovernmental:					
Commonwealth	-	32,124	-	113,934	146,058
<b>Total revenues</b>	<b>\$ 56,883</b>	<b>\$ 32,124</b>	<b>\$ 2,752,860</b>	<b>\$ 127,534</b>	<b>\$ 2,969,401</b>
<b>Expenditures</b>					
Current:					
Public works	\$ -	\$ 140,738	\$ 513,870	\$ 1,904,526	\$ 2,559,134
Parks, recreation and cultural	18,896	-	-	-	18,896
<b>Total expenditures</b>	<b>\$ 18,896</b>	<b>\$ 140,738</b>	<b>\$ 513,870</b>	<b>\$ 1,904,526</b>	<b>\$ 2,578,030</b>
Excess (deficiency) of revenue over (under) expenditures	\$ 37,987	\$ (108,614)	\$ 2,238,990	\$ (1,776,992)	\$ 391,371
<b>Other financing sources (uses)</b>					
Transfers in	\$ -	\$ 195,871	\$ 2,332,091	\$ 1,960,744	\$ 4,488,706
Transfers (out)	-	-	(4,579,945)	-	(4,579,945)
<b>Total other financing sources (uses)</b>	<b>\$ -</b>	<b>\$ 195,871</b>	<b>\$ (2,247,854)</b>	<b>\$ 1,960,744</b>	<b>\$ (91,239)</b>
<b>Net changes in fund balances</b>	<b>\$ 37,987</b>	<b>\$ 87,257</b>	<b>\$ (8,864)</b>	<b>\$ 183,752</b>	<b>\$ 300,132</b>
Fund balances, beginning	330,319	225,308	5,362,819	1,892,503	7,810,949
Fund balances, ending	<u>\$ 368,306</u>	<u>\$ 312,565</u>	<u>\$ 5,353,955</u>	<u>\$ 2,076,255</u>	<u>\$ 8,111,081</u>

Combining Statement of Fiduciary Net Position  
 Fiduciary Funds  
 At June 30, 2021

	City Supplemental Pension Trust Fund	Firefighters, Policemen and Policewomen Pension Trust Fund	Totals
<b>Assets</b>			
Cash and cash equivalents	\$ 417	\$ 471	\$ 888
Mutual and money market funds	72,274,935	81,794,330	154,069,265
Accrued interest	<u>2</u>	<u>2</u>	<u>4</u>
Total assets	<u>\$ 72,275,354</u>	<u>\$ 81,794,803</u>	<u>\$ 154,070,157</u>
<b>Net Position</b>			
Restricted for pension benefits	<u>\$ 72,275,354</u>	<u>\$ 81,794,803</u>	<u>\$ 154,070,157</u>

Combining Statement of Changes in Fiduciary Net Position  
 Fiduciary Funds  
 Year Ended June 30, 2021

	City Supplemental Pension Trust Fund	Firefighters, Policemen and Policewomen Pension Trust Fund	Totals
<b>Additions</b>			
Plan member and employer contributions	\$ 2,309,720	\$ 3,367,189	\$ 5,676,909
Investment income:			
Interest and dividends earned on investments	\$ 633,642	714,533	\$ 1,348,175
Net appreciation in fair value of investments	14,325,748	16,154,568	30,480,316
Total investment income	\$ 14,959,390	\$ 16,869,101	\$ 31,828,491
Less: Investment expenses	382,079	430,856	812,935
Net investment income	\$ 14,577,311	\$ 16,438,245	\$ 31,015,556
 Total additions	 \$ 16,887,031	 \$ 19,805,434	 \$ 36,692,465
<b>Deductions</b>			
Retirement and disability benefits	\$ 3,858,610	\$ 5,032,270	\$ 8,890,880
 Total deductions	 \$ 3,858,610	 \$ 5,032,270	 \$ 8,890,880
 Change in net position	 \$ 13,028,421	 \$ 14,773,164	 \$ 27,801,585
Net position - beginning	59,246,933	67,021,639	126,268,572
Net position - ending	\$ 72,275,354	\$ 81,794,803	\$ 154,070,157

Combining Balance Sheet -  
Discretely Presented Component Unit - School Board  
At June 30, 2021

	School Operating Fund	School Bond Renovation Fund	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ -	\$ 2,500	\$ 2,500
Due from other governments	<u>2,860,525</u>	<u>-</u>	<u>2,860,525</u>
Total assets	<u>\$ 2,860,525</u>	<u>\$ 2,500</u>	<u>\$ 2,863,025</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 106,227	\$ -	\$ 106,227
Due to primary government	<u>2,754,298</u>	<u>-</u>	<u>2,754,298</u>
Total liabilities	<u>\$ 2,860,525</u>	<u>\$ -</u>	<u>\$ 2,860,525</u>
<b>FUND BALANCES</b>			
Assigned - capital projects	\$ -	\$ 2,500	\$ 2,500
Total fund balances	<u>\$ -</u>	<u>\$ 2,500</u>	<u>\$ 2,500</u>
Total liabilities and fund balances	<u>\$ 2,860,525</u>	<u>\$ 2,500</u>	<u>\$ 2,863,025</u>

Reconciliation of the Balance Sheet of the Governmental Funds  
to the Statement of Net Position -  
Discretely Presented Component Unit - School Board  
At June 30, 2021

		<u>Governmental Funds</u>
Total fund balances - governmental funds	\$	2,500
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore not reported in the governmental funds:		
Capital assets:		
Land	\$	1,381,115
Buildings and improvements		57,240,872
Machinery and equipment		1,376,298
Construction in progress		19,829
Accumulated depreciation		<u>(43,787,605)</u>
		16,230,509
Deferred outflows of resources are not available to pay for current-period expenditures and, therefore are not reported in the funds.		
Pension related items	\$	40,819
OPEB related items		<u>3,189</u>
		44,008
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.		
Net pension liability	\$	(167,355)
Net OPEB liability		(22,324)
Compensated absences		<u>(62,847)</u>
		(252,526)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.		
Pension related items	\$	(14,115)
OPEB related items		<u>(1,568)</u>
		(15,683)
Net position of governmental activities	\$	<u><u>16,008,808</u></u>

Combining Statement of Revenues, Expenditures and Changes in Fund Balances -  
 Discretely Presented Component Unit - School Board  
 Year Ended June 30, 2021

	School Operating Fund	School Bond Renovation Fund	Total
Revenues:			
Revenue from use of money and property	\$ 2,139,653	\$ -	\$ 2,139,653
Charges for services	333,364	-	333,364
Intergovernmental:			
City contribution to School Board	38,944,050	-	38,944,050
Commonwealth	9,212,805	-	9,212,805
Total revenues	<u>\$ 50,629,872</u>	<u>\$ -</u>	<u>\$ 50,629,872</u>
Expenditures:			
Current:			
Education	<u>\$ 50,629,872</u>	<u>\$ -</u>	<u>\$ 50,629,872</u>
Total expenditures	<u>\$ 50,629,872</u>	<u>\$ -</u>	<u>\$ 50,629,872</u>
Net changes in fund balances	\$ -	\$ -	-
Fund balances at beginning of year	-	2,500	2,500
Fund balances at end of year	<u>\$ -</u>	<u>\$ 2,500</u>	<u>\$ 2,500</u>

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  
Year Ended June 30, 2021

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	<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	\$ -
<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 the depreciation expense exceeded capital outlay in the current period.</p>	
Depreciation expense	\$ <u>(3,658,710)</u> (3,658,710)
Transfer of joint tenancy assets from Primary Government to Component Unit School Board, net	1,302,265
Assets contributed by the Primary Government	219,383
<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>	
Pension expense	\$ (1,802)
OPEB expense	393
Change in compensated absences	<u>(8,386)</u> <u>(9,795)</u>
Change in net position of governmental activities	\$ <u><u>(2,146,857)</u></u>

Combining Statement of Net Position -  
Discretely Presented Nonmajor Component Units  
At June 30, 2021

	<u>Industrial Development Authority</u>	<u>Economic Development Authority</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 453,624	\$ 849,016	\$ 1,302,640
Inventory - property held for resale	<u>-</u>	<u>862,594</u>	<u>862,594</u>
Total assets	<u>\$ 453,624</u>	<u>\$ 1,711,610</u>	<u>\$ 2,165,234</u>
<b>LIABILITIES</b>			
Current liabilities:			
Due to primary government	<u>\$ -</u>	<u>\$ 1,100,825</u>	<u>\$ 1,100,825</u>
Total liabilities	<u>\$ -</u>	<u>\$ 1,100,825</u>	<u>\$ 1,100,825</u>
<b>NET POSITION</b>			
Unrestricted	<u>\$ 453,624</u>	<u>\$ 610,785</u>	<u>\$ 1,064,409</u>
Total net position	<u>\$ 453,624</u>	<u>\$ 610,785</u>	<u>\$ 1,064,409</u>
Total liabilities and net position	<u>\$ 453,624</u>	<u>\$ 1,711,610</u>	<u>\$ 2,165,234</u>



Combining Statement of Activities -  
Discretely Presented Nonmajor Component Units  
Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenues					Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Industrial Development Authority	Economic Development Authority	
Nonmajor component units:							
Industrial Development Authority	\$ 977,301	\$ -	\$ -	\$ -	\$ (977,301)	\$ -	\$ (977,301)
Economic Development Authority	2,130,301	-	-	-	-	(2,130,301)	(2,130,301)
Total nonmajor component units	\$ 3,107,602	\$ -	\$ -	\$ -	\$ (977,301)	\$ (2,130,301)	\$ (3,107,602)
General revenues:							
Unrestricted revenues from use of money and property	\$ 772,342	\$ 2,620	\$ 774,962				
Contributions from/(to) City of Fairfax	17,746	2,089,004	2,106,750				
Miscellaneous	-	21,263	21,263				
Total general revenues	\$ 790,088	\$ 2,112,887	\$ 2,902,975				
Change in net position	\$ (187,213)	\$ (17,414)	\$ (204,627)				
Net position - beginning	640,837	628,199	1,269,036				
Net position - ending	\$ 453,624	\$ 610,785	\$ 1,064,409				

Combining Balance Sheet -  
Discretely Presented Nonmajor Component Units  
At June 30, 2021

	<u>Industrial Development Authority</u>	<u>Economic Development Authority</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ <u>453,624</u>	\$ <u>849,016</u>	\$ <u>1,302,640</u>
Total assets	\$ <u><u>453,624</u></u>	\$ <u><u>849,016</u></u>	\$ <u><u>1,302,640</u></u>
<b>LIABILITIES</b>			
Due to primary government	\$ <u>-</u>	\$ <u>1,100,825</u>	\$ <u>1,100,825</u>
Total liabilities	\$ <u>-</u>	\$ <u>1,100,825</u>	\$ <u>1,100,825</u>
<b>FUND BALANCES</b>			
Unassigned	\$ <u>453,624</u>	\$ <u>(251,809)</u>	\$ <u>201,815</u>
Total fund balances	\$ <u>453,624</u>	\$ <u>(251,809)</u>	\$ <u>201,815</u>
Total liabilities and fund balances	\$ <u><u>453,624</u></u>	\$ <u><u>849,016</u></u>	\$ <u><u>1,302,640</u></u>

Combining Reconciliation of the Balance Sheet of the Governmental Funds to the Statement of Net Position -  
 Discretely Presented Nonmajor Component Units  
 At June 30, 2021

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	<u>Industrial Development Authority</u>	<u>Economic Development Authority</u>	<u>Totals</u>
Total fund balances - governmental funds	\$ 453,624	\$ (251,809)	\$ 201,815
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	<u>-</u>	<u>862,594</u>	<u>862,594</u>
Net position of governmental activities	<u>\$ 453,624</u>	<u>\$ 610,785</u>	<u>\$ 1,064,409</u>

Combining Statement of Revenues, Expenditures and Changes in Fund Balances -  
Discretely Presented Nonmajor Component Units  
Year Ended June 30, 2021

	Industrial Development Authority	Economic Development Authority	Totals
Revenues:			
Revenue from use of money and property	\$ 772,342	\$ 2,620	\$ 774,962
Contribution from City	-	2,089,004	2,089,004
Miscellaneous	17,746	21,263	39,009
Total revenues	<u>\$ 790,088</u>	<u>\$ 2,112,887</u>	<u>\$ 2,902,975</u>
Expenditures:			
Current:			
Planning and community development	\$ 977,301	\$ 2,130,301	\$ 3,107,602
Total expenditures	<u>\$ 977,301</u>	<u>\$ 2,130,301</u>	<u>\$ 3,107,602</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (187,213)</u>	<u>\$ (17,414)</u>	<u>\$ (204,627)</u>
Net changes in fund balances	\$ (187,213)	\$ (17,414)	\$ (204,627)
Fund balances at beginning of year	<u>640,837</u>	<u>(234,395)</u>	<u>406,442</u>
Fund balances at end of year	<u><u>\$ 453,624</u></u>	<u><u>\$ (251,809)</u></u>	<u><u>\$ 201,815</u></u>

CITY OF FAIRFAX, VIRGINIA

STATISTICAL SECTION  
TABLE OF CONTENTS

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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.

<u>Contents</u>	<u>Table Number</u>
<b>Financial Trends</b> 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
<b>Revenue Capacity</b> 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
<b>Debt Capacity</b> 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
<b>Demographic and Economic Information</b> These tables offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	14
<b>Operating Information</b> 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.

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

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

CITY OF FAIRFAX, VIRGINIA

Net Position By Component  
 Last Ten Fiscal Years  
 (accrual basis of accounting)  
 (Unaudited)

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Governmental activities:				
Net investment in capital assets	\$ 50,255,490	\$ 53,890,492	\$ 63,399,428	\$ 65,367,317
Restricted	-	-	-	-
Unrestricted	<u>20,076,021</u>	<u>20,325,737</u>	<u>18,424,001</u>	<u>(15,838,209)</u>
<b>Total governmental activities net position</b>	<b><u>\$ 70,331,511</u></b>	<b><u>\$ 74,216,229</u></b>	<b><u>\$ 81,823,429</u></b>	<b><u>\$ 49,529,108</u></b>
Business-type activities:				
Net investment in capital assets	\$ 23,422,114	\$ 25,745,684	\$ 7,100,899	\$ 12,154,408
Restricted	-	-	-	-
Unrestricted	<u>2,536,617</u>	<u>1,471,619</u>	<u>3,678,285</u>	<u>(3,269,148)</u>
<b>Total business-type activities net position</b>	<b><u>\$ 25,958,731</u></b>	<b><u>\$ 27,217,303</u></b>	<b><u>\$ 10,779,184</u></b>	<b><u>\$ 8,885,260</u></b>
Primary government:				
Net investment in capital assets	\$ 73,677,604	\$ 79,636,176	\$ 70,500,327	\$ 77,521,725
Restricted	-	-	-	-
Unrestricted (deficit)	<u>22,612,638</u>	<u>21,797,356</u>	<u>22,102,286</u>	<u>(19,107,357)</u>
<b>Total primary government net position</b>	<b><u>\$ 96,290,242</u></b>	<b><u>\$ 101,433,532</u></b>	<b><u>\$ 92,602,613</u></b>	<b><u>\$ 58,414,368</u></b>
Component units:				
Component unit - school board:				
Net investment in capital assets	\$ 9,923,786	\$ 8,786,215	\$ 7,567,026	\$ 5,943,493
Unrestricted	<u>1,345,893</u>	<u>1,350,904</u>	<u>1,323,608</u>	<u>1,060,848</u>
<b>Total component unit - school board net position</b>	<b><u>\$ 11,269,679</u></b>	<b><u>\$ 10,137,119</u></b>	<b><u>\$ 8,890,634</u></b>	<b><u>\$ 7,004,341</u></b>
Component unit - all others aggregate				
Unrestricted (deficit)	<u>(16,352)</u>	<u>427,561</u>	<u>537,986</u>	<u>501,631</u>
<b>Total component unit - all others aggregate net position</b>	<b><u>\$ (16,352)</u></b>	<b><u>\$ 427,561</u></b>	<b><u>\$ 537,986</u></b>	<b><u>\$ 501,631</u></b>
Component units:				
Net investment in capital assets	\$ 9,923,786	\$ 8,786,215	\$ 7,567,026	\$ 5,943,493
Unrestricted (deficit)	<u>1,329,541</u>	<u>1,778,465</u>	<u>1,861,594</u>	<u>1,562,479</u>
<b>Total component units net position</b>	<b><u>\$ 11,253,327</u></b>	<b><u>\$ 10,564,680</u></b>	<b><u>\$ 9,428,620</u></b>	<b><u>\$ 7,505,972</u></b>
Total reporting entity:				
Net investment in capital assets	\$ 83,601,390	\$ 88,422,391	\$ 78,067,353	\$ 83,465,218
Restricted	-	-	-	-
Unrestricted (deficit)	<u>23,942,179</u>	<u>23,575,821</u>	<u>23,963,880</u>	<u>(17,544,878)</u>
<b>Total reporting entity net position</b>	<b><u>\$ 107,543,569</u></b>	<b><u>\$ 111,998,212</u></b>	<b><u>\$ 102,031,233</u></b>	<b><u>\$ 65,920,340</u></b>

Table 1

	2016	2017	2018	2019	2020	2021
\$	71,652,799	\$ 89,994,608	\$ 92,337,222	\$ 110,643,629	\$ 109,962,326	\$ 113,626,873
	1,853,012	-	-	-	-	549,875
	(12,935,193)	(17,230,148)	(34,599,438)	(37,890,603)	(42,272,728)	(35,990,643)
\$	<u>60,570,618</u>	<u>72,764,460</u>	<u>57,737,784</u>	<u>72,753,026</u>	<u>67,689,598</u>	<u>78,186,105</u>
\$	13,084,192	\$ 16,760,073	\$ 14,815,699	\$ 12,941,456	\$ 16,842,813	\$ 20,242,955
	-	-	-	-	-	36,471
	(2,464,223)	(4,915,848)	(3,331,788)	1,440,834	794,349	(1,854,850)
\$	<u>10,619,969</u>	<u>11,844,225</u>	<u>11,483,911</u>	<u>14,382,290</u>	<u>17,637,162</u>	<u>18,424,576</u>
\$	84,736,991	\$ 106,754,681	\$ 107,152,921	\$ 123,585,085	\$ 126,805,139	\$ 133,869,828
	1,853,012	-	-	-	-	586,346
	(15,399,416)	(22,145,996)	(37,931,226)	(36,449,769)	(41,478,379)	(37,845,493)
\$	<u>71,190,587</u>	<u>84,608,685</u>	<u>69,221,695</u>	<u>87,135,316</u>	<u>85,326,760</u>	<u>96,610,681</u>
\$	4,215,500	\$ 2,408,470	\$ 22,093,807	\$ 20,174,371	\$ 18,367,571	\$ 16,230,509
	1,065,071	1,090,278	358,067	355,687	(211,906)	(221,701)
\$	<u>5,280,571</u>	<u>3,498,748</u>	<u>22,451,874</u>	<u>20,530,058</u>	<u>18,155,665</u>	<u>16,008,808</u>
\$	438,089	\$ 701,999	\$ 972,023	\$ 1,043,267	\$ 1,269,036	\$ 1,064,409
\$	<u>438,089</u>	<u>701,999</u>	<u>972,023</u>	<u>1,043,267</u>	<u>1,269,036</u>	<u>1,064,409</u>
\$	4,215,500	\$ 2,408,470	\$ 22,093,807	\$ 20,174,371	\$ 18,367,571	\$ 16,230,509
	1,503,160	1,792,277	1,330,090	1,398,954	1,057,130	842,708
\$	<u>5,718,660</u>	<u>4,200,747</u>	<u>23,423,897</u>	<u>21,573,325</u>	<u>19,424,701</u>	<u>17,073,217</u>
\$	88,952,491	\$ 109,163,151	\$ 129,246,728	\$ 143,759,456	\$ 145,172,710	\$ 150,100,337
	1,853,012	-	-	-	-	586,346
	(13,896,256)	(20,353,719)	(36,601,136)	(35,050,815)	(40,421,249)	(37,002,785)
\$	<u>76,909,247</u>	<u>88,809,432</u>	<u>92,645,592</u>	<u>108,708,641</u>	<u>104,751,461</u>	<u>113,683,898</u>

Changes In Net Position  
Last Ten Fiscal Years  
(accrual basis of accounting)  
(Unaudited)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<b>Expenses:</b>										
<b>Governmental activities:</b>										
General government administration	\$ 7,724,635	\$ 6,866,783	\$ 7,903,372	\$ 10,251,105	\$ 10,396,072	\$ 15,427,080	\$ 13,246,118	\$ 11,767,354	\$ 14,131,161	\$ 13,934,723
Judicial administration	2,005,982	2,066,544	2,527,823	2,566,975	2,760,270	2,641,135	2,849,199	2,312,436	2,288,540	2,035,541
Public safety	23,066,551	24,072,403	25,761,694	24,773,928	24,685,951	28,319,921	29,330,107	30,930,693	32,673,151	29,823,889
Public works	15,213,056	15,425,436	18,350,340	18,944,387	25,058,080	18,019,293	24,659,649	18,056,484	24,671,425	24,266,930
Health and social services	4,811,623	5,168,971	5,287,258	5,591,135	5,755,718	5,989,432	6,385,447	6,678,195	6,650,856	6,685,641
Parks, recreation and cultural	4,832,756	5,067,701	6,239,803	8,089,994	7,111,958	7,621,091	7,423,229	7,776,853	6,994,746	5,404,350
Planning and community development	2,414,662	2,761,343	2,096,919	2,444,565	2,468,106	2,541,882	2,853,045	3,211,377	3,397,246	5,264,656
Education	35,682,802	40,413,546	42,997,193	42,165,145	39,722,829	39,529,350	43,851,048	44,119,478	45,025,477	43,500,973
Interest	5,802,938	6,311,082	5,932,138	5,209,890	5,261,694	5,572,324	3,770,205	4,398,387	5,419,221	4,608,757
<b>Total governmental activities expenses</b>	<b>\$ 101,555,005</b>	<b>\$ 108,153,809</b>	<b>\$ 117,096,540</b>	<b>\$ 120,037,124</b>	<b>\$ 123,220,678</b>	<b>\$ 125,661,508</b>	<b>\$ 134,368,047</b>	<b>\$ 129,251,257</b>	<b>\$ 141,251,823</b>	<b>\$ 135,525,460</b>
<b>Business-type activities:</b>										
Wastewater	\$ 4,768,856	\$ 4,145,887	\$ 5,396,798	\$ 5,445,448	\$ 6,357,667	\$ 6,532,510	\$ 6,985,840	\$ 6,878,926	\$ 6,775,824	\$ 7,059,800
Water	9,286,729	9,116,938	7,199,246	102,544	96,419	62	-	-	-	-
Transportation	2,977,927	3,126,339	3,472,495	3,481,209	6,646,669	4,211,823	4,190,978	4,246,680	4,548,644	4,830,660
<b>Total business-type activities expenses</b>	<b>\$ 17,033,512</b>	<b>\$ 16,389,164</b>	<b>\$ 16,068,539</b>	<b>\$ 9,029,201</b>	<b>\$ 13,100,755</b>	<b>\$ 10,744,395</b>	<b>\$ 11,176,818</b>	<b>\$ 11,125,606</b>	<b>\$ 11,324,468</b>	<b>\$ 11,890,460</b>
<b>Total primary government expenses</b>	<b>\$ 118,588,517</b>	<b>\$ 124,542,973</b>	<b>\$ 133,165,079</b>	<b>\$ 129,066,325</b>	<b>\$ 136,321,433</b>	<b>\$ 136,405,903</b>	<b>\$ 145,544,865</b>	<b>\$ 140,376,863</b>	<b>\$ 152,576,291</b>	<b>\$ 147,415,920</b>
<b>Program revenue:</b>										
<b>Governmental activities:</b>										
<b>Charges for services:</b>										
General government administration	\$ 386,170	\$ 323,121	\$ 242,671	\$ 318,520	\$ 310,464	\$ 294,818	\$ 295,811	\$ 278,206	\$ 228,231	\$ 197,779
Judicial administration	1,026,807	944,447	1,011,907	1,331,838	1,369,624	1,450,925	1,540,749	1,315,495	1,121,641	664,425
Public safety	2,633,859	2,628,651	2,251,606	1,979,808	1,924,837	2,043,009	2,223,789	2,068,077	1,903,152	2,286,600
Public works	382,035	369,964	436,455	433,037	424,200	470,969	538,581	699,270	718,157	776,194
Parks, recreation and cultural	1,075,741	991,345	996,192	1,103,761	1,292,436	1,278,022	1,499,689	1,547,129	580,731	631,011
Planning and community development	358,896	288,651	336,430	377,567	277,677	226,924	276,205	216,330	132,510	165,691
<b>Operating grants and contributions:</b>										
General government administration	271,658	260,485	276,398	335,323	344,923	444,375	480,771	378,758	406,340	882,638
Public safety	969,851	912,478	1,340,855	-	1,093,181	1,335,099	1,890,426	1,218,981	1,762,716	1,727,849
Public works	2,277,255	2,557,748	2,459,170	1,196,520	2,548,618	2,638,335	2,700,501	2,787,324	3,078,988	3,011,088
Health and social services	-	-	-	-	-	-	-	-	-	150,628
Parks, recreation and cultural	19,245	-	32,500	2,449,215	801,116	810,779	844,490	4,500	890	33,209
Planning and community development	-	3,527	-	-	-	-	-	-	37,097	1,848,594
<b>Capital grants and contributions:</b>										
Public safety	-	-	-	-	-	-	600,000	1,359,022	-	-
Public works	2,138,099	1,576,275	3,193,417	7,035,270	11,132,480	11,459,648	18,189,782	11,533,207	4,631,833	8,250,412
Parks, recreation and cultural	-	-	-	-	-	-	-	-	-	-
<b>Total governmental activities program revenue</b>	<b>\$ 11,539,616</b>	<b>\$ 10,856,692</b>	<b>\$ 12,577,601</b>	<b>\$ 16,560,859</b>	<b>\$ 21,519,556</b>	<b>\$ 22,452,903</b>	<b>\$ 31,080,794</b>	<b>\$ 23,406,299</b>	<b>\$ 14,602,286</b>	<b>\$ 21,486,118</b>
<b>Business-type activities:</b>										
<b>Charges for services:</b>										
Wastewater	\$ 4,499,929	\$ 5,221,887	\$ 4,752,802	\$ 6,095,415	\$ 6,346,155	\$ 7,572,436	\$ 9,000,919	\$ 9,403,803	\$ 10,611,433	\$ 8,582,159
Water	7,765,200	9,835,466	5,418,292	-	-	-	-	-	-	-
Transportation	1,153,240	1,332,652	1,298,553	1,309,277	1,282,670	1,225,567	793,755	1,138,470	1,057,746	750,008
<b>Operating grants and contributions:</b>										
Wastewater	-	209,767	284,508	-	-	-	-	377,580	22,073	-
Water	-	193,631	89,845	-	-	-	-	-	-	-
Transportation	1,039,435	1,122,784	224,602	855,874	3,045,305	828,000	227,467	-	12,240	-
<b>Capital grants and contributions:</b>										
Wastewater	209,767	-	-	-	-	-	-	-	-	-
Water	193,631	-	-	-	-	-	-	-	-	-
Transportation	-	-	-	-	2,536,210	-	-	628,000	669,343	758,432
<b>Total business-type activities program revenues</b>	<b>\$ 14,861,202</b>	<b>\$ 17,916,187</b>	<b>\$ 12,068,602</b>	<b>\$ 8,260,566</b>	<b>\$ 13,210,340</b>	<b>\$ 9,626,003</b>	<b>\$ 10,022,141</b>	<b>\$ 11,547,853</b>	<b>\$ 12,372,835</b>	<b>\$ 10,090,599</b>
<b>Total primary government program revenues</b>	<b>\$ 26,400,818</b>	<b>\$ 28,772,879</b>	<b>\$ 24,646,203</b>	<b>\$ 24,821,425</b>	<b>\$ 34,729,896</b>	<b>\$ 32,078,906</b>	<b>\$ 41,102,935</b>	<b>\$ 34,954,152</b>	<b>\$ 26,975,121</b>	<b>\$ 31,576,717</b>
<b>Net (expense) revenue:</b>										
Governmental activities	\$ (90,015,389)	\$ (97,297,117)	\$ (104,518,939)	\$ (103,476,265)	\$ (101,701,122)	\$ (103,208,605)	\$ (103,287,253)	\$ (105,844,958)	\$ (126,649,537)	\$ (114,039,342)
Business-type activities	(2,172,310)	1,527,023	(3,999,937)	(768,635)	109,585	(1,118,392)	(1,154,677)	422,247	1,048,367	(1,799,861)
<b>Total primary government net expense</b>	<b>\$ (92,187,699)</b>	<b>\$ (95,770,094)</b>	<b>\$ (108,518,876)</b>	<b>\$ (104,244,900)</b>	<b>\$ (101,591,537)</b>	<b>\$ (104,326,997)</b>	<b>\$ (104,441,930)</b>	<b>\$ (105,422,711)</b>	<b>\$ (125,601,170)</b>	<b>\$ (115,839,203)</b>
<b>General revenues and other changes in net position:</b>										
<b>Governmental activities:</b>										
<b>Taxes:</b>										
General property	\$ 57,215,662	\$ 65,024,377	\$ 66,643,189	\$ 68,867,941	\$ 72,363,196	\$ 76,549,453	\$ 77,535,525	\$ 78,319,253	\$ 80,676,373	\$ 83,891,346
Local sales	10,200,696	10,263,955	11,580,673	11,181,909	11,283,271	11,276,435	11,721,703	11,836,812	11,790,794	12,555,783
Business license	8,554,669	8,932,634	8,709,712	8,740,824	8,838,556	8,698,368	8,745,395	9,344,777	9,249,810	8,575,536
Consumer utility	1,727,091	1,704,649	1,653,003	1,710,251	1,660,434	1,524,189	1,607,476	1,577,007	1,500,793	1,686,103
Meals	5,252,922	5,553,975	5,703,399	5,771,239	5,918,534	5,972,064	5,967,535	6,374,777	5,501,543	5,503,374
Other local taxes	4,513,531	4,353,693	4,436,047	4,567,148	8,068,674	8,229,780	8,461,494	7,603,370	7,213,280	8,245,832
Intergovernmental, other than grants	5,656,930	5,679,569	5,674,059	5,676,034	3,428,813	3,440,176	3,486,573	5,544,011	5,439,259	5,163,619
Gain/(loss) on disposal of capital assets	-	582,790	-	-	-	-	-	-	-	-
Use of money and property	161,424	130,632	628,143	896,735	734,272	929,833	1,366,908	1,861,660	1,275,119	303,925
Miscellaneous	372,970	491,046	7,088,666	2,462,153	1,221,634	345,723	400,836	693,952	1,087,413	1,188,573
Transfers	(428,000)	(115,181)	9,248	(310,186)	(774,752)	(1,563,574)	(1,424,406)	(2,295,419)	(2,148,275)	(2,578,242)
<b>Total governmental activities</b>	<b>\$ 93,227,895</b>	<b>\$ 102,602,139</b>	<b>\$ 112,126,139</b>	<b>\$ 109,564,048</b>	<b>\$ 112,742,632</b>	<b>\$ 115,402,447</b>	<b>\$ 117,869,039</b>	<b>\$ 120,860,200</b>	<b>\$ 121,586,109</b>	<b>\$ 124,535,849</b>



Changes In Net Position  
Last Ten Fiscal Years  
(accrual basis of accounting)  
(Unaudited)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<b>Program revenue: (Continued)</b>										
Business-type activities:										
Use of money and property	\$ 54,958	\$ 48,589	\$ 26,106	\$ 24,836	\$ 428,437	\$ 93,898	\$ 192,214	\$ 180,713	\$ 58,230	\$ 9,033
Special items	-	-	(12,455,040)	666,219	421,935	-	-	-	-	-
Miscellaneous	-	-	-	-	-	375,765	376,168	-	-	-
Transfers	428,000	115,181	(9,248)	310,186	774,752	1,563,574	1,424,406	2,295,419	2,148,275	2,578,242
<b>Total business-type activities</b>	<b>\$ 482,958</b>	<b>\$ 163,770</b>	<b>\$ (12,438,182)</b>	<b>\$ 1,001,241</b>	<b>\$ 1,625,124</b>	<b>\$ 2,033,237</b>	<b>\$ 1,992,788</b>	<b>\$ 2,476,132</b>	<b>\$ 2,206,505</b>	<b>\$ 2,587,275</b>
<b>Total primary government</b>	<b>\$ 93,710,853</b>	<b>\$ 102,765,909</b>	<b>\$ 99,687,957</b>	<b>\$ 110,565,289</b>	<b>\$ 114,367,756</b>	<b>\$ 117,435,684</b>	<b>\$ 119,861,827</b>	<b>\$ 123,336,332</b>	<b>\$ 123,792,614</b>	<b>\$ 127,123,124</b>
<b>Changes in net position:</b>										
Governmental activities	\$ 3,212,506	\$ 5,305,022	\$ 7,607,200	\$ 6,087,783	\$ 11,041,510	\$ 12,193,842	\$ 14,581,786	\$ 15,015,242	\$ (5,063,428)	\$ 10,496,507
Business-type activities	(1,689,352)	1,690,793	(16,438,119)	232,606	1,734,709	914,845	838,111	2,898,379	3,254,872	787,414
<b>Total primary government</b>	<b>\$ 1,523,154</b>	<b>\$ 6,995,815</b>	<b>\$ (8,830,919)</b>	<b>\$ 6,320,389</b>	<b>\$ 12,776,219</b>	<b>\$ 13,108,687</b>	<b>\$ 15,419,897</b>	<b>\$ 17,913,621</b>	<b>\$ (1,808,556)</b>	<b>\$ 11,283,921</b>
<b>Component units:</b>										
Component unit - school board:										
Expenses:										
Instruction	\$ 44,884,486	\$ 47,853,635	\$ 48,786,613	\$ 50,362,924	\$ 47,936,225	\$ 48,759,533	\$ 52,232,547	\$ 53,138,471	\$ 55,365,618	\$ 54,298,377
<b>Total expenses</b>	<b>\$ 44,884,486</b>	<b>\$ 47,853,635</b>	<b>\$ 48,786,613</b>	<b>\$ 50,362,924</b>	<b>\$ 47,936,225</b>	<b>\$ 48,759,533</b>	<b>\$ 52,232,547</b>	<b>\$ 53,138,471</b>	<b>\$ 55,365,618</b>	<b>\$ 54,298,377</b>
Program revenues:										
Charges for services	\$ 445,037	\$ 490,199	\$ 500,072	\$ 532,062	\$ 605,906	\$ 635,693	\$ 682,418	\$ 735,198	\$ 542,198	\$ 333,364
Operating grants and contributions	6,795,139	7,329,947	7,115,499	7,562,576	7,785,439	8,168,160	7,922,539	8,365,807	8,836,196	9,212,805
Capital grants and contributions	-	-	-	-	-	-	2,252,557	-	-	-
<b>Total program revenues</b>	<b>\$ 7,240,176</b>	<b>\$ 7,820,146</b>	<b>\$ 7,615,571</b>	<b>\$ 8,094,638</b>	<b>\$ 8,391,345</b>	<b>\$ 8,803,853</b>	<b>\$ 10,857,514</b>	<b>\$ 9,101,005</b>	<b>\$ 9,378,394</b>	<b>\$ 9,546,169</b>
<b>Net expense (1)</b>	<b>\$ (37,644,310)</b>	<b>\$ (40,033,489)</b>	<b>\$ (41,171,042)</b>	<b>\$ (42,268,286)</b>	<b>\$ (39,544,880)</b>	<b>\$ (39,955,680)</b>	<b>\$ (41,375,033)</b>	<b>\$ (44,037,466)</b>	<b>\$ (45,987,224)</b>	<b>\$ (44,752,208)</b>
General revenues and other changes in net position:										
Component Unit-School Board:										
Contribution from City	\$ 32,493,659	\$ 37,291,280	\$ 37,852,745	\$ 38,700,601	\$ 35,872,072	\$ 36,603,922	\$ 38,120,686	\$ 40,367,829	\$ 41,647,072	\$ 40,465,698
Use of money and property	1,573,099	1,589,649	2,071,812	1,839,392	1,949,038	1,569,935	1,694,319	1,747,821	1,965,759	2,139,653
Miscellaneous	20,000	20,000	-	-	-	-	-	-	-	-
<b>Total general revenues and other changes in net position</b>	<b>\$ 34,086,758</b>	<b>\$ 38,900,929</b>	<b>\$ 39,924,557</b>	<b>\$ 40,539,993</b>	<b>\$ 37,821,110</b>	<b>\$ 38,173,857</b>	<b>\$ 39,815,005</b>	<b>\$ 42,115,650</b>	<b>\$ 43,612,831</b>	<b>\$ 42,605,351</b>
<b>Total component unit - school board change in net position</b>	<b>\$ (3,557,552)</b>	<b>\$ (1,132,560)</b>	<b>\$ (1,246,485)</b>	<b>\$ (1,728,293)</b>	<b>\$ (1,723,770)</b>	<b>\$ (1,781,823)</b>	<b>\$ (1,560,028)</b>	<b>\$ (1,921,816)</b>	<b>\$ (2,374,393)</b>	<b>\$ (2,146,857)</b>
Component unit - all others aggregate:										
Expenses:										
Industrial Development Authority	\$ 760,708	\$ 474,560	\$ 866,228	\$ 42,028	\$ 1,025,749	\$ 860,192	\$ 973,034	\$ 992,549	\$ 979,381	\$ 977,301
Economic Development Authority	170,861	59,406	3,487	10,593	3,892	72,134	158,978	180,738	207,709	2,130,301
<b>Total expenses</b>	<b>\$ 931,569</b>	<b>\$ 533,966</b>	<b>\$ 869,715</b>	<b>\$ 52,621</b>	<b>\$ 1,029,641</b>	<b>\$ 932,326</b>	<b>\$ 1,132,012</b>	<b>\$ 1,173,287</b>	<b>\$ 1,187,090</b>	<b>\$ 3,107,602</b>
General revenues and other changes in net position:										
Use of money and property	\$ 388	\$ 174	\$ 18,504	\$ 16,201	\$ 966,099	\$ 1,196,236	\$ 1,402,036	\$ 770,546	\$ 1,044,175	\$ 774,962
Miscellaneous	85,986	-	-	-	-	-	-	473,985	368,684	21,263
Contribution from City	-	-	-	-	-	-	-	-	-	2,106,750
Charges for services	789,008	795,560	961,636	65	-	-	-	-	-	-
<b>Total general revenues and other changes in net position</b>	<b>\$ 875,382</b>	<b>\$ 795,734</b>	<b>\$ 980,140</b>	<b>\$ 16,266</b>	<b>\$ 966,099</b>	<b>\$ 1,196,236</b>	<b>\$ 1,402,036</b>	<b>\$ 1,244,531</b>	<b>\$ 1,412,859</b>	<b>\$ 2,902,975</b>
<b>Total component unit - all others aggregate change in net position</b>	<b>\$ (56,187)</b>	<b>\$ 261,768</b>	<b>\$ 110,425</b>	<b>\$ (36,355)</b>	<b>\$ (63,542)</b>	<b>\$ 263,910</b>	<b>\$ 270,024</b>	<b>\$ 71,244</b>	<b>\$ 225,769</b>	<b>\$ (204,627)</b>
<b>Total component units change in net position</b>	<b>\$ (3,613,739)</b>	<b>\$ (870,792)</b>	<b>\$ (1,136,060)</b>	<b>\$ (1,764,648)</b>	<b>\$ (1,787,312)</b>	<b>\$ (1,517,913)</b>	<b>\$ (1,290,004)</b>	<b>\$ (1,850,572)</b>	<b>\$ (2,148,624)</b>	<b>\$ (2,351,484)</b>
<b>Total reporting entity change in net position</b>	<b>\$ (2,090,585)</b>	<b>\$ 6,125,023</b>	<b>\$ (9,966,979)</b>	<b>\$ 4,555,741</b>	<b>\$ 10,988,907</b>	<b>\$ 11,590,774</b>	<b>\$ 14,129,893</b>	<b>\$ 16,063,049</b>	<b>\$ (3,957,180)</b>	<b>\$ 8,932,437</b>

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 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)

Function / Program	2012	2013	2014	2015
Primary government:				
Governmental activities:				
General government administration	\$ 657,828	\$ 583,606	\$ 519,069	\$ 653,843
Judicial administration	1,026,807	944,447	1,011,907	1,331,838
Public safety	3,603,710	3,610,023	3,592,461	3,176,328
Public works	4,797,389	4,435,093	6,089,042	9,917,522
Health and social services	-	-	-	-
Parks, recreation and cultural	1,094,986	991,345	1,028,692	1,103,761
Planning and community development	358,896	292,178	336,430	377,567
<b>Total governmental activities</b>	<u>\$ 11,539,616</u>	<u>\$ 10,856,692</u>	<u>\$ 12,577,601</u>	<u>\$ 16,560,859</u>
Business-type activities:				
Wastewater	\$ 4,709,696	\$ 5,431,654	\$ 5,037,310	\$ 6,095,415
Water	7,958,831	10,029,097	5,508,137	-
Transportation	2,192,675	2,455,436	1,523,155	2,165,151
<b>Total business-type activities</b>	<u>\$ 14,861,202</u>	<u>\$ 17,916,187</u>	<u>\$ 12,068,602</u>	<u>\$ 8,260,566</u>
<b>Total government</b>	<u>\$ 26,400,818</u>	<u>\$ 28,772,879</u>	<u>\$ 24,646,203</u>	<u>\$ 24,821,425</u>
Component units:				
Component unit - school board:				
Instruction	<u>\$ 7,240,176</u>	<u>\$ 7,820,146</u>	<u>\$ 7,615,571</u>	<u>\$ 8,094,638</u>
Component unit - all others aggregate				
Industrial Development Authority	\$ 747,255	\$ 782,732	\$ 961,636	\$ 65
Economic Development Authority	66,753	12,828	-	-
<b>Total nonmajor component unit</b>	<u>814,008</u>	<u>795,560</u>	<u>961,636</u>	<u>65</u>
<b>Total reporting entity</b>	<u>\$ 34,455,002</u>	<u>\$ 37,388,585</u>	<u>\$ 33,223,410</u>	<u>\$ 32,916,128</u>

Table 3

2016	2017	2018	2019	2020	2021
\$ 655,387	\$ 739,193	\$ 776,582	\$ 656,964	\$ 634,571	\$ 1,080,417
1,369,624	1,450,925	1,540,749	1,315,495	1,121,641	664,425
3,018,018	3,378,108	4,714,215	4,646,080	3,665,868	4,874,449
14,105,298	14,568,952	21,428,864	15,019,801	8,428,978	12,037,694
-	-	-	-	-	150,628
2,093,552	2,088,801	2,344,179	1,551,629	581,621	664,220
277,677	226,924	276,205	216,330	169,607	2,014,285
<u>\$ 21,519,556</u>	<u>\$ 22,452,903</u>	<u>\$ 31,080,794</u>	<u>\$ 23,406,299</u>	<u>\$ 14,602,286</u>	<u>\$ 21,486,118</u>
\$ 6,346,155	\$ 7,572,436	\$ 9,000,919	\$ 9,781,383	\$ 10,633,506	\$ 8,582,159
-	-	-	-	-	-
4,546,880	2,053,567	1,021,222	1,766,470	1,739,329	1,508,440
<u>\$ 10,893,035</u>	<u>\$ 9,626,003</u>	<u>\$ 10,022,141</u>	<u>\$ 11,547,853</u>	<u>\$ 12,372,835</u>	<u>\$ 10,090,599</u>
<u>\$ 32,412,591</u>	<u>\$ 32,078,906</u>	<u>\$ 41,102,935</u>	<u>\$ 34,954,152</u>	<u>\$ 26,975,121</u>	<u>\$ 31,576,717</u>
<u>\$ 8,391,345</u>	<u>\$ 8,803,853</u>	<u>\$ 10,857,514</u>	<u>\$ 9,101,005</u>	<u>\$ 9,378,394</u>	<u>\$ 9,546,169</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 40,803,936</u>	<u>\$ 40,882,759</u>	<u>\$ 51,960,449</u>	<u>\$ 44,055,157</u>	<u>\$ 36,353,515</u>	<u>\$ 41,122,886</u>

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

	Fiscal Year Ended June 30,				
	2012	2013	2014	2015	2016
<b>General Fund:</b>					
Nonspendable	\$ 705,866	\$ 724,455	\$ 793,671	\$ 834,723	\$ 1,037,026
Restricted	4,598,270	188,048	230,671	623,913	557,948
Assigned	597,541	4,422,688	381,377	484,181	507,402
Unassigned	13,205,665	16,288,209	15,130,848	13,429,441	14,734,868
<b>Total General Fund</b>	<b>\$ 19,107,342</b>	<b>\$ 21,623,400</b>	<b>\$ 16,536,567</b>	<b>\$ 15,372,258</b>	<b>\$ 16,837,244</b>
<b>All Other Governmental Funds:</b>					
Nonspendable	\$ 4,075,739	\$ 4,061,007	\$ -	\$ 61,611	\$ 5,065
Restricted	169,362	192,927	514,198	4,272,822	2,478,724
Committed	2,454,002	579,763	7,534,934	3,507,814	5,304,227
Assigned	6,202,671	4,766,255	10,788,822	9,131,829	10,280,944
Unassigned*	-	(568,873)	-	-	-
<b>Total all other government funds</b>	<b>\$ 12,901,774</b>	<b>\$ 9,031,079</b>	<b>\$ 18,837,954</b>	<b>\$ 16,974,076</b>	<b>\$ 18,068,960</b>
	Fiscal Year Ended June 30,				
	2017	2018	2019	2020	2021
<b>General Fund:</b>					
Nonspendable	\$ 1,154,363	\$ 950,369	\$ 1,443,028	\$ 1,901,016	\$ 2,111,959
Restricted	618,971	12,210,339	11,815,202	11,493,896	15,793,451
Assigned	352,661	249,088	208,028	265,079	296,231
Unassigned	16,931,385	17,139,651	17,841,003	17,917,998	24,571,770
<b>Total General Fund</b>	<b>\$ 19,057,380</b>	<b>\$ 30,549,447</b>	<b>\$ 31,307,261</b>	<b>\$ 31,577,989</b>	<b>\$ 42,773,411</b>
<b>All Other Governmental Funds:</b>					
Nonspendable	\$ -	\$ -	\$ 408,512	\$ 51,395	\$ 148,056
Restricted	2,934,918	1,334,510	708,038	665,293	368,306
Committed	3,659,521	4,346,426	1,270,346	3,749,542	-
Assigned	9,980,238	11,657,324	15,419,282	9,436,068	7,678,202
Unassigned	-	-	-	-	(3,523,383)
<b>Total all other government funds</b>	<b>\$ 16,574,677</b>	<b>\$ 17,338,260</b>	<b>\$ 17,806,178</b>	<b>\$ 13,902,298</b>	<b>\$ 4,671,181</b>

\* This negative unassigned fund balance is 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.

## CITY OF FAIRFAX, VIRGINIA

Changes In Fund Balances, Governmental Funds  
 Last Ten Fiscal Years  
 (modified accrual basis of accounting)  
 (Unaudited)

	2012	2013
<b>Revenues:</b>		
General property taxes	\$ 57,920,903	\$ 64,350,723
Other local taxes	30,248,908	30,808,906
Permits, privilege fees and licenses	1,843,288	1,638,948
Fines and forfeitures	1,288,332	1,148,262
Use of money and property	379,849	582,790
Charges for services	2,731,888	2,758,969
Miscellaneous	372,970	491,046
Intergovernmental	12,023,789	11,727,058
<b>Total revenues</b>	<u>\$ 106,809,927</u>	<u>\$ 113,506,702</u>
<b>Expenditures:</b>		
General government administration	\$ 7,342,947	\$ 7,479,585
Judicial administration	1,920,697	1,990,262
Public safety	22,542,972	23,422,922
Public works	16,711,634	19,022,312
Health and social services	4,757,819	5,139,751
Education	32,168,415	34,822,695
Planning and community development	2,777,070	2,702,948
Parks, recreation and cultural	5,556,258	5,372,128
Debt service:		
Principal	12,125,002	8,627,619
Interest and fiscal charges	7,645,385	6,007,069
<b>Total expenditures</b>	<u>\$ 113,548,199</u>	<u>\$ 114,587,291</u>
<b>Excess of revenues (under) expenditures</b>	<u>\$ (6,738,272)</u>	<u>\$ (1,080,589)</u>
<b>Other financing sources (uses):</b>		
Transfers in	\$ 4,802,436	\$ 4,834,425
Transfers out	(5,230,436)	(4,949,606)
Issuance of debt	6,819,091	875,000
Proceeds from the sale of capital assets	-	150,000
Issuance of refunding bonds	64,066,000	35,685,000
Payment to refunded bond escrow agent	(63,673,811)	(35,826,362)
Premium on issuance debt	-	619,778
<b>Total other financing sources (uses)</b>	<u>\$ 6,783,280</u>	<u>\$ 1,388,235</u>
<b>Net changes in fund balance</b>	<u>\$ 45,008</u>	<u>\$ 307,646</u>
<b>Debt Service as a percentage of noncapital expenditures:</b>		
<b>Primary government:</b>		
Total debt service	\$ 19,770,387	\$ 14,634,688
Total expenditures	\$ 113,548,199	\$ 114,587,291
Less: Capital outlay - primary government	4,991,167	7,549,604
<b>Noncapital expenditures</b>	<u>\$ 108,557,032</u>	<u>\$ 107,037,687</u>
<b>Debt service as a percentage of Noncapital expenditures</b>	<u>18.21%</u>	<u>13.67%</u>
<b>Component units: (2)</b>		
<b>Expenditures:</b>		
School board	\$ 41,509,575	\$ 44,122,119
All others aggregate	935,843	528,269
Less: Capital outlay - school board	2,473,840	-
<b>Noncapital expenditures</b>	<u>\$ 39,971,578</u>	<u>\$ 44,650,388</u>
<b>Total reporting entity:</b>		
<b>Total noncapital expenditures (3)</b>	<u>\$ 116,444,823</u>	<u>\$ 116,995,751</u>
<b>Debt service as a percentage of noncapital expenditures</b>	<u>16.98%</u>	<u>12.51%</u>

## Notes:

(1) For fiscal years 2012 through 2021, 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) 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.

Table 5

	2014	2015	2016	2017	2018	2019	2020	2021
\$	66,650,305	\$ 68,513,720	\$ 72,377,725	\$ 72,039,315	\$ 76,305,278	\$ 78,208,786	\$ 80,480,776	\$ 83,717,767
	32,082,834	31,971,371	36,900,641	36,854,900	37,660,874	36,736,743	35,256,220	36,566,628
	1,612,136	1,300,349	1,584,549	1,667,130	1,905,027	1,604,403	1,562,070	2,163,233
	1,113,718	1,233,802	1,232,773	1,344,266	1,408,264	1,312,020	1,118,390	663,424
	628,143	896,735	734,272	929,833	1,179,638	1,861,660	1,275,119	303,925
	2,549,407	2,767,312	2,781,916	2,753,271	3,061,844	3,208,084	2,003,962	1,895,043
	7,088,666	2,603,713	1,238,009	353,685	1,064,935	1,443,952	1,087,413	1,188,573
	13,720,623	17,534,748	19,332,756	23,219,455	27,715,403	22,958,723	16,224,400	22,774,938
\$	<u>125,445,832</u>	<u>126,821,750</u>	<u>136,182,641</u>	<u>139,161,855</u>	<u>150,301,263</u>	<u>147,334,371</u>	<u>139,008,350</u>	<u>149,273,531</u>
\$	7,858,184	\$ 11,032,996	\$ 12,772,823	\$ 10,937,883	\$ 11,367,578	\$ 11,165,964	\$ 12,965,019	\$ 12,894,318
	2,431,157	2,524,409	2,760,270	2,641,135	2,849,199	2,312,436	2,288,540	2,035,541
	25,324,764	25,729,580	24,755,406	26,534,586	30,513,312	30,553,347	31,911,247	37,372,342
	22,956,008	27,421,472	30,837,567	31,592,799	36,655,857	30,646,122	29,199,178	28,336,751
	5,243,811	5,499,532	5,755,718	6,021,992	6,385,447	6,674,964	6,602,705	6,654,856
	35,482,847	36,363,877	35,973,538	37,022,219	38,243,246	39,480,138	40,411,583	39,355,298
	2,139,855	6,996,194	6,492,492	6,616,398	6,863,935	8,408,841	7,275,585	6,158,473
	6,865,979	2,390,017	2,551,354	2,530,958	2,931,699	3,091,975	3,802,832	5,220,985
	16,884,749	7,923,005	8,006,433	8,172,242	7,878,462	7,956,523	8,576,013	9,044,835
	5,806,134	5,244,669	5,131,898	5,097,492	4,293,550	4,483,910	4,463,397	3,406,033
\$	<u>130,993,488</u>	<u>131,125,751</u>	<u>135,037,499</u>	<u>137,167,704</u>	<u>147,982,285</u>	<u>144,774,220</u>	<u>147,496,099</u>	<u>150,479,432</u>
\$	<u>(5,547,656)</u>	<u>(4,304,001)</u>	<u>1,145,142</u>	<u>1,994,151</u>	<u>2,318,978</u>	<u>2,560,151</u>	<u>(8,487,749)</u>	<u>(1,205,901)</u>
\$	12,756,654	\$ 8,482,156	\$ 10,595,449	\$ 16,000,826	\$ 13,539,971	\$ 17,425,753	\$ 8,916,980	\$ 7,427,060
	(12,747,406)	(8,792,342)	(11,370,201)	(17,564,400)	(14,964,377)	(19,721,172)	(11,065,255)	(10,005,302)
	10,258,450	1,586,000	2,189,480	-	12,309,100	961,000	65,773,000	23,706,000
	-	-	-	-	-	-	-	-
	-	-	-	31,658,000	-	-	-	-
	-	-	-	(31,362,724)	-	-	(59,514,289)	(17,957,552)
	-	-	-	-	-	-	744,161	-
\$	<u>10,267,698</u>	<u>1,275,814</u>	<u>1,414,728</u>	<u>(1,268,298)</u>	<u>10,884,694</u>	<u>(1,334,419)</u>	<u>4,854,597</u>	<u>3,170,206</u>
\$	<u>4,720,042</u>	<u>(3,028,187)</u>	<u>2,559,870</u>	<u>725,853</u>	<u>13,203,672</u>	<u>1,225,732</u>	<u>(3,633,152)</u>	<u>1,964,305</u>
\$	22,690,883	\$ 13,167,674	\$ 13,138,331	\$ 13,269,734	\$ 12,172,012	\$ 12,440,433	\$ 13,039,410	\$ 12,450,868
\$	130,993,488	\$ 131,125,751	\$ 135,037,499	\$ 137,167,704	\$ 147,982,285	\$ 144,774,220	\$ 147,496,099	\$ 150,479,432
	7,796,757	11,475,931	14,936,926	16,787,756	17,927,713	20,473,697	13,401,040	16,178,697
\$	<u>123,196,731</u>	<u>119,649,820</u>	<u>120,100,573</u>	<u>120,379,948</u>	<u>130,054,572</u>	<u>124,300,523</u>	<u>134,095,059</u>	<u>134,300,735</u>
	18.42%	11.01%	10.94%	11.02%	9.36%	10.01%	9.72%	9.27%
\$	44,900,191	\$ 46,358,234	\$ 46,212,455	\$ 46,997,710	\$ 49,120,225	\$ 49,916,417	\$ 52,246,006	\$ 50,629,872
	1,528,441	52,621	1,029,641	932,326	1,132,012	1,173,287	1,187,090	3,107,602
	-	-	3,726,550	3,865,264	35,589	-	-	-
\$	<u>46,428,632</u>	<u>46,410,855</u>	<u>43,515,546</u>	<u>44,064,772</u>	<u>50,216,648</u>	<u>51,089,704</u>	<u>53,433,096</u>	<u>53,737,474</u>
\$	<u>134,428,790</u>	<u>129,696,798</u>	<u>127,642,581</u>	<u>127,422,501</u>	<u>142,027,974</u>	<u>136,322,636</u>	<u>147,179,047</u>	<u>149,094,159</u>
	16.88%	10.15%	10.29%	10.41%	8.57%	9.13%	8.44%	8.25%

(3) For the reporting entity totals, the 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.

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Tax Revenues by Source, Governmental Funds  
 Last Ten Fiscal Years  
 (modified accrual basis of accounting)  
 (Unaudited)

Fiscal Year June 30,	Property	Local Sales	Business License	Consumer Utility	Meals	Tobacco	Other	Totals
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	73,277,725	11,283,271	8,838,556	1,660,434	5,918,534	853,890	3,795,712	105,628,122
2017	75,138,320	11,276,435	8,698,368	1,524,189	5,972,064	807,025	6,431,612	109,848,013
2018	76,305,278	11,721,703	8,745,395	1,607,476	5,967,535	718,296	4,423,666	109,489,349
2019	78,208,786	11,836,812	9,344,777	1,577,007	6,374,777	600,325	7,003,045	114,945,529
2020	80,480,776	11,790,794	9,249,810	1,500,793	5,501,543	566,145	6,647,135	115,736,996
2021	83,717,767	12,555,783	8,575,536	1,686,103	5,503,374	518,370	7,727,462	120,284,395
Change 2012-2021	44.54%	23.09%	0.24%	-2.37%	4.77%	-43.55%	114.94%	36.42%

CITY OF FAIRFAX, VIRGINIA

Assessed and Estimated Actual Value of Taxable Property  
 Last Ten Fiscal Years  
 (Unaudited)

<u>Fiscal Year</u> <u>June 30,</u>	<u>Residential</u> <u>Property</u>	<u>Direct</u> <u>Tax Rate</u>	<u>Commercial</u> <u>Property</u>	<u>Direct</u> <u>Tax Rate</u>	<u>Public</u> <u>Service</u> <u>Corporation</u>	<u>Nontaxable</u>
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
2019	4,044,043,800	1.075	2,195,140,900	1.075	97,302,622	595,269,200
2020	4,119,630,100	1.075	2,320,364,200	1.075	100,505,611	608,316,500
2021	4,362,131,700	1.075	2,319,509,940	1.075	102,534,552	591,414,400

Source: Real Estate Assessor's Office

- Notes:
- 1) Real Estate assessments are done on a calendar year basis. Values are reflective of published 2021 Land Book.
  - 2) Commercial property values include commercial, industrial & 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) 2021 Public Service Corporation, assessed by the State Corporation Commission not yet available as of date of this document.

Table 7

	<u>Total Assessed Value</u>	<u>Total Taxable Assessed Value</u>	<u>Percent Growth</u>	<u>Total Direct Tax Rate</u>	<u>Actual Taxable Value</u>	<u>Value as a Percentage of Actual Value</u>
\$	5,569,094,430	\$ 5,174,538,928	1.9%	\$ 0.942	\$ 5,174,538,928	100%
	5,802,715,683	5,314,077,681	2.7%	1.010	5,314,077,681	100%
	5,926,280,258	5,431,489,556	2.2%	1.060	5,431,489,556	100%
	6,136,403,805	5,637,134,203	3.8%	1.040	5,637,134,203	100%
	6,281,323,117	5,785,194,117	2.6%	1.052	5,785,194,117	100%
	6,450,103,809	5,948,250,809	2.8%	1.062	5,948,250,809	100%
	6,569,600,444	6,039,623,044	1.5%	1.060	6,039,623,044	100%
	6,721,950,844	6,192,765,344	2.5%	1.060	6,192,765,344	100%
	6,931,756,522	6,336,487,322	2.3%	1.075	6,336,487,322	100%
	7,148,816,411	6,540,499,911	3.2%	1.075	6,540,499,911	100%
	7,375,590,592	6,784,176,192	3.7%	1.075	6,784,176,192	100%

Direct and Overlapping Property Tax Rates  
 Last Ten Fiscal Years  
 (Unaudited)

Fiscal Year June 30,	Real Estate	Personal Property
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
2019	1.075	4.13
2020	1.075	4.13
2021	1.075	4.13

Note:

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

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

Taxpayer	2021			2012		
	Taxable Assessed Value	Rank	Percentage (%) of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage (%) of Total City Taxable Assessed Value
Combined Properties (1)	\$ 234,819,200	1	3.46%	\$ 36,909,900	5	0.71%
Van Metre (2)	121,146,200	2	1.79%	94,012,600	2	1.80%
Fair City HHH	89,731,900	3	1.32%	71,784,900	3	1.51%
Crow Holdings (3)	85,972,600	4	1.27%	33,839,500	6	0.65%
Regency Centers (5)	50,359,300	5	0.74%	26,602,800	10	0.51%
Fairfield Fairfax Gateway	41,574,800	6	0.61%	-	-	-
Willowood, LLC & Willowood Land, LLC	39,857,300	7	0.59%	-	-	-
Avalon at Providence Park, LLC	39,572,000	8	0.58%	30,205,100	8	0.58%
Rosenthal (4)	37,819,500	9	0.56%	-	-	-
Saul Holdings (Shops at Fairfax, LLC)	34,971,800	10	0.52%	33,056,300	7	0.63%
RKB/RPB Willowood LLC (I, II)	-	-	-	102,672,000	1	1.97%
Army Navy Country Club	-	-	-	69,859,500	4	1.03%
Lucilla Higginbotham, et al.	-	-	-	26,938,200	9	0.52%
<b>Total</b>	<b>\$ 775,824,600</b>		<b>11.86%</b>	<b>\$ 525,880,800</b>		<b>9.91%</b>

Source:

Real Estate Assessments

\*Taxable Assessed Values are based on 2021 Land Book

- (1) Combined Properties include: (Courthouse, Fairfax Circle, LLC & Turnpike LLC)
- (2) Van Metre properties include: (Fairfax Square Apts., Belleau Wood & VM Mid-Rise)
- (3) Crow Holdings properties include: (CH Realty III/VI & Main Street Retail Partners, L.L.C.)
- (4) Rosenthal properties include: (Fairfax Circle Investors I/II & Pickett Road Investors LLC)
- (5) Regency Centers properties include: (USRP I & Fairfax Regency LLC)
- (6) Federal Realty Properties include: (FR Fairfax Junction, LLC & Federal Realty Partners, LP)

Real Property Tax Levies And Collections  
 Last Ten Fiscal Years  
 (Unaudited)

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
2002	\$ 27,095,632	\$ 26,685,922	98.49%	\$ 409,060	\$ 27,094,982	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%	1,316,298	60,183,528	100.00%
2016	62,690,196	61,955,837	98.83%	734,359	62,690,196	100.00%
2017	64,546,058	63,867,036	98.95%	678,861	64,545,897	100.00%
2018	66,148,234	65,294,566	98.71%	851,297	66,145,863	100.00%
2019	68,324,114	67,250,029	98.43%	1,062,635	68,312,664	99.98%
2020	70,519,826	69,612,485	98.71%	868,028	70,480,513	99.94%
2021	73,371,537	72,284,423	98.52%	849,430	73,133,853	99.68%

Source:

City of Fairfax Treasurer's Office.

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

Fiscal Year June 30,	Governmental Activities					Business-Type Activities			Total Primary Government	Percentage of Personal Income	Debt Per Capita
	General Obligation Bonds	Lease Revenue Bonds	Notes Payable	Public Improvement COPS	Capital Leases	Revenue Bonds	Notes Payable				
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	5,793,139	23,660,875	-	169,550,194	9.21%	7,024	
2017	84,625,958	41,910,623	6,240,000	-	4,871,973	23,102,840	-	160,751,394	8.48%	6,653	
2018	79,371,261	40,364,523	5,720,000	11,361,000	4,718,611	22,514,805	-	164,050,200	8.26%	6,676	
2019	75,384,778	37,782,421	5,185,000	11,185,000	4,521,088	22,619,060	-	156,677,347	7.62%	6,307	
2020	71,585,720	40,033,827	5,790,000	10,984,000	3,461,075	21,897,285	-	153,751,907	6.94%	6,053	
2021	66,836,760	37,735,943	10,830,000	10,778,000	2,707,666	21,140,510	-	150,028,879	7.40%	6,087	

General bonded debt outstanding:

Fiscal Year June 30,	General Obligation Bonds	Percentage of Actual Taxable Value of Property	Debt Per Capita
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%	3,439
2018	77,902,596	1.26%	3,170
2019	75,384,778	1.19%	3,035
2020	71,585,720	1.09%	2,818
2021	66,836,760	0.99%	2,712

Notes:

- (1) Details regarding the City's outstanding debt may be found in the notes to the basic financial statements.
- (2) Population and personal 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.

CITY OF FAIRFAX, VIRGINIA

Legal Debt Margin Information  
 Last Ten Fiscal Years  
 (Unaudited)

	2012	2013	2014	2015
Debt limit	\$ 531,407,768	\$ 563,713,420	\$ 563,713,420	\$ 578,519,412
Total net debt applicable to limit	<u>161,751,368</u>	<u>157,447,147</u>	<u>159,927,708</u>	<u>152,472,042</u>
Legal debt margin	<u>\$ 369,656,400</u>	<u>\$ 406,266,273</u>	<u>\$ 403,785,712</u>	<u>\$ 426,047,370</u>
<b>Total net debt applicable to the limit as a percentage of debt limit</b>	30.44%	27.93%	28.37%	26.36%

Legal debt margin calculation for fiscal year 2021

Assessed value of real estate	<u>\$ 6,784,176,192</u>
Debt limit (10% of assessed value)	\$ 678,417,619
Debt applicable to limit:	
Net direct debt outstanding	<u>128,888,369</u>
Legal debt margin	<u>\$ 549,529,250</u>

Notes:

- (1) Net direct debt excludes debt service on 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

	2016	2017	2018	2019	2020	2021
\$	594,825,081	\$ 603,962,304	\$ 619,276,534	\$ 633,648,732	\$ 654,049,991	\$ 678,417,619
	<u>145,889,319</u>	<u>137,648,554</u>	<u>141,535,395</u>	<u>134,058,287</u>	<u>131,854,622</u>	<u>128,888,369</u>
\$	<u>448,935,762</u>	<u>466,313,750</u>	<u>477,741,139</u>	<u>499,590,445</u>	<u>522,195,369</u>	<u>549,529,250</u>
	24.53%	22.79%	22.85%	21.16%	20.16%	19.00%

Summary of outstanding debt:

	2021
Public Improvement COPS	10,778,000
General Obligation Bonds	66,836,760
Lease Revenue Bonds	37,735,943
Notes payable	10,830,000
Capital leases	<u>2,707,666</u>
	<u>128,888,369</u>

CITY OF FAIRFAX, VIRGINIA

Pledged-Revenue Coverage  
 Last Ten Fiscal Years  
 (Unaudited)

Fiscal Year June 30,	Water Revenue Bonds						Coverage
	Utility Service Charges	Operating Expenses	Net Available Revenue	Debt Service			
				Principal	Interest		
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	
2019	N/A	N/A	N/A	N/A	N/A	N/A	
2020	N/A	N/A	N/A	N/A	N/A	N/A	
2021	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 Charges	Operating Expenses	Net Available Revenue	Debt Service		Coverage	
			Principal	Interest		
\$ 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	
7,666,334	4,784,304	2,882,030	535,000	1,302,896	1.57	
9,193,133	4,394,388	4,798,745	656,000	1,282,189	2.48	
9,584,516	4,173,762	5,410,754	595,000	1,275,064	2.89	
10,691,736	4,352,822	6,338,914	625,000	784,922	4.50	
8,642,609	4,478,673	4,163,936	660,000	797,005	2.86	

Demographic and Economic Statistics  
 Last Ten Fiscal Years  
 (Unaudited)

Fiscal Year June 30,	Population	Per Capita Personal Income	School Enrollment	Unemployment Rate
	(1)	(2)	(3)	(4)
2012	22,894	\$ 64,800	3,081	4.20%
2013	23,051	61,500	3,107	4.10%
2014	23,207	64,200	3,078	4.00%
2015	23,364	68,000	3,125	3.50%
2016	23,520	67,000	3,081	3.00%
2017	23,677	69,400	3,079	2.80%
2018	23,833	72,000	3,080	2.20%
2019	23,990	76,600	3,076	2.10%
2020	24,146	79,400 *	3,001	5.60%
2021	24,646 *	82,300 *	3,001 *	4.00% *

## Notes:

\*Estimated by City of Fairfax

(1) Population updated from 2020 US Census Bureau results. 2021 population estimated by City staff.

2012-19 population estimated by City staff based on avg. annual rate of change.

(2) Personal income is published annually (with a 2-year delay) by the BEA. The most recent available figures are for 2019 (released in November 2020).

(2) To estimate personal income for 2020 & 2021, 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, the proportion of City/County income as estimated by the Census ACS was applied to the BEA per capita income figure.

(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. 2021 unemployment rate is estimated by averaging all available months (Jan-Jul) of 2021 data.

Principal Private Sector Employers  
 Current Year and Nine Years Ago  
 (Unaudited)

Employer (1)	2021			2012		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
City of Fairfax	250-499	1	2.06%	420	1	1.91%
Zeta Associates	250-499	2	2.06%	275	4	1.25%
Ted Britt Ford	250-499	3	2.06%	225	6	1.03%
Inova Health System	250-499	4	2.06%	400	2	1.82%
Home Depot	100-249	5	0.96%	-	-	-
Farrish of Fairfax	100-249	6	0.96%	-	-	-
Fairfax Volkswagen, Honda	100-249	7	0.96%	150	8	0.68%
Lowe's	100-249	8	0.96%	-	-	-
Ourisman Fairfax Toyota	100-249	9	0.96%	-	-	-
Tradesource Specialty Services Inc.	100-249	10	0.96%	-	-	-
Fairfax Nursing Center	-	-	-	300	3	1.37%
U.S. Department of Homeland Defense	-	-	-	250	5	1.14%
General Services Administration	-	-	-	200	7	0.91%
Multivision, Inc.	-	-	-	150	8	0.68%
Dominion Virginia Power	-	-	-	150	8	0.68%
<b>Total</b>			<b>14.01%</b>			<b>11.48%</b>
Average Total Employment			18,196			21,944

## Sources:

City of Fairfax Commissioner of the Revenue's Office.

Full-Time Equivalent City Government Employees By Function/Program  
Last Ten Fiscal Years  
(Unaudited)

Function/program	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
City Clerk	1.50	1.50	1.50	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	3.00	3.00
City Manager	2.63	2.63	3.00	3.00	3.00	3.00	2.50	2.50	2.50	3.00
Personnel	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Community Relations	1.00	1.00	1.00	1.00	1.00	1.00	1.00	2.00	2.00	2.00
Marketing	0.50	0.50	0.50	0.50	0.50	0.50	0.50	-	-	-
Cable TV	1.50	1.50	1.75	1.75	1.75	1.75	1.75	2.00	2.00	2.00
Information Technology	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	10.00
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	12.00	12.00	12.00	12.00	12.00	12.75	12.75	12.75
Finance & Accounting	7.50	7.50	7.50	7.50	7.50	7.50	8.50	8.50	8.50	8.50
Real Estate Assessment	4.00	4.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Treasurer	7.75	7.75	7.75	7.75	7.75	7.75	8.75	8.75	8.75	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	90.00	90.00	90.25	90.25	89.25	89.00	89.00	89.00	89.00	88.75
Fire Department	79.00	79.00	80.00	80.00	80.00	80.00	80.00	80.00	83.00	82.00
Public Works	75.50	75.50	77.20	76.10	76.10	76.95	78.95	78.95	79.45	79.45
Social Services	0.62	0.62	0.62	0.62	0.62	0.62	0.62	1.00	1.00	1.00
Parks & Recreation	19.13	19.13	19.88	19.38	20.38	20.63	20.38	20.88	20.88	20.88
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	16.50	17.50	17.50	17.50	16.50	17.00	16.50	16.50
Economic Development	1.00	1.00	1.00	1.00	1.00	1.00	1.50	2.50	2.50	2.00
Education	1.90	1.90	1.90	1.85	1.85	1.85	1.85	1.85	1.85	1.85
Wastewater	8.60	8.60	9.10	9.20	9.20	8.35	8.35	8.35	8.15	8.15
Water	34.40	34.40	0.00	0.00	0.00	0.00	0.00	-	-	-
Stormwater	0.00	0.00	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70
Transit	30.50	30.50	30.50	33.25	33.25	33.25	33.25	33.25	33.45	33.45
Total	<u>425.18</u>	<u>425.18</u>	<u>397.10</u>	<u>399.30</u>	<u>399.30</u>	<u>399.30</u>	<u>402.05</u>	<u>405.93</u>	<u>409.43</u>	<u>409.18</u>

Source:  
City Budget Office.

Operating Indicators By Function/Program  
Last Ten Fiscal Years  
(Unaudited)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<b>GENERAL GOVERNMENT:</b>										
<b>Public Works</b>										
Homes Served - Refuse Collection	6,338	6,498	6,498	6,498	6,498	6,473	6,512	6,530	6,490	6,520
<b>Elections</b>										
Registered Voters	14,835	15,794	15,372	15,496	14,887	15,995	15,841	16,364	16,424	17,190
# of Votes cast last General Election	4,638	11,706	7,120	7,052	4,743	12,077	8,318	10,548	6,198	13,567
% of Registered Voters last General Election	31.26%	74.12%	46.32%	45.51%	31.86%	75.50%	52.51%	64.40%	40.90%	78.90%
<b>Parks and Recreation</b>										
Old Town Hall Rentals	164	165	153	160	165	165	151	155	20	45
Total Unique Recreation Programs	80	223	252	238	242	248	255	262	30	150
Total Recreation Programs	686	422	428	458	475	490	495	503	50	250
Day Camp program participants	801	707	727	938	956	1,040	1,148	1,184	none	750
<b>Community Development and Planning</b>										
Neighborhood Renaissance Conferences	600	600	*	*	*	*	*	*	*	*
Board of Architectural Review (BAR) Application	80	80	62	81	57	67	60	80	57	42
Enforcement Citations	550	550	458	450	450	450	450	*	*	*
Land Use Applications	44	33	30	41	24	19	15	18	20	13
Development Plans & Subdivisions	49	49	59	56	40	42	46	32	66	63
<b>Economic Development</b>										
Vacancy Rate - Office Space**	10.90%	12.60%	13.90%	15.00%	13.50%	12.90%	12.50%	11.50%	10.10%	10.50%
Vacancy Rate - Retail Space**	3.90%	3.60%	3.20%	3.60%	3.00%	4.30%	4.90%	5.30%	5.30%	4.10%
<b>SCHOOLS:</b>										
<b>Education</b>										
Average Daily Membership	3,081	3,039	3,078	3,160	3,125	3,081	3,079	3,004	3,001	2,840
Elementary - Kindergarten	210	216	240	208	245	225	246	210	224	164
Elementary - (1-6)	1,386	1,346	1,351	1,415	1,361	1,357	1,368	1,270	1,275	1,264
Secondary - (7-12)	1,485	1,477	1,487	1,537	1,519	1,499	1,523	1,524	1,502	1,460
Tuition Cost Per Student	\$ 13,110	\$ 14,268	\$ 13,632	\$ 13,782	\$ 13,872	\$ 14,438	\$ 14,825	\$ 15,700	\$ 16,229	\$ 16,783
<b>PUBLIC SAFETY:</b>										
<b>Police Department</b>										
Cases Assigned	198	204	234	220	225	245	220	204	230	228
Cases Closed	172	178	175	165	155	118	145	147	170	198
Calls for Service	13,947	14,000	14,186	15,027	14,981	13,721	13,202	13,622	14,580	12,457
Criminal Arrests	1,373	1,359	1,326	1,192	1,092	986	873	952	984	587
<b>Fire Department</b>										
Staff Training Hours	15,536	13,790	12,022	8,566	16,775	14,010	18,741	13,354	13,389	14,450
Responses to Fire Incidents	4,015	2,899	2,273	2,320	2,200	2,312	2,540	2,735	2,529	2,071
Responses to EMS Incidents	5,766	7,709	4,330	4,311	4,317	4,187	4,445	4,177	4,447	3,159
Plans reviewed	1,401	1,353	1,003	884	1,023	1,194	1,138	951	823	840
Building Permits Issued	647	621	578	503	564	779	356	359	292	589
Cost Associated with Building Permits	\$ 39,254,118	\$ 34,633,451	\$ 30,308,610	\$ 27,034,602	\$ 33,430,366	\$ 121,674,456	\$ 157,500,340	\$ 50,481,255	\$ 31,944,639	\$ 123,797,875
<b>TRANSIT:</b>										
Total Ridership	908,367	850,809	832,481	766,708	678,967	646,096	605,962	606,000	488,602	480,000

**Notes:**

Source: City Annual Operating Budget &amp; Comprehensive Annual Financial Report

\* - information not available (not tracked)

\*\* - source: CoStar, September 2020. 6/30 represents end of 2nd Quarter for each year. 2009-19 data archived.

**Notes:**

The City outsourced Wastewater billing to Fairfax County Water Authority in conjunction with the sale of the water utility in F/Y 14. Operating indicators were not readily available from Fairfax Water for June 30, 2014.

Capital Asset Statistics By Function/Program  
Last Ten Fiscal Years  
(Unaudited)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<b><u>GENERAL GOVERNMENT</u></b>										
<b>Parks and Recreation</b>										
Acres of Parks	279	279	283	286	286	286	286	286	286	286
Number of Major Parks	9	9	9	10	10	11	11	11	11	11
Number of Neighborhood Parks	15	15	15	15	15	15	15	15	15	15
<b>Public Works</b>										
Vehicle Availability (%)	98%	98%	90%	88%	90%	95%	97%	98%	98%	98%
Vehicle Repair Orders	3,766	3,766	2,872	3,112	3,670	3,650	3,966	3,950	4,000	4,100
Total Fleet	664	664	653	661	692	642	648	650	650	650
Miles of Streets - Primary	16.5	15.5	15.5	15.5	15.5	15.4	15.4	16.0	16.0	16.0
Miles of Streets - Secondary	54.0	56.5	56.5	56.5	56.5	56.1	56.3	57.0	57.0	57.0
Number of Street Lights	2,967	2,967	2,967	2,967	2,967	2,967	2,967	2,980	3,000	3,050

**PUBLIC SAFETY**

<b>Police</b>										
Number of Stations*	1	1	1	1	1	1	1	1	1	1
<b>Fire</b>										
Number of Stations**	1	1	1	1	1	1	1	1	1	1
Number of Fire Hydrants***	870	870	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

**UTILITIES:**

<b>Sewer</b>										
Sanitary Sewers (miles)	100	100	100	100	100	108	108	108	108	108

**TRANSIT:**

Number of Buses	12	12	12	12	12	12	12	12	12	12
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**Notes:**

Source: City Annual Operating Budget & Comprehensive Annual Financial Report

\* - Police now has the firing range which is a separate building for fire arms training.

\*\* - The Fire Department operates from two fire stations, one of which is owned by the volunteer organization.

\*\*\* - Ownership of the hydrants was transferred to Fairfax Water in 2014 with other assets of the City's water utility.





**Independent Auditors' Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

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

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Fairfax, Virginia, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City of Fairfax, Virginia's basic financial statements, and have issued our report thereon dated December 13, 2021.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Fairfax, Virginia's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Fairfax, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Fairfax, Virginia's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Fairfax, Virginia's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Robinson, Farmer, Cox Associates*  
Fredericksburg, Virginia  
December 13, 2021



**Independent Auditors' Report on Compliance for Each Major Program and on  
Internal Control over Compliance Required by the Uniform Guidance**

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

**Report on Compliance for Each Major Federal Program**

We have audited the City of Fairfax, Virginia's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Fairfax, Virginia's major federal programs for the year ended June 30, 2021. City of Fairfax, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the City of Fairfax, Virginia's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance 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 audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Fairfax, Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Fairfax, Virginia's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the City of Fairfax, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

## Report on Internal Control over Compliance

Management of the City of Fairfax, Virginia is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Fairfax, Virginia's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Fairfax, Virginia's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Robinson, Farmer, Cox Associates*

Fredericksburg, Virginia  
December 13, 2021

CITY OF FAIRFAX, VIRGINIA

Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2021

Federal Grantor/Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
<b>DEPARTMENT OF TRANSPORTATION:</b>			
<u>Pass through payments:</u>			
Virginia Department of Motor Vehicles: Highway Planning and Construction Cluster: Highway Planning and Construction	20.205	104354/105573/109299/ 109309/112816/115545/ 115547/113614/114665	\$ 6,473,622
Highway Safety Cluster: National Priority Safety Programs	20.616	M60T2050413/ M60T2051263/ FHLE2151378	5,997
State and Community Highway Safety	20.600	FSC2050414/FSC2151293	<u>3,596</u>
Total Highway Safety Cluster			\$ 9,593
Total Department of Transportation			<u>\$ 6,483,215</u>
<b>DEPARTMENT OF TREASURY:</b>			
<u>Pass through payments:</u>			
Virginia Department of Accounts: COVID-19 - Coronavirus Relief Fund (CRF)	21.019	SLT0022	\$ <u>3,920,169</u>
Total Department of Treasury			<u>\$ 3,920,169</u>
<b>DEPARTMENT OF HOMELAND SECURITY:</b>			
<u>Direct payments:</u>			
Homeland Security Grant Program	97.067	N/A	\$ 164,148
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	N/A	3,958
COVID-19 Assistance to Firefighters Grant	97.044	N/A	49,867
<u>Pass through payments:</u>			
Virginia Department of Emergency Management: Emergency Management Performance Grants	97.042	116308	<u>7,500</u>
Total Department of Homeland Security			<u>\$ 225,473</u>
<b>ELECTION ASSISTANCE COMMISSION:</b>			
<u>Pass through payments:</u>			
Virginia Department of Elections: COVID-19 HAVA Election Security Grants	90.404	116912	\$ <u>49,555</u>
Total Election Assistance Commission			<u>\$ 49,555</u>
<b>DEPARTMENT OF STATE:</b>			
<u>Direct payments:</u>			
Overseas Refugee Assistance Program for South Asia	19.523	N/A	\$ <u>14,100</u>
Total Department of State			<u>\$ 14,100</u>
<b>DEPARTMENT OF INTERIOR:</b>			
<u>Direct payments:</u>			
Historic Preservation Fund Grants-In-Aid	15.904	N/A	\$ <u>11,609</u>
Total Department of Interior			<u>\$ 11,609</u>
<b>Total expenditures of federal awards</b>			<u><u>\$ 10,704,121</u></u>

See accompanying notes to the Schedule of Expenditures of Federal Awards.

CITY OF FAIRFAX, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards  
For The Year Ended June 30, 2021

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Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the City of Fairfax, Virginia under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of Fairfax, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Fairfax, Virginia.

Note 2 - Summary of Significant Accounting Policies

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(2) Pass-through entity identifying numbers are presented where available.

(3) The City did not elect to use the 10% de minimus indirect cost rate.

(4) The City did not pass any federal awards through to sub-recipients during the year ended June 30, 2021.

Note 3 - Relationship to Financial Statements

Federal expenditures, revenues and capital contributions are reported in the City's basic financial statements as follows:

Intergovernmental federal revenues per the basic financial statements:	
Primary government:	
Governmental Funds	\$ <u>10,704,121</u>
Total primary government	\$ <u>10,704,121</u>
Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$ <u><u>10,704,121</u></u>

CITY OF FAIRFAX, VIRGINIA

Schedule of Findings and Questioned Costs  
Year Ended June 30, 2021

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**Section I - Summary of Auditors' Results**

**Financial Statements**

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified?	None reported
Noncompliance material to financial statements noted?	No

**Federal Awards**

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified?	None reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516 (a)?	No

Identification of major programs:

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
20.205	Highway Planning and Construction
21.019	COVID-19 - Coronavirus Relief Fund (CRF)

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	No

**Section II - Financial Statement Findings**

There are no financial statement findings to report.

**Section III - Federal Award Findings and Questioned Costs**

There are no federal award findings and questioned costs to report.

**Section IV - Prior Audit Findings**

There were no prior year audit findings.

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