

City of Falls Church, Virginia

Annual Comprehensive Financial Report

June 30, 2025

Prepared by:
City of Falls Church, Virginia
Financial Department

City of Falls Church, Virginia

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Introductory Section

City of Falls Church, Virginia

City Council

June 30, 2025

Letty Hardi, Mayor
Debbie Hiscott, Vice Mayor

Marybeth Connelly
Erin Flynn
Justine Underhill

Laura Downs
David F. Snyder

Officials

F. Wyatt Shields, City Manager
Jenny Carroll, Deputy City Manager, Internal Operations
Andy Young, Deputy City Manager, External Operations
Melissa Ryman, Interim Chief Financial Officer
Sally Gillette, City Attorney
Celeste Heath, City Clerk
Jody Acosta, City Treasurer
Thomas D. Clinton, Commissioner of Revenue
Matt Cay, Sheriff
Dr. Terry Dade, Superintendent of Schools

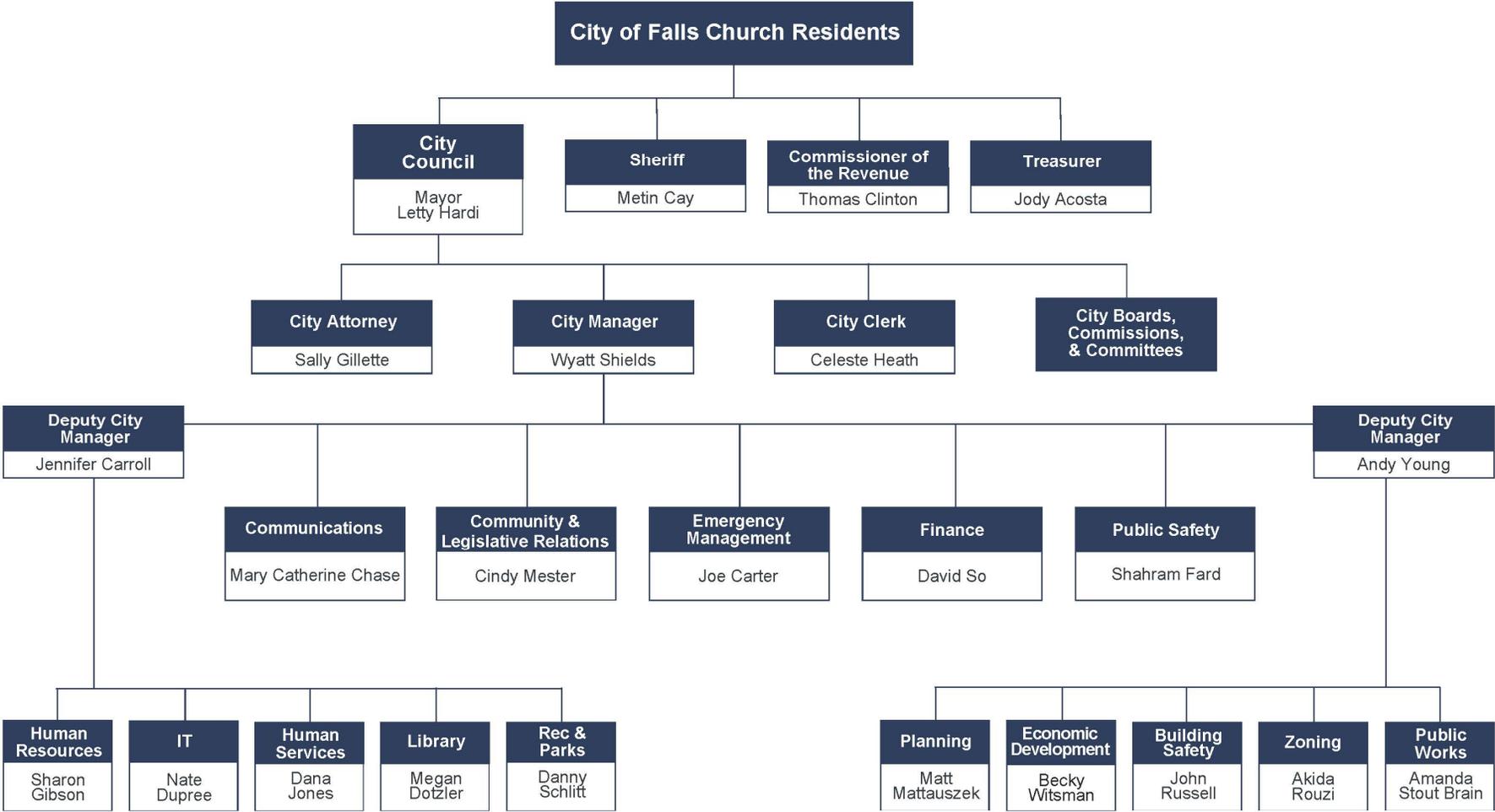
City of Falls Church, Virginia

Organizational Chart

As of June 30, 2025

City of Falls Church Organizational Chart

Updated: November 2025



The City of Falls Church is committed to the letter and spirit of the Americans with Disabilities Act. To request a reasonable accommodation for any type of disability, call 703-248-5004 (TTY 711).

City of Falls Church, Virginia

Organizational Chart

As of June 30, 2025



CITY OF FALLS CHURCH

December 11, 2025

City Council
City of Falls Church
Mayor and Members of the Council

We are pleased to submit to you the Annual Comprehensive Financial Report (ACFR) of the City of Falls Church, Virginia (the City) for the fiscal year ended June 30, 2025, in accordance with the *Code of Virginia*. The financial statements included in this report conform to accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (GASB). Responsibility for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with management. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner that presents fairly the financial position of the governmental activities, business-type activities, aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2025, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended. All necessary disclosures have been included to enable the reader to gain the maximum understanding of the City's financial affairs.

The letter of transmittal is traditionally addressed to the governing body. We believe that the ACFR should be management's report to constituents, oversight bodies, resource providers, investors and creditors. This letter is addressed to you and by wide circulation it is also directed to the citizens of the City of Falls Church and all other interested readers. In addition to complying with legal requirements, this letter, management's discussion and analysis (MD&A), the financial statements, supplemental data, and the statistical tables have been prepared to provide full financial disclosure.

The report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in the report, based on the framework of internal controls that it has established for this purpose. Because the cost of internal controls should not exceed the benefits to be derived, the objective is to provide reasonable, rather than absolute assurance, that the financial statements are free of any material misstatements. To provide a reasonable basis for making these representations, management has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with Generally Accepted Accounting Principles (GAAP). As management, we assert that to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

City of Falls Church, Virginia

Organizational Chart

As of June 30, 2025

The City's financial statements have been audited by Brown, Edwards and Company, LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements for the fiscal year ended June 30, 2025 are free of material misstatement. The independent auditor's report is presented as the first component of the financial section of this report.

Our ACFR is divided into four sections: introductory, financial, statistical, and compliance. The introductory section includes this letter of transmittal, a list of the City's principal elected and appointed officials, and the organizational chart. The financial section includes the Independent Auditors' Report, MD&A, Basic Financial Statements, including the notes, and Required Supplementary Information. In addition, the financial section contains other supplemental data, consisting of combining, individual fund, and component unit financial statements and schedules. The statistical section contains selected financial and demographic information, generally presented on a multi-year basis. The Single Audit Report, which is required for federal grant recipients, is in the compliance section.

All the financial activities of the City are included within this report. As used here, the City reporting entity comprises the primary government (City of Falls Church as legally defined) and its component units. Under GASB pronouncements, component units are legally separate entities for which the primary government is financially accountable. The component units of the City (the City of Falls Church Public School Board and the Falls Church Economic Development Authority) are discretely presented component units. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the primary government and to differentiate their financial position and changes in financial position from those of the primary government.

PROFILE OF THE GOVERNMENT

The City is located in the northeastern corner of Virginia and encompasses an area of approximately 2 square miles. The City is part of the Washington, D.C. metropolitan area, which includes jurisdictions in Maryland and Northern Virginia, and the District of Columbia.

The City is a municipal corporation incorporated as an independent city in 1948 under the laws of the Commonwealth of Virginia, and is not part of any county. The City operates under a Council-Manager form of government. The City Council (the Council) is comprised of seven members elected at-large for four-year staggered terms. Every two years the Council elects one member to serve as Mayor and one to serve as Vice-Mayor. The Council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring the City Manager, the City Attorney and City Clerk. The Council appoints a City Manager to act as the administrative head of the City. The City Manager serves at the pleasure of the Council, carries out the policies established by the Council, and directs business and administrative procedures.

The City provides a full range of services, including police and fire protection; the construction and maintenance of highways, streets and other infrastructure; and recreational activities and cultural events. The City also provides storm-water and sanitary sewer services to its residents. The storm-water and sanitary sewer functions are included as business-type activities in the City's financial statements. The City is financially accountable for the legally separate school system, which is reported as a component unit within the financial statements.

The City is required to adopt a budget for the fiscal year beginning on July 1. This annual budget serves as the foundation for the City's financial planning and control. The budget is prepared by fund, and by department. Department heads may transfer resources within their department. Transfers between departments and funds, however, needs an approval from the Council.

City of Falls Church, Virginia

Organizational Chart

As of June 30, 2025

ECONOMIC CONDITION AND OUTLOOK

The Local Economy

The City's proximity to Washington, D.C., access to transit systems and airports, have contributed to the City's economic growth over the past few years. The City's unemployment rates have been relatively low. The Bureau of Labor Statistics reported that for August 2025, the City's unemployment rate was 4.6%.

According to the United States Census Bureau, American Community Survey, 5-Year Estimates 2019-2023, the median household income within the City was \$154,734. This is significantly higher than the state-wide median household income of \$92,090. It also reports that the City's educational attainment of bachelor's degree or higher was 79.7 percent. According to the recently completed decennial census, the City's population is estimated at 14,658.

A substantial number of redevelopment projects have occurred in the City during the last 15 years. Falls Church has benefited from an unprecedented wave of new development and investment that has occurred along its primary corridors on North and South Washington Street and West Broad Street. These were primarily mixed-use projects, adding office, retail, and residential units, senior housing and affordable housing units, to the City's real estate tax base. The opening of the Metro's Silver Line provided a further stimulus to growth and development.

The most significant new development project in the City's history is the West Falls project, which includes the construction of 5 large new buildings on 10 acres of land that the City leased to the developers under a 99-year ground lease agreement. Located near the West Falls Church Metro station, this transformative project adds 1.2 million square feet of new development to the City. The project includes five 6-15-story buildings in its first phase (apartment building, senior housing, condominiums, hotel, and office building, with retail on the ground floors) and an additional planned office building and condominiums in a future phase. Construction of four of the five buildings has been completed in 2024 and 2025, with construction of the senior housing underway.

Many new businesses opened their doors in 2025, including a new 60,000 square foot Whole Foods in the new Broad and Washington project, a Paragon movie theater in Founders' Row 1, and 13 new restaurants throughout the City. The Fresh Market and Grocery Outlet are also expected to open in 2026, as well as additional restaurants.

City staff continues to actively encourage and facilitate discussions with developers to attract projects that are both economically viable for developers and strategically beneficial to the City. The focus remains on fostering new development with an appropriate mix of uses that help strengthen, diversify, and balance the City's tax base. At the same time, City staff works to ensure that existing buildings remain occupied by supporting business retention and attracting new tenants. These efforts are reflected in the City's strong direct vacancy rates, with retail vacancy of 2.8% and office vacancy of 5.9% (excluding the West Falls project which is currently in its lease-up phase).

Long-term Financial Planning

The City's Vision and Core Values, last amended by the City Council in 2017, is the foundation upon which our strategic and operational objectives are built on. The City's Comprehensive Plan which was adopted by City Council in 2017 provides further guidance in executing the City's long-term goals. The budget, along with the City's Six-Year Capital Improvement Program (CIP), supports the priorities identified in the City's Comprehensive Plan.

City of Falls Church, Virginia

Organizational Chart

As of June 30, 2025

Major Initiatives

City Council is committed to enhancing transportation infrastructure to improve safety, mobility, and access. Major projects completed in FY2025 include pedestrian-activated signal crossings along West Broad Street and pedestrian crossings along the W&OD Trail. Design and right-of-way acquisition was completed for the City's first traffic circle; this project is now in construction. Staff also managed several projects through design and community engagement during the year, including projects for neighborhood traffic calming, bicycle route improvements, multimodal improvements on Broad Street, and the expansion of bus stops on Washington Street.

City Council has also prioritized projects that improve energy efficiency within the City. In FY2025, the City completed the installation of a geothermal HVAC system at the Community Center. Other ongoing projects include the expansion of the City's EV Fleet, through which the City is purchasing additional electric and hybrid vehicles, and the upgrade to LED bulbs in all of the City's streetlights.

The City has also been investing in flood mitigation and remediation throughout the community, with multiple projects completed in FY2025, including Upper Lincoln – Ellison Branch and Hillwood Avenue #1. Staff is managing additional stormwater improvements projects through design and construction.

Over the past few years, the City made significant investments in affordable housing, utilizing capital reserves, Amazon Reach housing grants, and Coronavirus State and Local Fiscal Recovery Funds (CSLFRF). Funding is also available in the Acquisition Strike Fund to continue to acquire additional buildings in the Virginia Village area as they become available. The City also implemented the Affordable Homeownership Program. Under this program, in partnership with a nonprofit, the City has acquired several properties which have been rehabilitated and sold to eligible residents. The City's Committed Affordable Units program is a rent subsidy program recently expanded to 15 units for households whose income falls between 30%-50% of the Area Median Income (AMI).

The City's FY2026-FY2031 CIP provides for continued investments in facilities and infrastructure totaling \$147.7 million.

- Transportation \$59,202,892
- Sanitary Sewer \$34,525,344
- Facilities, Parks, & Information Technology \$50,947,236
- Stormwater \$3,010,000

Relevant financial policies

The City has adopted a comprehensive set of financial policies that guide the City's plans for capital investments and long-term financial management. The policy was first adopted in 2011 and are formulated based on best practices in local government finance and recommendations by our financial policy advisor. This was recently re-adopted in November 2024.

The City targets an unassigned fund balance that is 17% but not less than 12% of General Fund expenditures. In the event that fund balance is used to provide for temporary funding of unexpected emergency needs or unbudgeted revenue shortfall such that it falls below 12%, fund balance must be restored to 12% within two fiscal years and to 17% within five years. Use of fund balance may only be made with the approval of City Council. As of June 30, 2025, unassigned fund balance was 19.0% of FY2025 General Fund expenditures. Due to the issuance of \$118 million debt in 2019, the City's financial policies additionally calls for available fund balance to be maintained between 15% and 20% of General Fund expenditures. Available fund balance consists of committed, assigned, and unassigned fund balances in the General Fund. As of June 30, 2025, available fund balance is \$41.9 million or 35.1% of FY2025 General Fund expenditures.

City of Falls Church, Virginia

Organizational Chart

As of June 30, 2025

The City's strong economic outlook and prudent financial policies have helped to earn and maintain the highest credit ratings of Aaa from Moody's Investor Services and AAA from Standard and Poor's Corporation and Fitch Ratings.

Acknowledgements

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the finance department along with support from other departments. We would like to express our appreciation to all members of the departments who assisted and contributed to the preparation of this report. In addition, we acknowledge the cooperation and assistance of each City department throughout the year in the efficient administration of the City's financial operations. Staff also acknowledges the leadership and support of City Council in the execution of responsible financial management.

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

Respectfully submitted,



F. Wyatt Shields

City Manager



Melissa Ryman

Deputy Director of Finance

(formerly Interim Director of Finance)



Financial Section





Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Falls Church, Virginia (the "City"), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Falls Church, Virginia, as of June 30, 2025, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the West Falls Community Development Authority, which represents 100% of the assets, fund balance, and revenues of the CDA Fund as of June 30, 2025. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the West Falls Community Development Authority, is based solely on the report of the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and *Specifications for Audits of Counties, Cities, and Towns and Specifications for Audits of Authorities, Boards and Commissions* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



Change in Accounting Principle

As described in Note 25 to the financial statements, in 2025, the City adopted new accounting guidance, GASB Statement No. 101, *Compensated Absences*. Our opinion is not modified with respect to this matter.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not absolute assurance, and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- 
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.



In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2025 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City'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's internal control over financial reporting and compliance.

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

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia
December 11, 2025

City of Falls Church, Virginia

Management's Discussion and Analysis

Fiscal Year Ended June 30, 2025

This section of the City of Falls Church, Virginia's (the City) Annual Comprehensive Financial Report (ACFR) presents an overview and analysis of the City's financial activities and performance during the fiscal year that ended on June 30, 2025.

We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, and the basic financial statements and related notes, which are also contained in this ACFR.

The following references are made throughout the report:

- "Governmental Activities" and "Governmental Funds" refer to the City government including the General Fund, the Capital Projects Fund, the Special Transportation Fund, the Falls Church Community Television (FCCTV) Fund, the Affordable Housing Fund, and the West Falls Community Development Authority Fund (CDA).
- "Business-type Activities" and "Proprietary Funds" refer to the City's utilities, Sanitary Sewer and Stormwater.
- "Primary Government" refers to the combination of the governmental activities and business-type activities.
- "Component Units" refers to the Falls Church City Public Schools ("Schools") and the Economic Development Authority ("EDA").
- "Total Reporting Entity" refers to the City entity as a whole, comprised of the City government, its utilities, and component units.

FINANCIAL HIGHLIGHTS

Highlights for Government-wide Financial Statements

The government-wide financial statements report information about the City as a whole using the economic resources measurement focus and accrual basis of accounting.

- On a government-wide basis, the City has a total net position of \$239.4 million at June 30, 2025. Of the total, \$261.7 million is the Primary Government's and negative \$22.3 million is the component units'. The negative net position for the component unit is largely due to the recognition of net pension and other post-employment benefits (OPEB) liability derived from the School Board's participation in the Virginia Retirement System's pension plan and other post-employment benefits.
- For FY2025, taxes and other revenues of the City's governmental activities amounted to \$139.4 million and expenses and transfers amounted to \$124.5 million, which resulted in an increase in net position for the City's governmental activities of \$14.9 million.
- Revenues and transfers of the City's business-type activities were \$14.2 million, and expenses were \$6.0 million, which resulted in an increase in net position for the City's business-type activities of approximately \$8.2 million.

Highlights for Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant funds using the current financial resources measurement focus and modified accrual basis of accounting for the City's governmental funds. The City's governmental funds comprise of the General Fund, the Capital Projects Fund, the Special Transportation Fund, FCCTV Fund, the Affordable Housing Fund, and the West Falls Community Development Authority (CDA) Fund.

The City's proprietary funds, the Sewer and Storm Water funds, are also presented in the fund financial statements but are presented using the economic resources measurement focus and the accrual basis of accounting, the same basis of accounting used to prepare the government-wide financial statements.

City of Falls Church, Virginia
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2025

The following are other highlights of the City's governmental funds:

- In total, the City's governmental funds reported revenues and other financing sources of \$158.7 million and expenditures and other financing uses of \$165.1 million for a net decrease to fund balance of \$6.4 million.
- For the General Fund, total fund balance was \$42.7 as of June 30, 2025, a decrease of \$9.5 million. A primary cause of the decrease was the use of capital reserves to fund capital projects in the Capital Project Fund and Special Transportation Fund. The unassigned fund balance as of June 30, 2025 of \$22.7 million was 19.0% of expenditures. Committed fund balance as of June 30, 2025 was \$17.6 million. Of this, \$15.1 million is for future capital projects and debt service. Assigned fund balance as of June 30, 2025 was \$1.6 million. Nonspendable and restricted fund balance as of June 30, 2025 was \$0.8 million.
- The Capital Projects Fund reported an increase in fund balance of \$1.3 million, resulting in a balance of \$7.7 million at June 30, 2025.
- The Special Transportation Fund's fund balance increased by \$2.9 million, ending with a restricted balance of \$8.4 million.
- The Affordable Housing Fund's fund balance was \$3.0 million, an increase of \$0.8 million.
- Other Governmental Funds comprise of the CDA Fund, and ended the year with a restricted fund balance of \$1.8 million, a decrease of \$2.0 million.

The following are highlights of the City's proprietary funds:

- The City's Sewer Fund reported net position of \$44.5 million, an increase of \$4.5 million.
- The Storm Water Fund's net position as of June 30, 2025 was \$16.9 million, an increase of \$3.7 million.

Recently Issued and Adopted Accounting Standards

In FY2025, the City implemented GASB Statement No. 101, Compensated Absences (GASB 101). GASB 101 establishes updated guidance for recognizing and measuring compensated absences—including vacation, sick leave, and other paid time-off benefits. The statement replaces the previous model under GASB Statement No. 16, Accounting for Compensated Absences.

Under GASB 101, governments are required to recognize a liability for compensated absences when employees earn the benefits and the benefits are expected to be used or paid, rather than only when they are vested. The standard provides a unified definition of compensated absences and introduces clearer criteria for measuring the liability based on the unused leave balances that are more likely than not to be used or paid. Upon implementation, the City recognized an increase to the liability as of June 30, 2024. Additional information on this restatement is included in Note 25.

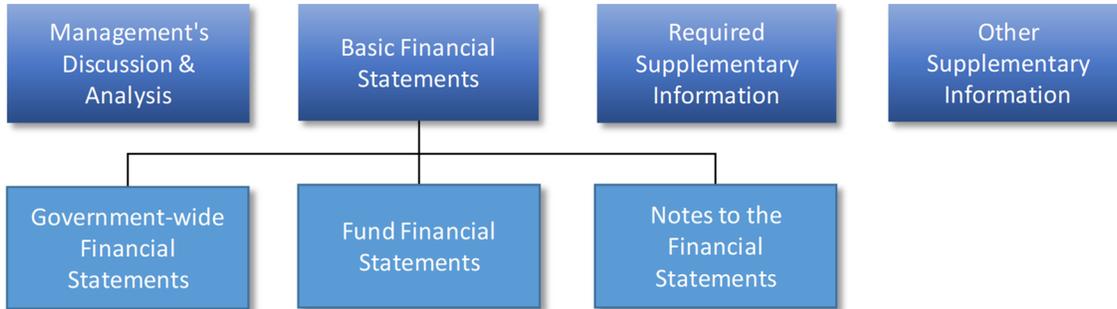
City of Falls Church, Virginia

Management's Discussion and Analysis

Fiscal Year Ended June 30, 2025

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of this annual report consists of four parts: (1) management's discussion and analysis (MD&A) presented here, (2) basic financial statements and related notes, (3) required supplementary information (RSI), and (4) other supplementary information.



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

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

Government-wide Financial Statements

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

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

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

City of Falls Church, Virginia

Management's Discussion and Analysis

Fiscal Year Ended June 30, 2025

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

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

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

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

The government-wide financial statements can be found in Exhibits 1 and 2 of this report.

Fund Financial Statements

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

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

The City has six governmental funds: (1) the General Fund, (2) the Capital Projects Fund, (3) the Special Transportation Fund, (4) the Affordable Housing Fund, (5) the FCCTV Fund, and (6) the CDA Fund.

The General Fund is the main operating fund of the City and consequently, the largest of the governmental funds. The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by the Proprietary Funds). The Special Transportation Fund is used to account for activities related to transportation, including but not limited to, the additional tax revenues received through the Northern Virginia Transportation Authority (NVTA) specifically levied for certain transportation and transit expenditures. The Affordable Housing Fund accounts for the City's planned investments in affordable housing. The FCCTV Fund accounts for the expenditures in the operation of a TV station that provides public service programs and is mainly funded by the General Fund. The CDA Fund is used to account for the transactions related to the debt issued for the West Falls transportation improvements.

The City's governmental funds' basic financial statements are presented in Exhibits 3 and 5. FCCTV Fund is included with the General Fund in these Exhibits.

City of Falls Church, Virginia

Management's Discussion and Analysis

Fiscal Year Ended June 30, 2025

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

The City's proprietary funds' basic financial statements can be found in Exhibits 8 through 10.

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

The City's fiduciary funds' financial statements are presented in Exhibits 11 and 12. Additional required supplementary information for the City's post-retirement trust funds are also presented in Exhibits 13 through 24. Combining fiduciary fund financial statements are also presented on Schedules 4 through 7.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is necessary to acquiring a full understanding of the data provided in the government-wide and fund financial statements.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

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

City of Falls Church, Virginia
Management’s Discussion and Analysis
Fiscal Year Ended June 30, 2025

Statement of Net position

The table on the following page represents a summary of the net position of the primary government as of June 30, 2025 and 2024.

Summary of Statement of Net Position
As of June 30, 2025 and 2024
(\$ In Millions)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2025	2024	2025	2024	2025	2024
Assets:						
Current and other assets	\$ 128.2	\$ 131.3	\$ 25.4	\$ 20.8	\$ 153.6	\$ 152.1
Capital assets, net	266.8	254.9	44.9	42.5	311.7	297.4
Total assets	395.0	386.2	70.3	63.3	465.3	449.5
Deferred Outflows of Resources	5.1	7.1	0.2	0.5	5.3	7.6
Liabilities:						
Current liabilities*	25.9	32.0	1.6	2.0	27.5	34.0
Noncurrent liabilities*	159.9	166.7	7.3	8.6	167.2	175.3
Total liabilities*	185.8	198.7	8.9	10.5	194.7	209.2
Deferred Inflows of Resources	14.0	9.3	0.2	0.0	14.2	9.3
Net Position:						
Net investment in capital assets	113.0	98.6	37.0	33.4	150.0	132.0
Restricted	37.7	29.1	1.2	0.8	38.9	29.9
Unrestricted*	49.6	57.7	23.2	19.0	72.8	76.7
Total net position*	\$ 200.3	\$ 185.4	\$ 61.4	\$ 53.2	\$ 261.7	\$ 238.6

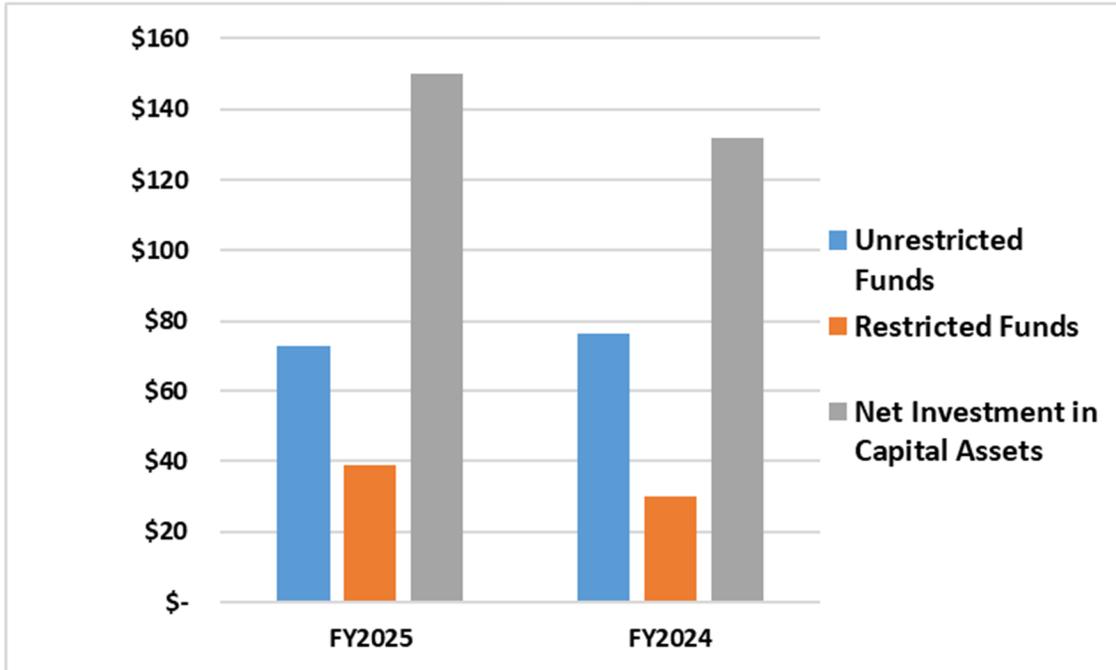
Due to rounding, some totals may not correspond with the sum of the separate figures.

**FY2024 amounts were restated. See Note 25.*

Net position represents the excess of the City’s assets and deferred outflows of resources over its liabilities and deferred inflows. Over time, net position may serve as a useful indicator of the City’s financial position. As of June 30, 2025, the City’s primary government’s net position was \$261.7 million, an increase of \$23.1 million over the prior year. Of this total, net position for the governmental activities increased by \$14.9 million, largely due to increases in pension and OPEB assets. The net position of the City’s business-type activities increased by \$8.2 million primarily due to capital grants of \$3.7 million in the Stormwater Fund, investment income of \$0.8 million, and availability fees received from major developers of \$2.8 million.

City of Falls Church, Virginia
Management’s Discussion and Analysis
 Fiscal Year Ended June 30, 2025

Composition of Net Position
Primary Government
As of June 30, 2025 and June 30, 2024
 (\$ In Millions)



The largest portion of the City’s net position is its investments in capital assets (e.g., land, buildings, machinery, equipment, infrastructure, and construction in progress less accumulated depreciation) net of related debt used to acquire those assets. These assets are used over time to provide a variety of services to the City’s citizens. These assets are long-term in nature and are not readily available for future spending. Investments in capital assets, net of related debt, totaled \$150.0 million, of which \$113.0 million are from governmental activities. This increased by \$14.4 million in FY2025 due to investments made primarily in transportation infrastructure. Net investment in capital assets for business-type activities increased by \$3.6 million to \$37.0 million as a result of continued investments in sanitary sewer pipe rehabilitation and stormwater infrastructure improvements.

Restricted net position represents resources that are subject to external restrictions on how they may be used. The City’s net position are restricted for various purposes including pension and OPEB obligations for \$30.7 million, transportation capital projects for \$7.1 million, and grant programs for housing for \$1.0 million.

The portion of net position that is neither related to capital assets nor restricted for specific purposes is represented as unrestricted net position. Unrestricted net position decreased by \$3.9 million for the City’s primary government; unrestricted net position for governmental activities decreased by \$8.1 million, which resulted from utilizing capital reserves for investments in capital projects. Unrestricted net position for business-type activities increased by \$4.2 million. This increase is primarily from availability fees received for sanitary sewer activities of \$2.8 million, as well as investment income of \$0.9 million.

City of Falls Church, Virginia
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2025

Statement of Activities

The following table summarizes the changes in net position for the primary government for the years ended June 30, 2025 and 2024:

Summary of Changes in Net Position
For the Years Ended June 30, 2025 and 2024
(\$ In Millions)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2025	2024	2025	2024	2025	2024
Revenues:						
Program revenues:						
Charges for services*	\$ 9.6	\$ 7.4	\$ 9.6	\$ 6.8	\$ 19.2	\$ 14.2
Operating grants & contributions	3.6	5.1	-	-	3.6	5.1
Capital grants & contributions	12.3	10.6	2.2	3.5	14.5	14.1
General revenues:						
General property taxes	76.1	73.1	-	-	76.1	73.1
Other local taxes	23.3	21.9	-	-	23.3	21.9
Payment from the EDA	4.7	4.7	-	-	4.7	4.7
Intergovernmental, non-categorical aid	6.6	5.0	-	-	6.6	5.0
Revenue from use of money and property	3.2	4.1	0.9	0.8	4.1	4.9
Other	0.1	0.2	-	-	0.1	0.2
Special item - gain/(loss) on disposal of capital assets	-	8.4	-	-	-	8.4
Total revenues	139.6	140.6	12.7	11.1	152.2	151.6
Expenses:						
General government administration*	11.2	10.7	-	-	11.2	10.7
Judicial administration*	2.7	2.6	-	-	2.7	2.6
Public safety*	14.0	14.3	-	-	14.0	14.3
Public works*	9.2	9.0	5.8	5.5	15.1	14.5
Health and welfare*	3.5	3.6	-	-	3.5	3.6
Parks, recreation, and cultural*	8.0	6.9	-	-	8.0	6.9
Community development*	7.7	8.5	-	-	7.7	8.5
Economic development*	0.9	0.6	-	-	0.9	0.6
Education and payments to schools	61.0	57.2	-	-	61.0	57.2
Interest expense	4.8	4.9	0.2	0.2	4.9	5.1
Total expenses	123.0	118.4	6.0	5.7	129.2	124.1
Excess/(deficiency) before transfers	16.6	22.2	6.7	5.4	23.2	27.5
Transfers	(1.5)	(0.1)	1.5	0.1	-	-
Change in net assets	15.1	22.1	8.2	5.5	23.2	27.5
Net position, beginning of year	185.3	163.2	53.2	47.7	238.4	210.9
Net position, end of year*	\$ 200.3	\$ 185.3	\$ 61.5	\$ 53.2	\$ 261.5	\$ 238.4

Due to rounding, some totals may not correspond with the sum of the separate figures.

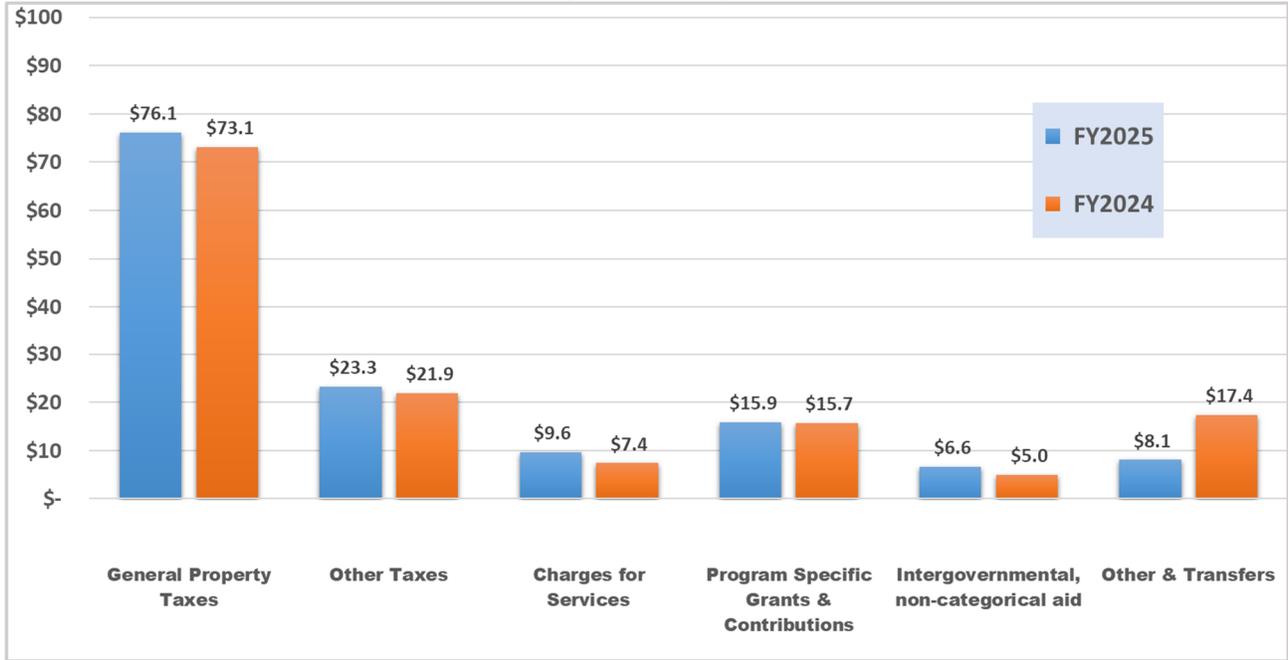
**FY2024 amounts were restated. See Note 25.*

City of Falls Church, Virginia
Management’s Discussion and Analysis
Fiscal Year Ended June 30, 2025

Governmental Activities

Revenues and transfers for the City’s governmental activities were \$139.6 million for FY2025 and \$140.5 million for FY2024. The following chart provides sources of governmental activities revenue for FY2025 and 2024:

Sources of Revenues of Governmental Activities
For the Fiscal Years Ended June 30, 2025 and 2024
(\$ In Millions)

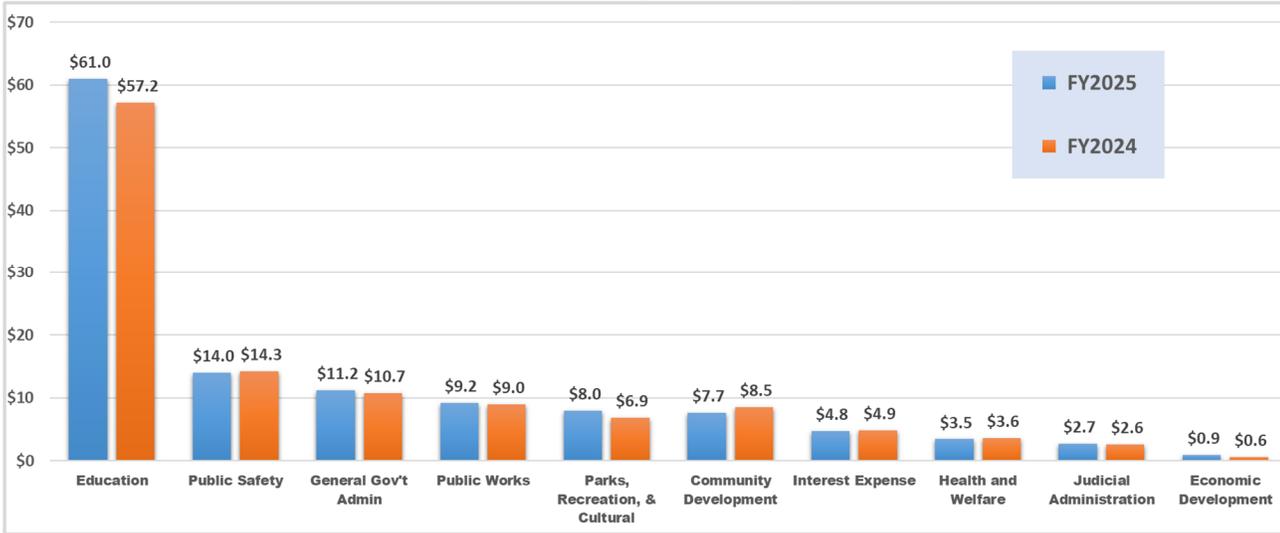


Taxes provide the largest source of City revenues, amounting to \$99.4 million in FY2025, an increase of \$3.0 million over FY2024, primarily due to increases in real property and personal property taxes. Real property taxes represent 70% of total taxes and 50% of total revenues. The real estate tax rate was reduced by two cents to \$1.21 per \$100 of assessed value in FY2025 from \$1.23 for FY2024, however, assessed values increased by \$437 million or 8.1%, resulting in increased revenue of \$4.6 million. Other revenues and transfers decreased by \$9.3 million in FY2025. The higher FY2024 revenues and transfers is from the sale of City property.

City of Falls Church, Virginia
Management’s Discussion and Analysis
Fiscal Year Ended June 30, 2025

The following chart shows the City’s governmental expenses for FY2025 and FY2024.

**Expenses of Governmental Activities by Function
For the Fiscal Years Ended June 30, 2025 and 2024
(\$ In Millions)**



Expenses for the City’s governmental activities totaled \$123.0 million in FY2025 and \$118.4 million in FY2024, an increase of \$4.5 million.

Education expenses, which represents payments to the School Board, is the largest expense, increased by \$3.8 million, and comprised 49.6% and 48.3% of total expenses in FY2025 and FY2024. The second largest expense is for public safety, which comprised 11.4% and 12.1% of total expenses in FY2025 and FY2024. General government administration follows, representing 9.1% of total expenses in both FY2025 and FY2024.

Some of the cost of governmental activities was paid by those who directly benefited from the programs (\$9.6 million in FY2025 and \$7.4 million in FY2024) and other governments and organizations that subsidized certain programs with grants and contributions (\$15.9 million in FY2025 and \$15.7 million in FY2024). The remaining net cost services of \$97.4 million in FY2025 and \$95.3 million in FY2024 was subsidized by the taxpayers.

Additional costs for education as well as program-specific revenues are also reported in the component unit School Board.

City of Falls Church, Virginia

Management’s Discussion and Analysis

Fiscal Year Ended June 30, 2025

The following table presents the cost of each of the City’s seven largest programs as well as each program’s net cost (total cost less fees generated by the activities and program-specific intergovernmental aid including capital grants).

Net Cost of Governmental Activities For the Fiscal Years Ended June 30, 2025 and 2024 (\$ In Millions)

Functions/Programs	2025		2024	
	Total Cost	Net Cost	Total Cost	Net Cost
Education and payments to schools	\$ 61.0	\$ 57.6	\$ 57.2	\$ 54.4
Public safety*	14.0	10.7	14.3	11.2
General government administration*	11.2	10.8	10.7	10.2
Public works*	9.2	(1.2)	9.0	(0.7)
Parks, recreation, and cultural*	8.0	4.6	6.9	3.9
Community development*	7.7	5.0	8.5	5.9
Other*	7.1	5.4	6.9	5.5
Interest	4.8	4.6	4.9	4.8
Total	\$ 123.0	\$ 97.4	\$ 118.4	\$ 95.2

*FY2024 amounts were restated. See Note 25.

Due to rounding, some totals may not correspond with the sum of the separate figures.

Business-type Activities

The Sanitary Sewer Fund’s net position at the end of FY2025 was \$44.5 million, an increase of \$4.5 million over FY2024. In FY2025, total revenues of the Sanitary Sewer Fund were \$8.4 million, an increase of \$2.7 million over FY2024, primarily due to the receipt of availability fees. Availability fees are one-time payments received from developers and vary substantially year over year depending on construction activity in the City. Total expenses for the Sanitary Sewer Fund in FY2025 were \$4.0 million, an increase of \$0.2 million over FY2024. The increase is primarily due to increases in personnel costs and contractual costs.

The Storm Water Fund’s net position increased by \$3.7 million in FY2025 to \$16.9 million. Total revenues in FY2025 were \$5.7 million, an increase of \$0.2 million over FY2024. This was primarily due to capital contributions. Expenses increased by \$0.2 million to \$2.0 million due to increases in personnel costs and contractual costs.

FINANCIAL ANALYSIS OF THE CITY’S FUNDS

This section of the MD&A discusses the City’s fund financial statements.

Governmental Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Consequently, the amounts presented in Exhibits 3, 5, and 7 in the Basic Financial Statements section of the ACFR will differ from the amounts presented in Exhibits 1 and 2. The focus of the City’s governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the City’s financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

City of Falls Church, Virginia

Management’s Discussion and Analysis

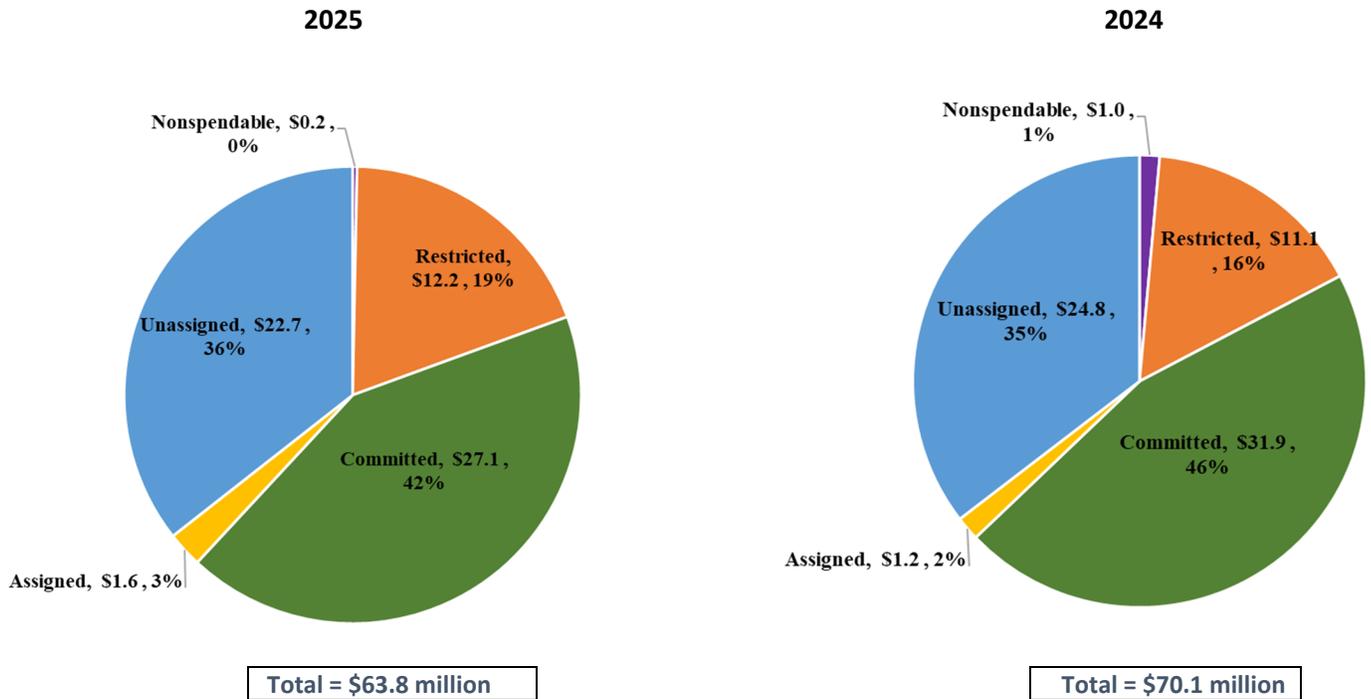
Fiscal Year Ended June 30, 2025

The City reports fund balance in accordance with accounting principles generally accepted in the United States of America (GAAP), which categorizes fund balance into five classifications based upon constraints placed on the use of resources. Note 26 provides additional information on the fund balance categories.

Overall, the fund balance for all governmental funds decreased by approximately \$6.4 million in FY2025 (\$138.2 million in revenues and \$20.4 million in other financing sources, less total expenditures of \$143.8 million and other financing uses of \$21.3 million). Revenues increased in FY2025 from FY2024 by \$7.7 million primarily due to increase in tax revenues (\$4.2 million), and federal grants (\$2.4 million, primarily from Federal CSLFRF). FY2025 was also the first year in which the special assessments were levied on the West Falls District properties to pay for debt service on the bonds issued through the Community Development Authority. Total expenditures increased in FY2025 by \$15.3 million mostly due to outlays for capital projects including the community center HVAC replacement, public safety radio replacement, improvements at the Oak Street Elementary School, and various transportation projects.

Governmental fund balance is categorized into the following categories:

**Governmental Funds – Fund Balances
As of June 30, 2025 and 2024 (\$ in Millions)**



- **Unassigned Fund Balance** – This fund balance is fund balance in the General Fund that is unencumbered and provides the City with some margin of financial safety to address unforeseen emergencies or declines in revenues. Unassigned fund balance decreased by \$2.1 million in FY2025 as City Council committed funds towards capital projects.
- **Assigned Fund Balance** – Assigned fund balance represents amounts that were encumbered for various departmental expenditures.
- **Committed Fund Balance** – Committed fund balance represents amounts committed by the City Council for future capital expenditures and debt service (\$22.5 million in FY2025 and \$27.8 million in FY2024), for costs associated

City of Falls Church, Virginia

Management’s Discussion and Analysis

Fiscal Year Ended June 30, 2025

with development review and inspections (\$2.5 million in FY2025 and \$2.9 million in FY2024), and for affordable housing (\$2.0 million in FY2025 and \$1.3 million in FY2024).

- Restricted Fund Balance – Restricted fund balance are bond proceeds and grants which have not yet been spent for their specified purpose. Most of this amount is from grants received that are restricted for transportation purposes.
- Non-spendable Fund Balance – Non-spendable fund balance includes amounts that are not available for spending such as inventory and prepaid expenses.

The following table shows the fund balances of each of the governmental funds as of June 30, 2025 and 2024:

Governmental Funds – Fund Balances As of June 30, 2025 and 2024 (\$ in Millions)

	General Fund		Capital Projects Fund		Special Transportation Fund		Affordable Housing Fund		Other Governmental Funds		Total	
	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024
Non-spendable	\$ 0.2	\$ 1.0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 0.2	\$ 1.0
Restricted	0.6	0.6	0.3	0.4	8.4	5.6	1.0	0.8	1.8	3.8	12.2	11.2
Committed	17.6	24.6	7.4	6.1	-	-	2.0	1.3	-	-	27.1	32.0
Assigned	1.6	1.2	-	-	-	-	-	-	-	-	1.6	1.2
Unassigned	22.7	24.8	-	-	-	-	-	-	-	-	22.7	24.8
Total	\$ 42.7	\$ 52.2	\$ 7.7	\$ 6.5	\$ 8.4	\$ 5.6	\$ 3.0	\$ 2.1	\$ 1.8	\$ 3.8	\$ 63.7	\$ 70.1

Due to rounding, some totals may not correspond with the sum of the separate figures.

The following table shows the changes in the individual fund balances for fiscal years 2025 and 2024:

Changes in Fund Balances – Governmental Funds For the Fiscal Years Ended June 30, 2025 and 2024 (\$ in Millions)

	General Fund		Capital Projects Fund		Special Transportation Fund		Affordable Housing Fund		Other Governmental Funds		Total**	
	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024
Revenues and other financing sources	\$ 128.4	\$ 145.9	\$ 14.4	\$ 6.1	\$ 12.5	\$ 8.0	\$ 2.3	\$ 4.4	\$ 1.0	\$ 0.3	\$ 138.9	\$ 156.2
Expenditures and other financing uses	137.9	137.7	13.1	2.4	9.6	7.1	1.4	3.0	3.0	3.4	145.3	145.1
Changes in Fund Balances	(9.5)	8.2	1.3	3.7	2.9	0.9	0.9	1.4	(2.0)	(3.1)	(6.4)	11.1
Fund balance at beginning of year	52.2	43.9	6.4	2.7	5.6	4.7	2.1	0.7	3.8	6.9	70.1	59.0
Fund balance at end of year	\$ 42.7	\$ 52.2	\$ 7.7	\$ 6.4	\$ 8.5	\$ 5.6	\$ 3.0	\$ 2.1	\$ 1.8	\$ 3.8	\$ 63.7	\$ 70.1

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

Due to rounding, some totals may not correspond with the sum of the separate figures.

The City Council adopted a target range of 12%-17% of General Fund expenditures for unassigned General Fund balance, with a requirement to meet the 12% minimum balance within 2 years of falling below it, and to meet the 17% balance within 3 additional years. The ending General Fund unassigned fund balance of \$22.7 million as of June 30, 2025 and

City of Falls Church, Virginia
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2025

\$24.8 million as of June 30, 2024 represents 19.0% and 21.7% of General Fund expenditures, respectively. The City has additional requirements for fund balance levels as discussed in the Long-Term Debt section of the MD&A.

Proprietary Funds

The City's enterprise funds provide the same type of information found in the government-wide financial statements, as the basis of accounting is the same. Factors concerning finances of the Sanitary Sewer and Stormwater funds have already been addressed in the discussion of the City's business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

In FY2025, City Council's original appropriation of expenditures and transfers for the General Fund totaled \$131.0 million funded with revenues and transfers of \$120.7 million, and the use of fund balance of \$10.3 million. Capital reserves were appropriated for use in capital projects in FY2025 for \$8.8 million.

Final amended budget appropriations for the General Fund, which include expenditures, other financing uses, and special items, were higher than the original budget by \$8.8 million or 6.7%. Primary uses and funding sources of the increases are as follows:

- \$5.6 million surplus from FY2024 for, among other things:
 - o \$2.5 million for capital projects including park improvements at the Fellows property (\$1.5 million) and transportation improvements (\$0.8 million) for the purchase of property from the Commonwealth of Virginia which was in turn sold to a developer.
 - o \$0.8 million transfer to schools for general operating expenses (\$0.4 million) and for the purchase of electric school buses (\$0.4 million).
 - o \$2.3 million to be placed in capital reserves (\$1.7 million) and building fee reserves (\$0.6 million)

Actual revenues and other financing sources were higher than final budget by \$3.1 million. Actual expenditures and other financing uses were lower than the final budget by \$1.9 million. Highlights of the comparison of final budget to actual figures for the fiscal year ended June 30, 2025 include the following:

- Overall tax revenues came in under budget by \$0.5 million or 0.5%, largely due to sales, meals, and business license taxes. Business that were expected to open during FY2025 were delayed, contributing to the shortfall.
- Investment income exceeded budget by \$1.0 million as interest rates continued to be at record highs of between 4% and 5%.
- Actual departmental expenditures shown in Schedule 1 were less than budgeted amounts by \$1.9 million. \$1.6 million of these have been encumbered for equipment and service contracts.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

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

- Transportation projects including Broad Street pedestrian crossings, Washington and Old Dominion Trail pedestrian crossings, and Berman Park trails were completed during FY2025.
- Transportation improvements at West Falls Church are still ongoing and are expected to be completed in FY2026. The City also has several other transportation projects in varying stages of completion.
- The Community Center HVAC project was also completed during FY2025.

City of Falls Church, Virginia
Management’s Discussion and Analysis
Fiscal Year Ended June 30, 2025

- Improvements to the stormwater infrastructure continued during FY2025 using Federal CSLFRF funds.

The City’s investment in capital assets, net of accumulated depreciation and amortization as of June 30, 2025 and 2024, amounted to approximately \$311.7 million and \$297.4 million, respectively, as summarized in the following table.

Capital Assets
As of June 30, 2025 and 2024
(\$ in Millions)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2025	2024	2025	2024	2025	2024
Nodepreciable						
Land	\$ 15.8	\$ 14.6	\$ -	\$ -	\$ 15.8	\$ 14.6
Land improvements	3.8	4.3	-	-	3.8	4.3
Intangibles	1.0	0.3	0.1	0.1	1.1	0.4
Construction in progress	27.3	26.9	3.3	2.5	30.6	29.4
	<u>47.9</u>	<u>46.1</u>	<u>3.4</u>	<u>2.6</u>	<u>51.3</u>	<u>48.7</u>
Depreciable						
Buildings and system	209.4	209.4	22.9	22.6	232.3	232.0
Machinery and equipment	45.3	36.7	1.4	1.3	46.7	38.0
Improvements other than buildings	23.1	17.1	2.3	2.3	25.4	19.4
Purchased capacity	-	-	24.3	23.6	24.3	23.6
Infrastructure	20.7	16.6	15.2	12.7	35.9	29.3
Intangibles	3.9	4.0	-	-	3.9	4.0
Library collections	3.1	3.0	-	-	3.1	3.0
Leased assets - equipment	0.2	0.2	-	-	0.2	0.2
Subscription asset	0.8	0.5	0.1	0.1	0.9	0.6
Accumulated depreciation	(87.6)	(78.7)	(24.6)	(22.7)	(112.2)	(101.4)
	<u>218.9</u>	<u>208.8</u>	<u>41.5</u>	<u>39.9</u>	<u>260.4</u>	<u>248.7</u>
Total Capital Assets, Net	<u>266.8</u>	<u>254.9</u>	<u>44.9</u>	<u>42.5</u>	<u>311.7</u>	<u>297.4</u>

Due to rounding, some totals may not correspond with the sum of the separate figures.

See Note 8 in the notes to the financial statements for additional information pertaining to the city’s capital assets.

Long-Term Debt

The City maintains credit ratings of Aaa from Moody’s Investor Services and AAA from Standard and Poor’s Corporation and Fitch Ratings.

The City’s legal limit for outstanding debt is 10% of taxable assessed real property within the City, which was \$584.7 million and \$540.4 million as of June 30, 2025 and June 30, 2024, respectively. The City’s total long-term debt that is applicable to this limit was \$149.0 million as of June 30, 2025 and \$157.4 million as of June 30, 2024, and is well within the limits set by the Constitution of the Commonwealth of Virginia.

City of Falls Church, Virginia
Management’s Discussion and Analysis
Fiscal Year Ended June 30, 2025

The City Council also adopted a set of financial policies that sets the following policies related to debt supported by the General Fund:

1. Outstanding General Fund supported debt shall not exceed 5% of total taxable assessed value of real property. As of June 30, 2025, and 2024, total debt outstanding was 2.5% and 2.8%, respectively, of taxable assessed value of real property.
2. Annual debt service payments must be less than 12% of annual General Fund expenditures. General Fund debt service payments were 10.5% and 11.6% of General Fund expenditures in FY2025 and FY2024, respectively.
3. The 5-year payout ratio shall not be less than 25% and the 10-year payout ratio shall not be less than 50%. As a result of the large debt issued in 2019, the City’s 5-year payout ratio as of June 30, 2025 was 23.2% and 10-year payout ratio was 46.4%. The City’s 5-year payout ratio and 10-year payout ratio as of June 30, 2024 were 22.4% and 44.9%, respectively.

As indicated above, the City exceeded its 5-year and 10-year payout ratios. The City financial policies provide that when these ratios are exceeded, available fund balance must be between 15% and 20% of General Fund expenditures. Available fund balance consists of committed, assigned, and unassigned fund balances in the General Fund. As of June 30, 2025, available fund balance is \$41.9 million or 35.1% of General Fund expenditures.

In 2022, the West Falls CDA issued long-term revenue bonds in the amount of \$13.0 million. This debt will be paid through the collection of special assessments to be levied on the taxable real properties within the West Falls District. See Note 10 in the notes to the financial statements for additional information relative to the City’s long-term debt.

The School Board Component Unit relies upon the City to provide full faith and credit for any general obligation debt incurred. Therefore, the City reports general obligation debt incurred for school capital improvements as its own. The School Board reports as its own liability obligations for financed equipment purchases, leases, subscription liabilities, compensated absences, and pension.

The following table shows a summary of the City’s outstanding debt as of June 30, 2025 and 2024:

Outstanding Long-Term Debts							
As of June 30, 2025 and 2024							
(\$ in Millions)							
	Governmental Activities		Business-Type Activities		Total Primary Government		
	2025	2024	2025	2024	2025	2024	
General Obligation Bonds	\$ 135.6	\$ 142.6	\$ 7.0	\$ 8.2	\$ 142.6	\$ 150.8	
Revenue bonds	13.0	13.0	-	-	13.0	13.0	
Premiums and discounts, net	5.6	5.9	0.2	0.2	5.8	6.1	
Financed purchases	0.3	0.2	-	-	0.3	0.2	
Lease liabilities	0.1	0.1	-	-	0.1	0.1	
Subscription liabilities	0.5	0.3	0.1	0.0	0.6	0.3	
Compensated absences*	3.6	3.5	0.1	0.1	3.7	3.6	
Total Long-Term Liabilities	158.7	165.6	7.3	8.5	166.0	174.1	

*FY2024 amounts were restated. See Note 25.

Due to rounding, some totals may not correspond with the sum of the separate figures.

City of Falls Church, Virginia
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2025

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City's General Fund budget for FY2026 is \$133.3 million, a decrease of \$4.6 million over the FY2025 original budget or 3.3%.

The following are highlights of the City's General Fund budget for FY2026:

- Real estate tax revenues are expected to increase by 9.8% over the FY2025 budget as assessed values are expected to increase by 10.5%, fueled by growth in general market values (5.5%) and new construction (5.0%), stemming mainly from multi-family properties.
- Other taxes are expected to remain flat overall, as compared to the FY2025 budget.
- The general government operating budget (excluding debt service and transfers to Schools and other funds) will increase by \$3.5 million or 6.4% as compared to FY2025 original budget. A 5% across-the-board increase in salaries is provided for in the budget.
- Debt service cost will decrease by \$1.8 million or 15.2%, following the maturation of the debt issued for the Mary Ellen Henderson Middle School.
- The City's transfer to the School Board will increase by \$2.7 million or 5.0%.
- The General Fund budget includes a transfer to the Capital Improvements Program Fund and the Special Transportation Fund totaling \$4.2 million. This is a \$7.6 million decrease from the FY2025 transfer of \$11.8 million, funded primarily with capital reserves.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide the citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional information, contact the City of Falls Church, Division of Finance, 300 Park Avenue, Falls Church, VA 22046.

Respectfully submitted,



Melissa Ryman

Deputy Director of Finance

(formerly Interim Director of Finance)



Basic Financial Statements

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Government-Wide Financial Statements



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City of Falls Church, Virginia

Exhibit 1

Statement of Net Position

June 30, 2025

	Primary Government			Discretely Presented Component Units	
	Governmental Activities	Business-Type Activities	Total	School Board	Economic Development Authority
ASSETS					
Cash and investments (Note 4)	\$ 75,578,810	\$ 22,732,021	\$ 98,310,831	\$ 6,675,607	\$ 811,467
Lease receivables (Note 11)	-	-	-	-	21,614,025
Receivables, net (Note 5)	12,159,386	1,323,149	13,482,535	161,266	7,185
Due from other governments - custodial funds	2,145	-	2,145	-	-
Internal balances (Note 7)	371,503	-	371,503	-	-
Due from pension/OPEB plans (Note 7)	92,792	-	92,792	32,233	-
Due from primary government (Note 7)	-	-	-	6,635,378	-
Due from other governments (Note 6)	4,072,826	157,300	4,230,126	707,531	-
Prepays	29,648	-	29,648	50,343	-
Inventories	131,207	18,536	149,743	-	-
Restricted cash and cash equivalents (Note 4)	5,068,551	5,744	5,074,295	-	-
Net OPEB asset (Note 21)	4,874,810	193,617	5,068,427	5,509,906	-
Net pension asset (Note 17)	25,782,392	949,590	26,731,982	3,373,583	-
Capital assets: (Note 8)					
Nondepreciable	47,895,189	3,331,729	51,226,918	1,317,903	2,839,549
Depreciable and amortizable, net	218,946,704	41,552,638	260,499,342	9,513,292	1,257,911
Total assets	395,005,963	70,264,324	465,270,287	33,977,042	26,530,137
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows related to pensions (Note 17)	4,061,540	203,957	4,265,497	12,199,039	-
Deferred outflows related to OPEB (Note 21)	1,022,338	23,519	1,045,857	1,513,444	-
Deferred amount on refunding, net	-	38,327	38,327	-	-
Total deferred outflows of resources	5,083,878	265,803	5,349,681	13,712,483	-
LIABILITIES					
Accounts payable and other liabilities	8,590,745	1,114,225	9,704,970	7,426,064	12,066
Accrued interest	2,162,487	75,596	2,238,083	14,181	-
Customer deposits	1,979,949	-	1,979,949	-	-
Unearned revenue (Note 9)	6,229,053	-	6,229,053	94,755	-
Internal balances (Note 7)	-	371,503	371,503	-	-
Due to component unit (Note 7)	6,635,378	-	6,635,378	-	-
Due to other governments (Note 6)	330,155	-	330,155	-	-
Noncurrent liabilities:					
Due within one year (Note 10)	9,032,838	1,064,419	10,097,257	2,290,335	-
Due in more than one year:					
Net pension liability (Note 17)	-	-	-	29,443,059	-
Net OPEB liability (Note 21)	1,239,197	-	1,239,197	5,126,849	-
Other long-term liabilities (Note 10)	149,640,999	6,275,875	155,916,874	6,245,493	-
Total liabilities	185,840,801	8,901,618	194,742,419	50,640,736	12,066
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows related to pensions (Note 17)	3,813,354	182,584	3,995,938	6,161,437	-
Deferred inflows related to OPEB (Note 21)	1,955,802	53,840	2,009,642	2,071,451	-
Deferred amount on refunding, net	114,276	-	114,276	-	-
Deferred inflows related to leases (Note 11)	-	-	-	-	37,596,560
Deferred property taxes (Note 9)	8,105,605	-	8,105,605	-	-
Total deferred inflows of resources	13,989,037	236,424	14,225,461	8,232,888	37,596,560
NET POSITION					
Net investment in capital assets	112,990,293	37,039,307	150,029,600	8,521,684	4,097,460
Restricted for:					
Pension and OPEB	30,657,202	1,143,207	31,800,409	8,883,489	-
Grants	7,067,784	-	7,067,784	-	-
Unrestricted (Deficit)	49,544,724	23,209,571	72,754,295	(28,589,272)	(15,175,949)
Total net position	\$ 200,260,003	\$ 61,392,085	\$ 261,652,088	\$ (11,184,099)	\$ (11,078,489)

City of Falls Church, Virginia

Statement of Activities

Year Ended June 30, 2025

Functions	Program Revenues				Net (Expense) Revenue and Changes in Net Position				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units	
					Governmental Activities	Business-Type Activities	Total	School Board	Economic Development Authority
Primary Government:									
Governmental activities:									
General government	\$ 11,203,641	\$ 83,067	\$ 365,891	\$ -	\$ (10,754,683)		\$ (10,754,683)		
Judicial administration	2,712,078	1,485,451	193,698	-	(1,032,929)		(1,032,929)		
Public safety	14,007,026	2,620,263	684,482	31,391	(10,670,890)		(10,670,890)		
Public works	9,222,566	494,590	1,552,892	8,421,714	1,246,630		1,246,630		
Health and welfare	3,455,306	5,730	10,000	-	(3,439,576)		(3,439,576)		
Parks, recreation, and cultural	7,979,552	2,774,143	314,084	242,637	(4,648,688)		(4,648,688)		
Community development	7,669,850	2,170,305	402,130	83,865	(5,013,550)		(5,013,550)		
Economic development	920,722	-	-	-	(920,722)		(920,722)		
Education	61,043,838	-	-	3,478,798	(57,565,040)		(57,565,040)		
Interest	4,751,116	-	120,233	-	(4,630,883)		(4,630,883)		
Total governmental activities	122,965,695	9,633,549	3,643,410	12,258,405	(97,430,331)		(97,430,331)		
Business-type activities:									
Sewer	3,983,465	7,665,383	-	61,595		\$ 3,743,513	3,743,513		
Stormwater	2,036,006	1,932,462	-	2,159,270		2,055,726	2,055,726		
Total business-type activities	6,019,471	9,597,845	-	2,220,865		5,799,239	5,799,239		
Total primary government	\$ 128,985,166	\$ 19,231,394	\$ 3,643,410	\$ 14,479,270	(97,430,331)	5,799,239	(91,631,092)		
Discretely Presented Component Units:									
School Board	\$ 67,283,498	\$ 4,422,621	\$ 12,792,324	\$ 1,679,112				\$ (48,389,441)	\$ -
Economic Development Authority	4,923,773	-	-	-				-	(4,923,773)
Total component units	\$ 72,207,271	\$ 4,422,621	\$ 12,792,324	\$ 1,679,112				(48,389,441)	(4,923,773)
General revenues:									
General property taxes					76,137,082	-	76,137,082	-	-
Other local taxes:									
Business licenses					5,718,174	-	5,718,174	-	-
Local sales and use					7,240,401	-	7,240,401	-	-
Consumer utility					2,059,343	-	2,059,343	-	-
Motor vehicle decals					345,222	-	345,222	-	-
Real estate recordation taxes					524,187	-	524,187	-	-
Occupancy, tobacco, and other					7,365,623	-	7,365,623	-	-
Payments from City					-	-	-	53,681,066	477,338
Payments from EDA					4,681,599	-	4,681,599	-	-
Intergovernmental, non-categorical aid					6,574,445	-	6,574,445	-	-
Revenue from use of money and property, unrestricted					3,150,401	860,312	4,010,713	524,182	1,216,932
Revenue from use of money and property, restricted					95,272	-	95,272	-	-
Miscellaneous					14,183	-	14,183	33,817	7,185
Transfers					(1,540,318)	1,540,318	-	-	-
Total general revenues					112,365,614	2,400,630	114,766,244	54,239,065	1,701,455
Change in net position					14,935,283	8,199,869	23,135,152	5,849,624	(3,222,318)
NET POSITION (DEFICIT) AT JULY 1,									
AS PREVIOUSLY PRESENTED					186,067,977	53,216,932	239,284,909	(13,320,857)	(7,856,171)
RESTATEMENT (Note 25)					(743,257)	(24,716)	(767,973)	(3,712,866)	-
NET POSITION (DEFICIT) AT JULY 1, AS RESTATED					185,324,720	53,192,216	238,516,936	(17,033,723)	(7,856,171)
NET POSITION (DEFICIT) AT JUNE 30					\$ 200,260,003	\$ 61,392,085	\$ 261,652,088	\$ (11,184,099)	\$ (11,078,489)



Fund Financial Statements

City of Falls Church, Virginia

Exhibit 3

Balance Sheet
Government Funds
June 30, 2025

	General	Capital Projects	Special Transportation	Affordable Housing	Other Governmental	Total Governmental
ASSETS						
Cash and investments	\$ 53,685,264	\$ 11,202,329	\$ 7,041,065	\$ 3,650,152	\$ -	\$ 75,578,810
Receivables, net	11,803,232	-	-	354,313	1,841	12,159,386
Due from other governments - custodial funds	2,145	-	-	-	-	2,145
Internal balances (Note 7)	371,503	-	-	-	-	371,503
Due from other funds	-	-	2,359	-	459,575	461,934
Due from pension/OPEB plans (Note 7)	92,792	-	-	-	-	92,792
Due from other governments	1,604,827	192,637	2,053,317	-	-	3,850,781
Prepays	29,648	-	-	-	-	29,648
Inventories	131,207	-	-	-	-	131,207
Restricted cash and cash equivalents	205,619	267,052	-	2,867,683	1,728,197	5,068,551
Total assets	<u>\$ 67,926,237</u>	<u>\$ 11,662,018</u>	<u>\$ 9,096,741</u>	<u>\$ 6,872,148</u>	<u>\$ 2,189,613</u>	<u>\$ 97,746,757</u>
LIABILITIES						
Accounts payable and other liabilities	\$ 5,224,695	\$ 2,390,290	\$ 607,108	\$ 1,428	\$ 367,224	\$ 8,590,745
Customer deposits	1,979,949	-	-	-	-	1,979,949
Unearned revenue (Note 9)	951,406	1,542,577	50,000	3,685,070	-	6,229,053
Due to other funds (Note 7)	461,934	-	-	-	-	461,934
Due to component units	6,635,378	-	-	-	-	6,635,378
Due to other governments	330,155	-	-	-	-	330,155
Total liabilities	<u>15,583,517</u>	<u>3,932,867</u>	<u>657,108</u>	<u>3,686,498</u>	<u>367,224</u>	<u>24,227,214</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue (Note 9)	9,633,486	-	-	173,980	-	9,807,466
Total deferred inflows of resources	<u>9,633,486</u>	<u>-</u>	<u>-</u>	<u>173,980</u>	<u>-</u>	<u>9,807,466</u>
FUND BALANCES						
Fund balances (Note 26):						
Nonspendable	160,855	-	-	-	-	160,855
Restricted	639,849	328,942	8,439,633	988,877	1,822,389	12,219,690
Committed	17,628,072	7,400,209	-	2,022,793	-	27,051,074
Assigned	1,583,240	-	-	-	-	1,583,240
Unassigned	22,697,218	-	-	-	-	22,697,218
Total fund balances	<u>42,709,234</u>	<u>7,729,151</u>	<u>8,439,633</u>	<u>3,011,670</u>	<u>1,822,389</u>	<u>63,712,077</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 67,926,237</u>	<u>\$ 11,662,018</u>	<u>\$ 9,096,741</u>	<u>\$ 6,872,148</u>	<u>\$ 2,189,613</u>	<u>\$ 97,746,757</u>

City of Falls Church, Virginia

Exhibit 4

**Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2025**

Total Fund Balance		\$	63,712,077
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>			
<p>Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds.</p>			
Nondepreciable	\$	47,895,189	
Depreciable, net		218,946,704	266,841,893
<p>Certain receivables are not available to pay for current-period expenditures and, therefore, are deferred in the funds.</p>			
			1,701,861
<p>Financial statement elements related to pensions and OPEB are applicable to future periods and, therefore, are not reported in the funds.</p>			
Deferred outflows related to pensions		4,061,540	
Deferred outflows related to OPEB		1,022,338	
Deferred inflows related to pensions		(3,813,354)	
Deferred inflows related to OPEB		(1,955,802)	
Net pension asset - all plans		25,782,392	
Net OPEB liability - all plans		(1,239,197)	
Net OPEB asset - all plans		4,874,810	28,732,727
<p>Long-term receivables, such as due from other governments, are not reported in the governmental funds.</p>			
			222,045
<p>Long-term liabilities and deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the governmental funds.</p>			
Bonds payable, including unamortized deferred amounts		(148,632,015)	
Premium and discounts, net of accumulated amortization		(5,563,790)	
Deferred amount on refunding, net of accumulated amortization		(114,276)	
Financed purchases		(331,478)	
Lease liabilities		(72,386)	
Subscription liabilities		(493,436)	
Compensated absences		(3,580,732)	(158,788,113)
<p>Interest on long-term liabilities is not accrued in governmental funds, but is recognized as an expenditure when due.</p>			
			(2,162,487)
Total Net Position - Governmental Activities		\$	200,260,003

City of Falls Church, Virginia

Exhibit 5

Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds
 Year Ended June 30, 2025

	General	Capital Projects	Special Transportation	Affordable Housing	Other Governmental	Total Governmental
REVENUES						
General property taxes	\$ 76,276,211	\$ -	\$ -	\$ -	\$ -	\$ 76,276,211
Other local taxes	23,080,710	-	-	-	-	23,080,710
Permits, privilege fees, and regulatory licenses	1,715,355	-	-	-	-	1,715,355
Fines and forfeitures	1,086,481	-	-	-	-	1,086,481
Use of money and property	2,904,881	-	6,610	314,943	128,704	3,355,138
Charges for services	4,574,439	-	-	1,135,169	-	5,709,608
Special assessments	-	-	-	-	919,150	919,150
Miscellaneous	144,272	-	-	-	-	144,272
Gifts and contributions	587,777	-	-	-	-	587,777
Recovered costs	236,723	-	-	-	-	236,723
Intergovernmental						
Commonwealth	4,925,189	1,996,435	4,361,554	371,140	-	11,654,318
Federal	4,803,748	-	2,617,045	-	-	7,420,793
Schools	-	1,365,000	-	-	-	1,365,000
EDA	4,681,599	-	-	-	-	4,681,599
Total revenues	<u>125,017,385</u>	<u>3,361,435</u>	<u>6,985,209</u>	<u>1,821,252</u>	<u>1,047,854</u>	<u>138,233,135</u>
EXPENDITURES						
Current:						
General government	10,970,300	-	-	-	-	10,970,300
Judicial administration	2,699,627	-	-	-	-	2,699,627
Public safety	14,359,397	-	-	-	-	14,359,397
Public works	8,545,059	-	-	-	-	8,545,059
Health and welfare	3,441,308	-	-	-	-	3,441,308
Parks, recreation, and cultural	6,542,398	-	-	-	-	6,542,398
Community development	6,027,984	-	-	1,437,547	147,654	7,613,185
Economic development	490,424	-	-	-	-	490,424
Education	53,715,262	-	-	-	-	53,715,262
Capital outlay	-	13,144,343	6,866,383	-	2,176,041	22,186,767
Debt service:						
Principal retirement	7,988,990	-	-	-	-	7,988,990
Interest and fiscal charges	4,512,635	-	-	-	698,750	5,211,385
Total expenditures	<u>119,293,384</u>	<u>13,144,343</u>	<u>6,866,383</u>	<u>1,437,547</u>	<u>3,022,445</u>	<u>143,764,102</u>
Excess (deficiency) of revenues over (under) expenditures	<u>5,724,001</u>	<u>(9,782,908)</u>	<u>118,826</u>	<u>383,705</u>	<u>(1,974,591)</u>	<u>(5,530,967)</u>
OTHER FINANCING SOURCES (USES)						
Issuance of financed purchases and other liabilities	652,196	-	-	-	-	652,196
Transfers in	2,727,000	11,080,114	5,465,020	502,769	-	19,774,903
Transfers out	(18,588,221)	-	(2,727,000)	-	-	(21,315,221)
Total other financing sources (uses)	<u>(15,209,025)</u>	<u>11,080,114</u>	<u>2,738,020</u>	<u>502,769</u>	<u>-</u>	<u>(888,122)</u>
Net change in fund balance	(9,485,024)	1,297,206	2,856,846	886,474	(1,974,591)	(6,419,089)
FUND BALANCES AT JULY 1	<u>52,194,258</u>	<u>6,431,945</u>	<u>5,582,787</u>	<u>2,125,196</u>	<u>3,796,980</u>	<u>70,131,166</u>
FUND BALANCES AT JUNE 30	<u>\$ 42,709,234</u>	<u>\$ 7,729,151</u>	<u>\$ 8,439,633</u>	<u>\$ 3,011,670</u>	<u>\$ 1,822,389</u>	<u>\$ 63,712,077</u>

**Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the Statement of Activities
Year Ended June 30, 2025**

Net Change in Fund Balance - Governmental Funds \$ (6,419,089)

Amounts reported for governmental activities in the Statement of Activities are different because:

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 or amortization expense.

Capital outlays	\$ 22,897,704	
Depreciation and amortization expense	<u>(10,817,691)</u>	12,080,013

In the Statement of Activities, only the gain or loss on the sale of capital assets is reported, whereas in the governmental funds, the entire proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balances by the cost of the property sold.

(153,557)

Revenues in the funds that do not provide current financial resources are not reported as revenues in the Statement of Activities.

Debt proceeds	(652,196)	
Change in deferred inflow of resources	<u>216,884</u>	(435,312)

Revenues in the funds that do not provide current financial resources are not reported as revenues in the statement of activities

(224,876)

Governmental funds report employer pension and OPEB contributions as expenditures. However, in the statement of activities the cost of pension and OPEB benefits earned net of employee contributions is reported as pension and OPEB expense.

Employer pension contributions	415,438	
Employer OPEB contributions	249,433	
Pension expense	856,459	
OPEB (income) expense	<u>120,382</u>	1,641,712

The repayment of the principal of long-term debt consumes current financial resources of governmental funds. However, the transaction has no effect on net position.

8,024,733

Some expenses reported in the Statement of Activities, such as compensated absences do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Change in compensated absences		(38,631)
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Governmental funds report the effect of bond issuance costs, premiums, and discounts when debt is first issued; whereas, these amounts are deferred and amortized in the Statement of Activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, interest expense is recognized as it accrues, regardless of when it is due. The net effect of those differences is as follows:

Amortization of discounts and premiums	299,080	
Amortization of deferred amount from refundings	29,554	
Change in accrued interest payable	<u>131,656</u>	460,290

Change in Net Position - Governmental Activities \$ 14,935,283

City of Falls Church, Virginia

Exhibit 7

**Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
General Fund
Year Ended June 30, 2025**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
REVENUES				
General property taxes	\$ 75,554,272	\$ 75,554,272	\$ 76,276,211	\$ 721,939
Other local taxes	24,268,500	24,268,500	23,080,710	(1,187,790)
Permits, privilege fees, and regulatory licenses	1,454,200	1,454,200	1,715,355	261,155
Fines and forfeitures	550,000	550,000	1,086,481	536,481
Use of money and property	1,874,465	1,874,465	2,904,881	1,030,416
Charges for services	3,900,792	4,059,792	4,574,439	514,647
Miscellaneous	28,000	28,000	144,272	116,272
Gifts and contributions	16,800	113,800	587,777	473,977
Recovered costs	317,700	317,700	236,723	(80,977)
Intergovernmental				
Commonwealth	4,837,669	4,841,202	4,925,189	83,987
Federal	450,297	4,836,219	4,803,748	(32,471)
EDA	4,681,799	4,681,799	4,681,599	(200)
Total revenues	<u>117,934,494</u>	<u>122,579,949</u>	<u>125,017,385</u>	<u>2,437,436</u>
EXPENDITURES				
Current:				
General government	10,421,283	10,967,614	10,720,272	247,342
Judicial administration	2,722,877	2,757,950	2,699,627	58,323
Public safety	14,765,669	14,597,778	14,359,397	238,381
Public works	8,807,160	9,603,405	8,545,059	1,058,346
Health and welfare	3,432,042	3,487,833	3,441,308	46,525
Parks, recreation, and cultural	6,208,907	6,597,596	6,542,398	55,198
Community development	6,214,582	6,169,777	6,027,984	141,793
Economic development	477,843	505,692	490,424	15,268
Education	52,866,262	53,715,262	53,715,262	-
Debt service:				
Principal retirement	7,988,990	7,988,990	7,988,990	-
Interest and fiscal charges	4,513,797	4,513,797	4,512,635	1,162
Total expenditures	<u>118,419,412</u>	<u>120,905,694</u>	<u>119,043,356</u>	<u>1,862,338</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(484,918)</u>	<u>1,674,255</u>	<u>5,974,029</u>	<u>4,299,774</u>
OTHER FINANCING SOURCES (USES)				
Issuance of financed purchases and other liabilities	-	-	652,196	652,196
Transfers in	2,727,000	2,727,000	2,727,000	-
Transfers out	<u>(12,559,830)</u>	<u>(18,838,504)</u>	<u>(18,838,612)</u>	<u>(108)</u>
Total other financing sources uses	<u>(9,832,830)</u>	<u>(16,111,504)</u>	<u>(15,459,416)</u>	<u>652,088</u>
Net change in fund balance	<u>\$ (10,317,748)</u>	<u>\$ (14,437,249)</u>	<u>\$ (9,485,387)</u>	<u>\$ 4,951,862</u>

Statement of Net Position
Proprietary Funds
June 30, 2025

	Business-Type Activities – Enterprise Funds		
	Sanitary Sewer	Stormwater	Total
ASSETS			
Current assets:			
Cash and investments	\$ 18,371,808	\$ 4,360,213	\$ 22,732,021
Receivables, net	1,288,104	35,045	1,323,149
Due from other governments	65,242	92,058	157,300
Inventories	12,469	6,067	18,536
Restricted cash and cash equivalents	151	5,593	5,744
Total current assets	19,737,774	4,498,976	24,236,750
Noncurrent assets:			
Net OPEB asset	118,095	75,522	193,617
Net pension asset	405,829	543,761	949,590
Capital assets, net	30,410,018	14,474,349	44,884,367
Total noncurrent assets	30,933,942	15,093,632	46,027,574
Total assets	50,671,716	19,592,608	70,264,324
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	127,537	76,420	203,957
Deferred outflows related to OPEB	14,345	9,174	23,519
Deferred amount on refunding, net	38,327	-	38,327
Total deferred outflows of resources	180,209	85,594	265,803
LIABILITIES			
Current liabilities:			
Accounts payable and other liabilities	727,770	386,455	1,114,225
Accrued interest	51,600	23,996	75,596
Due to other funds	158,138	213,365	371,503
Compensated absences, current	32,449	69,535	101,984
Subscription liability, current	15,903	15,903	31,806
Debt, current	762,001	168,628	930,629
Total current liabilities	1,747,861	877,882	2,625,743
Noncurrent liabilities:			
Compensated absences	12,080	25,883	37,963
Subscription liability	9,479	9,479	18,958
Debt	4,428,352	1,790,602	6,218,954
Total noncurrent liabilities	4,449,911	1,825,964	6,275,875
Total liabilities	6,197,772	2,703,846	8,901,618
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	109,502	73,082	182,584
Deferred inflows related to OPEB	32,839	21,001	53,840
Total deferred inflows of resources	142,341	94,083	236,424
NET POSITION			
Net investment in capital assets	24,819,296	12,220,011	37,039,307
Restricted for pension and OPEB	523,924	619,283	1,143,207
Unrestricted	19,168,592	4,040,979	23,209,571
Total net position	\$ 44,511,812	\$ 16,880,273	\$ 61,392,085

**Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
Year Ended June 30, 2025**

	Business-Type Activities – Enterprise Funds		
	Sanitary Sewer	Stormwater	Total
OPERATING REVENUES			
Charges for fees and services	\$ 4,875,122	\$ 1,932,462	\$ 6,807,584
Total operating revenues	<u>4,875,122</u>	<u>1,932,462</u>	<u>6,807,584</u>
OPERATING EXPENSES			
Collection, conveyance, and disposal	1,709,255	587,134	2,296,389
Administration	679,451	910,231	1,589,682
Depreciation and amortization	1,469,967	483,951	1,953,918
Total operating expenses	<u>3,858,673</u>	<u>1,981,316</u>	<u>5,839,989</u>
Operating income (loss)	<u>1,016,449</u>	<u>(48,854)</u>	<u>967,595</u>
NONOPERATING REVENUES (EXPENSES)			
Availability fees	2,790,261	-	2,790,261
Interest and investment gains	756,152	104,160	860,312
Interest expense	(124,792)	(54,690)	(179,482)
Net nonoperating revenues	<u>3,421,621</u>	<u>49,470</u>	<u>3,471,091</u>
CAPITAL CONTRIBUTIONS	<u>61,595</u>	<u>3,699,588</u>	<u>3,761,183</u>
Change in net position	4,499,665	3,700,204	8,199,869
NET POSITION AT JULY 1, AS PREVIOUSLY PRESENTED	<u>40,039,009</u>	<u>13,177,923</u>	<u>53,216,932</u>
RESTATEMENT (Note 25)	(26,862)	2,146	(24,716)
NET POSITION AT JULY 1, AS RESTATED	<u>40,012,147</u>	<u>13,180,069</u>	<u>53,192,216</u>
NET POSITION AT JUNE 30	<u><u>\$ 44,511,812</u></u>	<u><u>\$ 16,880,273</u></u>	<u><u>\$ 61,392,085</u></u>

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2025**

	Business-type Activities – Enterprise Funds		
	Sanitary Sewer	Stormwater	Total
OPERATING ACTIVITIES			
Receipts from customers	\$ 5,003,618	\$ 1,838,150	\$ 6,841,768
Interfund reimbursements	(165,626)	(234,696)	(400,322)
Payments to suppliers	(1,285,415)	(1,071,741)	(2,357,156)
Payments to employees	(547,711)	(914,714)	(1,462,425)
Net cash provided by (used in) operating activities	<u>3,004,866</u>	<u>(383,001)</u>	<u>2,621,865</u>
NONCAPITAL FINANCING ACTIVITIES			
Interfund borrowing	12,924	32,049	44,973
Net cash provided by noncapital financing activities	<u>12,924</u>	<u>32,049</u>	<u>44,973</u>
CAPITAL AND RELATED FINANCING ACTIVITIES			
Transfers from other funds	-	1,540,318	1,540,318
Proceeds from federal grants	-	1,468,404	1,468,404
Availability fees	2,790,261	-	2,790,261
Purchases of capital assets	(1,478,839)	(2,098,357)	(3,577,196)
Principal paid on capital debt	(1,114,584)	(138,395)	(1,252,979)
Interest paid on capital debt	(129,961)	(50,725)	(180,686)
Net cash provided by capital and related financing activities	<u>66,877</u>	<u>721,245</u>	<u>788,122</u>
INVESTING ACTIVITIES			
Interest and investment gains	756,152	104,160	860,312
Net increase in cash and cash equivalents	<u>3,840,819</u>	<u>474,453</u>	<u>4,315,272</u>
CASH AND CASH EQUIVALENTS JULY 1	14,531,140	3,891,353	18,422,493
CASH AND CASH EQUIVALENTS JUNE 30	<u>\$ 18,371,959</u>	<u>\$ 4,365,806</u>	<u>\$ 22,737,765</u>
RECONCILIATION TO EXHIBIT 8			
Cash and investments	\$ 18,371,808	\$ 4,360,213	\$ 22,732,021
Restricted cash and cash equivalents	151	5,593	5,744
Total	<u>\$ 18,371,959</u>	<u>\$ 4,365,806</u>	<u>\$ 22,737,765</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES			
Operating income (loss)	\$ 1,016,449	\$ (48,854)	\$ 967,595
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	1,469,967	483,951	1,953,918
Pension expense, net of employer contributions	28,005	(2,859)	25,146
OPEB expense, net of employer contributions	(11,296)	(7,231)	(18,527)
Change in assets and liabilities:			
(Increase) decrease in:			
Receivables, net	128,496	(94,312)	34,184
Increase (decrease) in:			
Accounts payable and other liabilities	367,697	(725,583)	(357,886)
Compensated absences	5,548	11,887	17,435
Net cash provided by (used in) operating activities	<u>\$ 3,004,866</u>	<u>\$ (383,001)</u>	<u>\$ 2,621,865</u>
NONCASH INVESTING AND FINANCING ACTIVITIES:			
Capital asset purchases included in accounts payable	\$ 413,315	\$ 269,725	\$ 683,040
Subscription asset	28,452	28,452	56,904
Contributions of capital assets	61,595	690,866	752,461
Total noncash investing and financing activities	<u>\$ 503,362</u>	<u>\$ 989,043</u>	<u>\$ 1,492,405</u>

City of Falls Church, Virginia
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2025

Exhibit 11

	Post Employment Benefit Trust	Custodial Fund
ASSETS		
Cash and cash equivalents	\$ 4,847,514	\$ 7,728,724
Investments:		
Domestic equity securities	113,736,674	-
Domestic fixed-income securities	27,366,191	-
International equity securities	44,438,529	-
Real estate Securities	14,509,117	-
Infrastructure	13,227,518	-
Other investments	-	413,780
Contributions receivable	222,045	-
Due from other governments	-	154,918
Interest and dividends receivable	172,699	-
Receivables	-	94,153
Net OPEB asset	-	99,518
Net pension asset	-	1,707,513
Capital assets, net	-	10,337,417
Total assets	<u>218,520,287</u>	<u>20,536,023</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amount on refunding	-	10,901
Deferred outflows related to pensions	-	402,781
Deferred outflows related to OPEB	-	23,281
Total deferred outflows of resources	<u>-</u>	<u>436,963</u>
LIABILITIES		
Accounts payable and other liabilities	168,685	654,429
Lease and SBITA liabilities	-	153,406
Bonds payable	-	915,025
Due to general fund (Note 6)	-	2,145
Due to City (Note 7)	125,025	-
Total liabilities	<u>293,710</u>	<u>1,725,005</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to leases	-	87,619
Deferred inflows related to pensions	-	227,830
Deferred inflows related to OPEB	-	53,196
Total deferred inflows of resources	<u>-</u>	<u>368,645</u>
NET POSITION		
Restricted for:		
Pension benefits	195,633,753	-
Other post-employment benefits	22,592,824	-
Individuals, organizations, and other governments	-	18,879,336
Total net position	<u>\$ 218,226,577</u>	<u>\$ 18,879,336</u>

Statement of Changes in Fiduciary Net Position
 Fiduciary Funds
 Year Ended June 30, 2025

	Post Employment Benefit Trust	
	Funds	Custodial Fund
ADDITIONS		
Employer contributions	\$ 576,065	\$ -
Employee contributions	1,464,618	-
Investment earnings:		
Interest	188,652	-
Dividends	2,258,233	-
Net increase in fair value of investments	23,882,394	-
Total investment gains	26,329,279	-
Less investment expenses	(481,025)	-
Net investment earnings	25,848,254	-
Charges for services	-	4,111,065
Grants and contributions	-	992,158
Debt service assessments	-	801,046
Lease revenue	-	153,530
Investment earnings	-	441,556
Miscellaneous	-	64,840
Total additions	27,888,937	6,564,195
DEDUCTIONS		
Benefits	9,128,931	-
Administration	193,081	-
Personnel services and benefits	-	2,409,844
Purchased services	-	1,234,087
Materials and supplies	-	613,815
Depreciation	-	969,048
Interest expense	-	51,365
Miscellaneous	-	17,558
Total deductions	9,322,012	5,295,717
Change in net position	18,566,925	1,268,478
NET POSITION AT JULY 1, AS PREVIOUSLY PRESENTED	199,659,652	17,701,709
RESTATEMENT (Note 25)	-	(90,851)
NET POSITION AT JULY 1, AS RESTATED	199,659,652	17,610,858
NET POSITION AT JUNE 30	\$ 218,226,577	\$ 18,879,336

City of Falls Church, Virginia

Notes to Financial Statements

June 30, 2025

Note 1 – Summary of Significant Accounting Policies

Reporting Entity

The City of Falls Church, Virginia (the “City”) incorporated as an independent city in 1948 under laws of the Commonwealth of Virginia. The City operates under a Council-Manager form of government and provides municipal services such as general administration, police, fire, street maintenance, sanitation, health and social services, recreation, library, planning, and community development. Those services are provided either directly by the City or through contracts with the Counties of Arlington and Fairfax, Virginia. Through the City of Falls Church School Board, the City provides elementary and secondary education to residents.

The accompanying financial statements present the City and its component units.

Discretely presented component units are legally separate entities for which the elected officials of the primary government are financially accountable, the entity’s governing body is not substantially the same as that of the primary government, and the entities do not provide services solely to or for the benefit of the primary government. They are reported in separate columns to emphasize they are legally separate from the primary government. The following organizations are reported as discretely presented component units and neither publish their own financial reports.

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

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

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Likewise, the primary government is reported separately from its component units.

Separate fund financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The emphasis of these financial statements is on major governmental and enterprise funds, which are presented in separate columns. All remaining governmental funds are aggregated and reported in one column as nonmajor funds.

Major Governmental Funds: The General Fund is the City’s primary operating fund. It is used to account for all financial resources except those required to be accounted for in another fund. The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by the proprietary funds). The Special Transportation fund is used to account for transportation taxes received through the Northern Virginia Transportation Authority and transportation grants received mainly from the Virginia Department of

City of Falls Church, Virginia

Notes to Financial Statements

June 30, 2025

Transportation and expenditures and other uses related to these funds. The Affordable Housing Fund was originally established with a commitment from City Council. The fund has since received contributions from developers for affordable housing initiatives. The City expects to continue to receive contributions from developers and other entities to this fund.

Proprietary Funds: The Sanitary Sewer Fund and Stormwater Fund are used to account for the financing, construction, and operations of the City's sanitary sewer and stormwater systems.

Nonmajor Special Revenue Fund: The West Falls Community Development Authority ("CDA") was created for the purpose of issuing bonds to pay for public infrastructure in the West Falls District, and administering a special assessment on property in the district to pay the debt service of those bonds, plus eligible administrative expenses associated with the district. Accordingly, this fund presents the CDA transactions as reported in the separate financial report of the CDA.

The City also reports the following fiduciary funds:

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

Custodial Fund: This fund accounts for assets held in an agency capacity for Northern Virginia Criminal Justice Academy.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the economic resources measurement focus and the accrual basis of accounting, revenues are generally recognized when earned and expenses are recognized at the time a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been satisfied.

Amounts reported as program revenues in the government-wide financial statements include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than program revenues. Likewise, general revenues include all taxes. The City charges all costs except interest on long-term obligations and depreciation to the appropriate function at the time such costs are incurred. Depreciation has been allocated to each function. Interest on long-term obligations is shown as a separate line item in the government-wide financial statements.

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

City of Falls Church, Virginia

Notes to Financial Statements

June 30, 2025

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues from the use of money and from intergovernmental reimbursement grants are recorded as earned. Other revenues are considered to be available if they are collectible within 60 days after year-end. The primary revenues susceptible to accrual include property taxes, business licenses, and other local taxes and intergovernmental revenues. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the individual programs are used as guidance. Expenditures generally are recorded when a liability is incurred, as under the accrual basis of accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recognized only when payment is due. General capital asset acquisitions are reported as capital outlays in governmental funds. Proceeds of general long-term debt and acquisitions under leases and subscription liabilities are reported as other financing sources.

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity

Deposits and Investments

The City's cash and investments other than amounts held in fiduciary funds include certificates of deposit, Local Government Investment Pool assets, overnight repurchase agreements, short-term U.S. Government obligations and other highly liquid investments, which are readily convertible to known amounts of cash and mature within three months of the date acquired by the City.

Fair Value Measurements

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles ("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 significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

Receivables and Payables

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

All trade and property tax receivables, including those for the sanitary sewer and stormwater funds, are shown net of an allowance for estimated uncollectible amounts. The allowance is calculated using historical collection data and, in certain cases, specific account analysis.

City of Falls Church, Virginia

Notes to Financial Statements

June 30, 2025

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

Inventories and Prepaids

Inventories are valued at the lower of cost (using the first in, first out method) or market and are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaids.

Real Estate and Business Personal Property Taxes

The City bills real estate taxes on a fiscal year. Property is assessed at its value on January 1. Property taxes attach as an enforceable lien on property as of January 1. Taxes are payable on June 6 and December 5. The City bills and collects its own taxes. Real estate and business-related personal property taxes are levied each fiscal year on all taxable property located in the City, and are accounted for in the General Fund. Therefore, real estate and business-related personal property taxes that are due within the current fiscal year and collected within 60 days subsequent to year-end are recorded as revenue. The real estate tax rate for fiscal year 2025 was \$1.210, per \$100 of assessed value.

Personal Property Taxes

The City levies personal property taxes on motor vehicles and other personal property. These levies are assessed on a calendar year basis as of January 1. Personal property taxes are due on October 5 and are considered delinquent if not received by the due date. On January 1, personal property taxes become an enforceable lien on related property. The tax rate for calendar year 2024 was \$4.80 per \$100 of assessed value. Under the provisions of the Personal Property Tax Relief Act of 1998 ("PPTRA"), the City received approximately \$2.02 million for the State's share of the local personal property tax payment with the remainder collected by the City.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Capital Assets

Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, and similar items), and right-of-use assets derived from leases are reported in the applicable governmental or business-type activities columns in the Statement of Net Position. The City defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

City of Falls Church, Virginia

Notes to Financial Statements

June 30, 2025

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

	<u>Years</u>
Infrastructure	20-50
Purchased capacity	20-40
Buildings and systems	50
Improvements other than buildings	10-20
Machinery and equipment	5-20
Library collections	5
Intangibles	3-30

Leased and subscription-based assets are amortized over the shorter of the term or useful life of the underlying asset using the straight-line method. In leases where a purchase option is reasonably certain of being exercised, the asset is amortized over the useful life, unless the underlying asset is non-depreciable, in which the leased asset is not amortized.

Deferred Outflows/Inflows of Resources

In addition to assets, the statements which present financial position report a separate section for deferred outflows of resources, which represents a consumption of net assets that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statements which present financial position report a separate section for deferred inflows of resources, which represents an acquisition of net assets that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time.

The City has the following items that qualify for reporting as deferred inflows or outflows:

- Deferred amount on refunding. A deferred amount on refunding is a deferred outflow or inflow, which results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Contributions subsequent to the measurement date for pensions and Other Postemployment Benefits (“OPEB”) are always a deferred outflow; this will be applied to the net pension or OPEB liability in the next fiscal year.
- Differences between expected and actual experience for economic/demographic factors in the measurement of the total pension or OPEB liability. This difference will be recognized in pension or OPEB expense over the expected average remaining service life of all employees provided with benefits in the plan and may be reported as a deferred inflow or outflow as appropriate.
- Difference between projected and actual earnings on pension and OPEB plan investments. This difference will be recognized in pension or OPEB expense over the closed five-year period and may be reported as a deferred outflow or inflow as appropriate.
- Changes of assumptions. This difference will be recognized in pension or OPEB expense over the closed five-year period and may be reported as a deferred outflow or inflow as appropriate.
- Changes in proportionate share that will be recognized in the pension or OPEB expense over the average expected remaining service lives of all employees provided with benefits. This may be reported as a deferred outflow or a deferred inflow as appropriate.
- Unavailable revenue occurs only under the modified accrual basis of accounting and is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from property taxes and other receivables not collected within 60 days of year-end. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

City of Falls Church, Virginia

Notes to Financial Statements

June 30, 2025

- Lease-related amounts are recognized at the inception of the lease in which the City is the lessor. The deferred inflow of resources is recorded at an amount equal to the corresponding lease receivable plus certain additional amounts received from the lessee at or before the commencement of the lease term that relate to future periods, less any lease incentives paid to, or on behalf of, the lessee at or before the commencement of the lease term. The inflow of resources is recognized in a systematic and rational manner over the term of the lease.

Pensions and Other Postemployment Benefits (OPEB)

For purposes of measuring all financial statement elements related to VRS-administered pension and OPEB plans, information about the fiduciary net position of the City's Plans and the additions to/deductions from the City's 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.

The City administers their own pension and OPEB plans. Information about the fiduciary net position and the additions to/deductions from the plan's net fiduciary position have been determined by the City's actuary. 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.

Compensated Absences

All reporting entity employees earn annual leave and sick leave based on a prescribed formula. In addition, employees may accrue compensatory leave for hours worked in excess of their scheduled hours. Upon termination of employment, permanent City employees are entitled to payment of 100% of unused annual leave, generally 25% of unused sick leave, and all of their compensatory leave not to exceed 100 hours for certain employees. School Board 12-month contract employees are paid up to 320 hours of their annual leave and all sick leave at a rate equivalent to 25 percent of the hourly salary of step 15 of the masters +30 on the Falls Church City Public Schools' 200-day teacher salary scale.

The compensated absences liabilities include unused leave balances that are more likely than not to be used or paid out in the future in the government-wide, proprietary, and fiduciary fund financial statements as well as the portion that is more likely than not to be paid at the employee's termination. The city and School board uses the last in, first out method of estimation for the compensated absences. A liability is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

Termination Benefits

The School Board makes payments to eligible employees upon retirement equal to 100% of the average of the three highest years of salaries earned by the employee. The payment is paid monthly in up to 60 equal installments. If the retiree dies during the benefit period, the payments cease. In 2003, the School Board adopted a "sunset" provision for this benefit, which restricted eligibility to employees who had already met eligibility requirements by July 1, 2002.

The liability for this benefit is estimated using the eligible employees' last salary as of June 30, including employer Social Security and Medicare taxes and was approximately \$177,000 as of June 30, 2025. This liability is liquidated by the School Operating Fund.

City of Falls Church, Virginia

Notes to Financial Statements

June 30, 2025

Long-term Obligations

In the government-wide financial statements, and for proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face value of the debt issued plus premium is reported as other financing sources. Discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Balances

Fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

- **Nonspendable** – Amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.
- **Restricted** – 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** – Amounts can only be used for specific purposes pursuant to constraints imposed by formal action of the City Council through adoption of a resolution. Only City Council may modify or rescind the commitment.
- **Assigned** - Amounts the City intends to use for a specified purpose; intent can be expressed by City Council or by the City Manager or Finance Director, who has been designated this Authority.
- **Unassigned** – Amounts that are available for any purpose; positive amounts are reported only in the General Fund.

Restricted Amounts

The City applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Minimum Fund Balance Policy

The General Fund reserve target is 17%, but not less than 12%, of current year expenditures. In the event that the unassigned fund balance is used for unforeseen emergency needs, the City shall restore the unassigned fund balance to 12% within two fiscal years. To the extent additional funds are necessary to restore the Unassigned Fund Balance to 17%; such funds shall be accumulated in no more than three approximately equal contributions each fiscal year. This provides for full recovery of the targeted fund balance amount within five years.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the appropriation, is employed as an extension of formal budgetary integration in the governmental funds. Significant encumbrances as of June 30, total approximately \$1,583,240 in the general fund.

City of Falls Church, Virginia

Notes to Financial Statements

June 30, 2025

Net Position

Net investment in capital assets, consists of capital assets, including right-of-use assets arising from leases and subscription assets, net of accumulated depreciation and amortization, reduced by the outstanding balances of any borrowings and liabilities used for the acquisition, construction, or improvement of those assets. Net investment in capital assets excludes unspent debt proceeds. Net position is reported as restricted when there are limitations imposed on use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

School Board Debt/Capital Asset Reporting

The City issues debt to finance the construction of school facilities because the School Board does not have borrowing or taxing authority. The City reports this debt in its financial statements. The capital assets acquired by such debt are reported by the City until such time as the outstanding indebtedness is retired, at which time, the net book value is transferred to and reported by the School Board.

Note 2 – Intergovernmental Agreements

The City has agreements with several governmental units to provide certain governmental services to the City. They are detailed below:

County of Fairfax

The City, the County of Fairfax (“Fairfax”), and the City of Fairfax comprise the Fairfax-Falls Church Community Services Board (“CSB”), established under State mandate in 1969, to provide mental health, mental retardation, and drug and alcohol abuse treatment services to residents of the three jurisdictions. The CSB uses Fairfax as its fiscal agent. During 2025, the City paid the CSB approximately \$1.25 million.

The City makes payments for the full cost of the local portion of public assistance payments and for the use of special County health and recreation facilities by City residents. During 2025, the City paid approximately \$644,000 for these services.

The City uses Fairfax’s landfills for waste disposal and charges are based on tipping fees. During 2025, the City paid approximately \$163,000 for these services.

The City has an agreement with Fairfax to share in the cost of its sewage treatment facilities. During 2025, the City paid approximately \$990,000 for sewage treatment costs. In 2008, another upgrade was commenced at the Alexandria Sanitation Treatment Plant. The City paid approximately \$730,000 in 2025 for its share of the costs of the upgrade. All amounts relating to the City’s share of these capital costs are recorded as capital assets in the Sanitary Sewer Fund.

County of Arlington

The City contracts its fire and rescue, jail, E-911, radio bandwidth, and certain judicial services, to Arlington County, Virginia (“Arlington”). During 2025, the City paid Arlington approximately \$2.7 million for fire and rescue services, \$495,000 for jail services, and \$797,000 for judicial services.

The City also receives payment from Arlington for its share of the cost of operating a girls’ home facility. Payments received during 2025 amounted to approximately \$676,000.

City of Falls Church, Virginia

Notes to Financial Statements

June 30, 2025

The City has an agreement with Arlington to share in the cost of its sewage treatment facilities. During 2025, the City paid Arlington approximately \$268,000 for operating costs.

Fairfax Water

Fairfax Water performs sanitary sewer billing and collection services. During 2025, Fairfax Water billed \$4.37 million in sanitary sewer fees and remitted \$4.38 million to the City. The City paid Fairfax Water \$129,000 for these services.

City of Fairfax

During 2018, the City entered into an agreement to replace the City of Fairfax's Fire Arms Range. During 2020, the asset was capitalized by the City for \$1.2 million. In subsequent years, the City will pay a portion of the maintenance cost in exchange for the use of the facilities, and will receive a prorated refund of the capital contribution over 30 years. The agreement is effective until terminated or amended. During 2025, the City paid \$42,000 for maintenance costs; however, no amounts were received as refund for the contribution.

Northern Virginia Criminal Justice Training Academy ("NVCJA")

Along with other local jurisdictions, the City entered into an agreement to assist in financing NVCJA, which was established to provide training to local law enforcement officers. The City appoints members of the governing body of NVCJA, however, it does not retain an ongoing financial interest. During 2025, the City paid NVCJA approximately \$74,000 for its share of operating and debt service costs.

Joint Ventures

Northern Virginia Transportation Commission ("NVTC")

The NVTC is a joint venture with the cities of Alexandria, Fairfax, and Falls Church and the counties of Arlington, Fairfax, and Loudoun. It was established to improve the transportation systems composed of transit facilities, public highways, and other modes of transportation. The Commonwealth of Virginia has authorized a 2.1% fuel tax to be used for transportation systems through NVTC. While each jurisdiction effectively controls NVTC's use of motor fuel tax proceeds from that jurisdiction, they do not have an explicit measurable equity interest in NVTC. Complete financial statements of NVTC may be obtained by visiting the Commission's website at novatransit.org/resources/audited-financial-statements.

Northern Virginia Transportation Authority ("NVTA")

The NVTA is a joint venture with the cities of Alexandria, Fairfax, Manassas, Manassas Park, and Falls Church and the counties of Arlington, Fairfax, Loudoun, and Prince William. The Authority is responsible for long-range transportation planning for regional transportation projects in Northern Virginia and sets regional transportation policies and priorities for regional transportation projects. While the jurisdictions have representatives as members of the governing body of the Authority, the jurisdictions do not have an explicit measurable equity interest in NVTA. Beginning in 2014, House Bill 2313 gave the Authority responsibility over the collection and distribution of certain dedicated taxes for transportation including 1% additional sales tax, 2% additional transient and occupancy tax and 1.5% additional grantor's tax. By law, 30% of these additional revenues are distributed to the jurisdictions provided they implement the commercial and industrial tax of 12.5 cents, or dedicate some other funds towards transportation. The other 70% will be used towards regional transportation projects approved by the Authority and implemented by the jurisdictions. In 2025, the City received approximately \$1.4 million of these taxes. Complete financial statements of NVTA may be obtained by visiting the Authority's website at thenovaauthority.org/media/annual-reports.

City of Falls Church, Virginia

Notes to Financial Statements

June 30, 2025

Washington Metropolitan Area Transit Authority (“WMATA”)

The City participates in a joint venture with other local jurisdictions to share in the cost of a regional transportation system but does not maintain an equity interest in WMATA. The City is required to make certain contributions annually to WMATA pursuant to the Interjurisdictional Funding Agreement for Bus Service and the Fifth Interim Capital Contributions Agreement, which were executed in fiscal years 1999 and 1992, respectively. During 2025, the City’s required contributions amounted to approximately \$6.6 million. The City received \$2.2 million from the Virginia Department of Rail and Public Transportation to pay for this obligation. The remaining \$4.4 million came from tax revenue and other sources. Complete financial statements of WMATA may be obtained at 600 5th Street, NW, Washington, DC 20001.

Note 3 – Stewardship, Compliance, and Accountability

Budgetary Information

Formal budgetary integration is employed as a management control device during the year. Budgets for all governmental funds of the primary government and component units are adopted by the City Council on an annual basis consistent with GAAP with the exception of Capital Projects and Special Transportation Funds. The Council adopts project-length budgets for these funds. The following procedures are used by the City in establishing the budgetary data reflected in the financial statements:

1. On a date fixed by the Council, the City Manager submits to Council a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Ordinance. Appropriated annual budgets are adopted for the General Fund of the primary government and the School Operating, Community Service, and Food Service funds of the School Board. If for any reason, the Council fails to adopt the appropriation ordinance prior to July 1, the previous fiscal year’s budget remains in effect on a month-to-month basis until the Council adopts the budgets.
4. The Appropriations Ordinance is adopted at the fund and department level. The appropriation for each department can be revised through resolution by the Council. The City Manager is authorized to transfer unencumbered balances within departments only.
5. Unencumbered appropriations lapse on June 30 except for those of the Capital Projects Fund, which are carried into the following year on a continuing appropriation basis unless there have been no expenditures in the project for the last three fiscal years. Encumbrance accounting is employed in governmental funds and proprietary funds. Encumbrances outstanding at year-end are reported as assignments of fund balances unless they are already restricted or committed, and do not constitute expenditures or liabilities because the expenses have not yet been incurred; rather, the commitments are automatically reappropriated and honored during the subsequent year.
6. Original and final budgeted amounts are shown. The City required budget amendments during the year, representing a net increase of approximately \$4.1 million in the General Fund.

Abiding by GASB 54, the City’s Falls Church Community Television Fund, which has a separate legally adopted budget, is utilized for internal reporting purposes only. For financial statement reporting (GAAP-basis), the FCCTV Fund is collapsed into the General Fund. For budgetary basis reporting, the FCCTV Fund is not included with the General Fund.

City of Falls Church, Virginia

Notes to Financial Statements

June 30, 2025

The following is a reconciliation of the results of operations for the year on the budgetary basis to the GAAP basis:

	<u>General Fund</u>
Net change in fund balance (non-GAAP budgetary basis)	\$ (9,485,387)
Add: Net change in fund balance for FCCTV Fund	363
Net change in fund balance (GAAP basis)	<u>\$ (9,485,024)</u>

Note 4 – 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.

Investments

Investment Policy - In accordance with the *Code of Virginia* and other applicable law, including regulations, the City’s investment policy permits investments in U.S. Government obligations, obligations of the Commonwealth of Virginia or political subdivisions thereof, prime quality commercial paper, and certain corporate notes, bankers acceptances, repurchase agreements, negotiable certificates of deposit, bank deposit notes, mutual funds that invest exclusively in securities specifically permitted under the Policy, the State Treasurer’s State Non-Arbitrage Program (SNAP, a pooled investment fund), the State Treasurer’s Local Government Investment Pool (the “Virginia LGIP”), the Virginia Investment Pool (“VIP”), and the Virginia Municipal League’s Stable Net Asset Value pool. These funds are not registered with the SEC but are overseen by the Treasurer of Virginia and the State Treasury Board. The carrying value of the City’s position in the pools is the same as the value of the pool shares and is reported within the guidelines of GASB Statement 79.

The City’s investments are subject to credit risk, concentration of credit risk, interest rate risk, and custodial risk as described below. The City’s investments are not subject to foreign currency risk.

Credit Risk

As required by state statute, the Policy requires that commercial paper have a short-term debt rating of no less than “A-1” (or its equivalent) from at least two of the following: Moody’s Investors Service, Standard & Poor’s, and Fitch Ratings, Inc., provided that the issuing corporation has a net worth of at least \$50 million and its long-term debt is rated “A” or better by Moody’s and Standard & Poor’s. Banker’s acceptances and Certificates of Deposit maturing in less than one year must have a short-term debt rating of at least two of the following: at least “A-1” by Standard & Poor’s; at least “P-1” by Moody’s Investors Service; or at least “F-1” by Fitch Ratings Inc.

Although State Statute does not impose credit standards on repurchase agreement counterparties, bankers’ acceptances or money market mutual funds, the City has established stringent credit standards for these investments to minimize portfolio risk.

As of June 30, 2025, 35% of the portfolio was invested in certificate of deposits, 1% in SNAP, 1% in US Treasuries, and 63% in the Virginia Municipal League Investment Pool (“VML”).

City of Falls Church, Virginia

Notes to Financial Statements

June 30, 2025

Concentration of Credit Risk

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

Interest Rate Risk

As a means of limiting exposure to fair value losses arising from rising interest rates, the Policy limits the investment of operating funds to investments with a stated maturity of no more than 1 year from the date of purchase, with no more than 10% with maturities of more than six months from date of purchase. Reserve funds for the Sanitary Sewer and Stormwater Funds may be invested in securities with longer maturities and proceeds from the sale of bonds must be invested in SNAP to manage arbitrage requirements.

Custodial Credit Risk

The Policy requires that all investment securities purchased by the City be held by the City or by a third-party custodial agent who may not otherwise be counterparty to the investment transaction. As of June 30, all of the City's investments are held in a bank's trust department in the City's name.

The City's investments consisted of the following:

<u>Investment Type</u>	<u>Fair Value</u>	<u>S & P Credit Rating</u>
Primary Government:		
Certificate of deposits	\$ 28,608,115	N/A
SNAP	553,537	AAAm
US Treasuries	1,201,601	AA+
VML	51,023,091	AAAm
Primary government investments	<u>81,386,344</u>	
Component Unit – School Board:		
LGIP	6,159,558	AAAm
Component Unit – EDA:		
LGIP	557,345	AAAm
Component unit investments	<u>6,716,903</u>	
Total investments	<u><u>\$ 88,103,247</u></u>	

City of Falls Church, Virginia

Notes to Financial Statements

June 30, 2025

Cash and investments consist of the following:

	Component Units		
	Primary Government	School Board	Economic Development Authority
Deposits and investments:			
Demand deposits	\$ 21,472,186	\$ 516,049	\$ 254,122
Money market	526,596	-	-
Certificate of deposits	28,608,115	-	-
LGIP	-	6,159,558	557,345
SNAP	553,537	-	-
US Treasuries	1,201,601	-	-
VML	51,023,091	-	-
	\$ 103,385,126	\$ 6,675,607	\$ 811,467

Cash and investments are reflected in the financial statements as follows:

	Primary Government	School Board	Economic Development Authority
Statement of net position:			
Cash and investments	\$ 98,310,831	\$ 6,675,607	\$ 811,467
Restricted cash and cash equivalents	5,074,295	-	-
	\$ 103,385,126	\$ 6,675,607	\$ 811,467

Restricted cash and cash equivalents consist of unspent bond proceeds and customer deposits.

Post-Employment Trust Funds

As of June 30, the City's post-employment trust funds had the following cash, cash equivalents, and investments:

Investment Type	Fair Value
Money market funds	\$ 4,847,514
Domestic equities	113,736,674
Domestic fixed income	27,366,191
International equities	44,438,529
Real estate securities	14,509,117
Infrastructure	13,227,518
Total cash, cash equivalents, and investments	\$ 218,125,543

Pension Funds

Investment Policy:

In accordance with the *Code of Virginia* and other applicable law, including City Council resolutions, the Pension Fund's investment policy permits investments in domestic fixed-income securities, domestic and international equities, and real estate investment trusts. The authority and responsibility for the administration, management and operation of the City

City of Falls Church, Virginia

Notes to Financial Statements

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retirement plans are vested in the Retirement Board as described in the City Ordinance #1097. Investments of the Pension Fund are held by trustees.

Concentration of Credit Risk:

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

	<u>Minimum</u>	<u>Maximum</u>	<u>Actual</u>
Domestic equities	45%	59%	53%
Domestic fixed income	12%	20%	12%
International equities	15%	23%	21%
Real Estate	7%	10%	8%
Infrastructure	3%	7%	7%

Market Risk:

Investments of the pension fund are held for the long-term and may be subject to short-term fluctuations in fair value due to market conditions and changes in interest rates. Foreign currency risk, a subset of market risk, is controlled by limiting exposure to international equities. The performance of specific investment types in the portfolio will periodically result in actual balances above or below the limitations set by policy.

Other Post-Employment Benefits (OPEB) Fund

Investment Policy:

In accordance with the *Code of Virginia* and other applicable law, including City Council resolutions, the OPEB Fund's investment policy permits investments in domestic fixed-income securities, domestic and international equities, and real estate investment trusts. The authority and responsibility for the administration, management and operation of the City OPEB trust fund is vested in the Pension Board as described in the City Ordinance #1903. Investments of the OPEB Fund are held by trustees.

Concentration of Credit Risk:

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

	<u>Minimum</u>	<u>Maximum</u>	<u>Actual</u>
Domestic equities	46%	66%	57%
Domestic fixed income	18%	26%	23%
International equities	15%	23%	20%

Market Risk:

Investments of the OPEB fund are held for the long-term and may be subject to short-term fluctuations in fair value due to market conditions and changes in interest rates. Foreign currency risk, a subset of market risk, is controlled for by

City of Falls Church, Virginia

Notes to Financial Statements

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

Fair Value

The City and Schools categorize its fair value measurements within the fair value hierarchy established by GAAP. The City and Schools have the following recurring fair value measurements as of June 30, 2025:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common stocks/equity securities:				
Healthcare	\$ 2,407,428	\$ -	\$ -	\$ 2,407,428
Financial Services	438,914	-	-	438,914
Industrial Goods	3,443,943	-	-	3,443,943
Infrastructure	-	13,227,518	-	13,227,518
Information Technology	5,132,909	-	-	5,132,909
Consumer Goods	198,480	-	-	198,480
Consumer Cyclical	901,573	-	-	901,573
Consumer Defensive	905,244	-	-	905,244
Real Estate	5,731,476	-	8,777,641	14,509,117
International (MFS)	28,004,179	15,436,624	-	43,440,803
Money Market	4,847,514	-	-	4,847,514
Mutual Funds	106,509,602	-	-	106,509,602
	<u>\$ 158,521,262</u>	<u>\$ 28,664,142</u>	<u>\$ 8,777,641</u>	<u>\$ 195,963,045</u>

Mutual funds and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Equity securities classified in Level 2 of the fair value hierarchy are valued using quoted prices for similar securities and interest rates. Level 3 investments use unobservable inputs for valuations of real estate and debt including pricing models and discounted cash flow models.

Net Asset Value (NAV):

Certain investments that are measured at fair value using net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy per a provision of GASB Statement 72, *Fair Value Measurement and Application*. The following investments are valued at NAV:

<u>Investment</u>	<u>Fair Value</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
US Bank Investments	\$ 22,162,270	Quarterly	3 - 5 days
MMLIC	228	Monthly	2 - 5 days

City of Falls Church, Virginia

Notes to Financial Statements

June 30, 2025

Note 5 – Receivables

	Governmental Activities	Business- Type Activities	Total
Receivables:			
Accounts-billed	\$ 895,012	\$ 503,149	\$ 1,398,161
Accounts-unbilled	-	833,000	833,000
Other	1,924,717	-	1,924,717
Property taxes:			
Delinquent	1,942,856	-	1,942,856
Not yet due	8,181,505	-	8,181,505
Allowances for uncollectible:			
Accounts receivable	(398,704)	(13,000)	(411,704)
Property taxes:			
Delinquent	(310,000)	-	(310,000)
Not yet due	(76,000)	-	(76,000)
Total allowances for uncollectible	(784,704)	(13,000)	(797,704)
Total net receivables	<u>\$ 12,159,386</u>	<u>\$ 1,323,149</u>	<u>\$ 13,482,535</u>

Note 6 – Due from/to Other Governments

Amounts due from other governments are as follows:

	Governmental Activities	Business-Type Activities	Component Unit – School Board
Commonwealth of Virginia			
State sales tax	\$ -	\$ -	\$ 658,621
Local sales tax	1,252,387	-	-
Communication tax	89,031	-	-
Transportation funds	252,291	-	-
Grants for capital projects	407,480	65,242	-
Total	<u>2,001,189</u>	<u>65,242</u>	<u>658,621</u>
Federal			
Other federal funds	1,385,154	92,058	48,910
Total	<u>1,385,154</u>	<u>92,058</u>	<u>48,910</u>
Other governments			
Arlington County	268,222	-	-
Other	418,261	-	-
Total	<u>686,483</u>	<u>-</u>	<u>-</u>
Total due from other governments	<u>\$ 4,072,826</u>	<u>\$ 157,300</u>	<u>\$ 707,531</u>

Amounts due to other governments of \$330,155 in governmental activities consist of amounts owed to Arlington, the Department of Motor Vehicles, and other governments. Long-term receivables that are due to Arlington for various services, which are not reported in the general fund were \$222,045.

City of Falls Church, Virginia

Notes to Financial Statements

June 30, 2025

In addition, due to a custodial relationship between the City and NVCJA, the City shows \$2,145 as due from other governments – custodial funds in the Statement of Net Position.

Note 7 – Interfund Activity and Transfers

The City’s cash receipt and disbursement transactions are initiated in the General Fund. Amounts applicable to the other funds are accounted for through interfund receivable and payable accounts. Interfund receivables and payables typically result when funds overdraw their share of the pooled cash and from interfund reimbursements for administrative costs. All amounts are expected to be paid within one year.

At June 30, 2025, the City had a due to balance to the School Board \$6,635,378, as a result of accounts payable balances to be refunded.

Interfund balances and due to/from amounts consisted of the following:

	Due (to) from
Major Fund:	
General	\$ 2,361
Special transportation	2,359
Non-major Fund:	
CDA	459,575
Proprietary funds:	
Sewer	(158,138)
Stormwater	(213,365)
Fiduciary Funds:	
Pension benefits	(44,635)
OPEB benefits	(48,157)
	\$ -

The amount due to the general fund is the net of amount due from the Pension, OPEB, Sewer, and Stormwater funds and the amount due to other funds. The amount noted above related to fiduciary funds includes \$32,233 School OPEB (see Schedule 4).

Transfers consisted of the following:

	Transfers In	Transfers Out
Governmental funds:		
General fund	\$ 2,727,000	\$ 18,588,221
Capital projects	11,080,114	-
Special transportation	5,465,020	2,727,000
Affordable housing	502,769	-
Business-Type Funds:		
Stormwater	1,540,318	-
	\$ 23,691,994	\$ 23,691,994

The majority of amounts transferred relate to funding needs for capital asset activity.

City of Falls Church, Virginia

Notes to Financial Statements

June 30, 2025

Note 8 – Capital Assets

Capital asset activity was as follows:

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital asset, non-depreciable:				
Land	\$ 14,577,388	\$ 1,194,758	\$ -	\$ 15,772,146
Land improvements	4,315,311	-	(454,162)	3,861,149
Intangibles	311,275	675,913	-	987,188
Construction in progress	26,891,373	17,081,205	(16,697,872)	27,274,706
Total capital assets, non-depreciable	<u>46,095,347</u>	<u>18,951,876</u>	<u>(17,152,034)</u>	<u>47,895,189</u>
Capital assets, being depreciated or amortized:				
Buildings and systems	209,379,297	15,941	-	209,395,238
Machinery and equipment	36,699,849	9,862,873	(1,244,034)	45,318,688
Improvements other than buildings	17,146,538	5,904,851	-	23,051,389
Infrastructure	16,561,507	4,088,831	-	20,650,338
Intangibles	3,971,349	8,960	(30,790)	3,949,519
Library collections	3,083,285	320,043	(254,564)	3,148,764
Lease assets - equipment	200,314	-	-	200,314
Subscription asset	456,248	442,201	(79,896)	818,553
Total capital assets, being depreciated/ amortized	<u>287,498,387</u>	<u>20,643,700</u>	<u>(1,609,284)</u>	<u>306,532,803</u>
Less accumulated depreciation or amortization for:				
Buildings and systems	(45,733,665)	(6,308,377)	-	(52,042,042)
Machinery and equipment	(17,388,173)	(2,387,106)	1,177,387	(18,597,892)
Improvements other than buildings	(5,503,341)	(912,543)	413,236	(6,002,648)
Infrastructure	(5,523,345)	(456,401)	-	(5,979,746)
Intangibles	(2,171,149)	(214,435)	30,790	(2,354,794)
Library collections	(2,170,980)	(324,954)	254,564	(2,241,370)
Lease assets - equipment	(93,290)	(40,627)	-	(133,917)
Subscription asset	(94,354)	(173,248)	33,912	(233,690)
Total accumulated depreciation/ amortization	<u>(78,678,297)</u>	<u>(10,817,691)</u>	<u>1,909,889</u>	<u>(87,586,099)</u>
Total capital assets, depreciable, net	<u>208,820,090</u>	<u>9,826,009</u>	<u>300,605</u>	<u>218,946,704</u>
Capital assets, net	<u>\$ 254,915,437</u>	<u>\$ 28,777,885</u>	<u>\$ (16,851,429)</u>	<u>\$ 266,841,893</u>

City of Falls Church, Virginia

Notes to Financial Statements

June 30, 2025

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Business-Type Activities:</u>				
<u>Sanitary Sewer Fund:</u>				
Capital assets, non-depreciable:				
Intangibles	\$ 40,000	\$ -	\$ -	\$ 40,000
Construction in progress	303,604	1,239,271	(1,033,267)	509,608
Total capital assets, non-depreciable	<u>343,604</u>	<u>1,239,271</u>	<u>(1,033,267)</u>	<u>549,608</u>
Capital assets, being depreciated or amortized:				
Buildings and systems	22,487,145	278,135	-	22,765,280
Machinery and equipment	610,429	20,800	-	631,229
Purchased capacity	23,588,849	729,754	-	24,318,603
Intangibles	9,900	-	-	9,900
Subscription asset	46,060	28,452	(20,767)	53,745
Total capital assets, being depreciated/ amortized	<u>46,742,383</u>	<u>1,057,141</u>	<u>(20,767)</u>	<u>47,778,757</u>
Less accumulated depreciation or amortization for:				
Buildings and systems	(4,242,449)	(431,920)	-	(4,674,369)
Machinery and equipment	(212,766)	(68,629)	-	(281,395)
Purchased capacity	(11,970,240)	(955,517)	-	(12,925,757)
Intangibles	(9,900)	-	-	(9,900)
Subscription asset	(33,792)	(13,901)	20,767	(26,926)
Total accumulated depreciation/ amortization	<u>(16,469,147)</u>	<u>(1,469,967)</u>	<u>-</u>	<u>(17,918,347)</u>
Total capital assets, depreciable, net	<u>30,273,236</u>	<u>(412,826)</u>	<u>-</u>	<u>29,860,410</u>
Capital assets, net	<u>\$ 30,616,840</u>	<u>\$ 826,445</u>	<u>\$ (1,033,267)</u>	<u>\$ 30,410,018</u>

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Business-Type Activities:</u>				
<u>Stormwater Fund:</u>				
Capital assets, non-depreciable:				
Construction in progress	\$ 2,207,081	\$ 2,413,811	\$ (1,838,771)	\$ 2,782,121
Total capital assets, non-depreciable	<u>2,207,081</u>	<u>2,413,811</u>	<u>(1,838,771)</u>	<u>2,782,121</u>
Capital assets, being depreciated or amortized:				
Buildings and systems	86,499	-	-	86,499
Machinery and equipment	738,654	20,801	-	759,455
Improvements other than buildings	2,336,435	-	-	2,336,435
Infrastructure	12,690,182	2,463,106	-	15,153,288
Intangibles	7,244	-	-	7,244
Subscription asset	46,060	28,453	(20,768)	53,745
Total capital assets, being depreciated/ amortized	<u>15,905,074</u>	<u>2,512,360</u>	<u>(20,768)</u>	<u>18,396,666</u>

City of Falls Church, Virginia

Notes to Financial Statements

June 30, 2025

	Beginning Balance	Increases	Decreases	Ending Balance
Less accumulated depreciation or amortization for:				
Buildings and systems	(26,238)	(3,460)	-	(29,698)
Machinery and equipment	(342,475)	(69,184)	-	(411,659)
Improvements other than buildings	(1,021,018)	(125,049)	-	(1,146,067)
Infrastructure	(4,810,489)	(272,355)	-	(5,082,844)
Intangible	(7,244)	-	-	(7,244)
Subscription asset	(33,791)	(13,903)	20,768	(26,926)
Total accumulated depreciation/ amortization	(6,241,255)	(483,951)	20,768	(6,704,438)
Total capital assets, depreciable, net	9,663,819	2,028,409	-	11,692,228
Capital assets, net	11,870,900	4,442,220	(1,838,771))	14,474,349
Business-type capital assets, net	\$ 42,487,740	\$ 5,268,665	\$ (2,872,038)	\$ 44,884,367

Component Unit – School Board

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, non-depreciable:				
Land	\$ 1,317,903	\$ -	\$ -	\$ 1,317,903
Total capital assets, non-depreciable	1,317,903	-	-	1,317,903
Capital assets, being depreciated or amortized:				
Buildings and systems	1,235,161	1,582,899	-	2,818,060
Machinery and equipment	8,419,510	962,028	-	9,381,538
Improvements other than buildings	642,118	93,816	-	735,934
Library collections	823,014	62,622	(40,512)	845,124
Intangibles	18,156	-	-	18,156
Lease assets - buildings	2,021,263	-	-	2,021,263
Lease assets - equipment	800,304	-	-	800,304
Subscription asset	1,585,941	532,660	(334,584)	1,784,017
Total capital assets, being depreciated/ amortized	15,545,467	3,234,025	(375,096)	18,404,396
Less accumulated depreciation or amortization for:				
Buildings and systems	(161,698)	(86,546)	-	(248,244)
Machinery and equipment	(4,519,037)	(882,204)	-	(5,401,241)
Improvements other than buildings	(196,397)	(38,263)	-	(234,660)
Library collections	(331,081)	(99,613)	40,512	(390,182)
Intangible	(18,156)	-	-	(18,156)
Lease assets - buildings	(918,756)	(183,751)	-	(1,102,507)
Lease assets - equipment	(453,506)	(160,061)	-	(613,567)
Subscription asset	(718,338)	(474,232)	310,023	(882,547)
Total accumulated depreciation/ amortization	(7,316,969)	(1,924,670)	350,535	(8,891,104)

City of Falls Church, Virginia

Notes to Financial Statements

June 30, 2025

	Beginning Balance	Increases	Decreases	Ending Balance
Total capital assets, depreciable, net	8,228,498	1,309,355	(24,561)	9,513,292
Capital assets, net	\$ 9,546,401	\$ 1,309,355	\$ (24,561)	\$ 10,831,195

Component Unit – Economic Development Authority:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, non-depreciable:				
Land	\$ 2,839,549	\$ -	\$ -	\$ 2,839,549
Total capital assets, non-depreciable	2,839,549	-	-	2,839,549
Capital assets, depreciable				
Buildings and systems	1,104,001	-	-	1,104,001
Improvements other than buildings	351,535	-	-	351,535
Intangibles	37,500	-	-	37,500
Total capital assets, being depreciated/ amortized	1,493,036	-	-	1,493,036
Less accumulated depreciation for:				
Buildings and systems	(85,003)	(30,069)	-	(115,072)
Improvements other than buildings	(79,095)	(35,154)	-	(114,249)
Intangible	(447)	(5,357)	-	(5,804)
Total accumulated depreciation/ amortization	(164,545)	(70,580)	-	(235,125)
Total capital assets, depreciable, net	1,328,491	(70,580)	-	1,257,911
Capital assets, net	\$ 4,168,040	\$ (70,580)	\$ -	\$ 4,097,460

Depreciation and amortization expense was charged to functions/programs as follows:

Primary Government - Governmental activities:		
General government	\$	1,221,312
Judicial administration		110,359
Public safety		653,359
Public works		1,617,406
Health and welfare		38,580
Education		5,656,463
Parks, recreation, and cultural		1,337,140
Community development		182,280
Economic development		792
Total governmental activities	\$	10,817,691
Primary Government – Business-type activities:		
Sanitary Sewer	\$	1,469,967
Stormwater		483,951
Total business-type activities	\$	1,953,918

Component Unit – School Board:

City of Falls Church, Virginia

Notes to Financial Statements

June 30, 2025

Education	<u><u>\$ 1,924,670</u></u>
Component Unit – EDA: Economic Development	<u><u>\$ 70,580</u></u>

Note 9 – Unavailable/ Unearned Revenue

Governmental funds report unavailable revenue in connection with receivables that are not considered to be available to liquidate liabilities in the current period. Governmental funds also include unearned revenue amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. At year-end, the various components of unavailable/unearned revenue reported in the financial statements were as follows:

	Governmental Activities	Governmental Funds
Unavailable		
Delinquent property taxes	\$ -	\$ 822,005
Property taxes not yet due	8,105,605	8,105,605
Affordable housing	-	173,980
Other	-	705,876
Total unavailable revenue	\$ 8,105,605	\$ 9,807,466
Unearned		
ARPA funding	\$ 3,086	\$ 3,086
Amazon grants	3,859,050	3,859,050
Other	2,366,917	2,366,917
Total unearned revenue	\$ 6,229,053	\$ 6,229,053

The Affordable Housing fund loans money to first-time homebuyers to be repaid when the homebuyers sell or refinance the property. In addition to reflecting an expenditure for the loan disbursement, a receivable with offsetting unavailable revenue is reported at the fund level. On the government-wide statements, the disbursement results only in a loan receivable with no offset.

Note 10 – Long-Term Liabilities

The following is a summary of changes in long-term liabilities:

Primary Government

Governmental Activities:	Beginning Balance As Restated	Increases	Decreases	Ending Balance	Due within One Year
General obligation bonds	\$ 142,552,885	\$ -	\$ 6,920,870	\$ 135,632,015	\$ 6,099,440
Revenue bonds	13,000,000	-	-	13,000,000	35,000
Bond premiums and discounts, net	5,862,870	-	299,080	5,563,790	-
Financed purchases	180,770	210,000	59,292	331,478	67,034

City of Falls Church, Virginia

Notes to Financial Statements

June 30, 2025

Governmental Activities:	Beginning Balance As Restated	Increases	Decreases	Ending Balance	Due within One Year
Lease liabilities	113,015	-	40,629	72,386	39,103
Subscription liabilities	299,478	442,196	248,238	493,436	156,988
Compensated absences*	3,542,101	3,224,858	3,186,227	3,580,732	2,635,273
Total long-term liabilities	\$ 165,551,119	\$ 3,877,054	\$ 10,754,336	\$ 158,673,837	\$ 9,032,838

A debt payment of \$755,704 was made in June 2024 but was not due until July 2024. This amount was included in prepaid expense in the General Fund in the prior year. Principal retirement on Exhibit 5 in 2025 includes this payment whereas the table above does not. In addition, the subscription liabilities decrease above includes a \$35,743 disposed SBITA that is not considered a liability payment.

Business-Type Activities:	Beginning Balance As Restated	Increases	Decreases	Ending Balance	Due within One Year
Sanitary Sewer fund:					
General obligation bonds	\$ 6,188,938	\$ -	\$ 1,098,924	\$ 5,090,014	\$ 762,001
Bond premiums and discounts, net	111,782	-	11,443	100,339	-
Subscription liabilities	12,590	28,452	15,660	25,382	15,903
Compensated absences*	38,981	43,717	38,169	44,529	32,449
	<u>6,352,291</u>	<u>72,169</u>	<u>1,164,196</u>	<u>5,260,264</u>	<u>810,353</u>
Stormwater fund:					
General obligation bonds	2,015,400	-	122,735	1,892,665	168,628
Bond premiums and discounts, net	72,044	-	5,479	66,565	-
Subscription liabilities	12,590	28,452	15,660	25,382	15,903
Compensated absences*	83,531	93,678	81,791	95,418	69,535
	<u>2,183,565</u>	<u>122,130</u>	<u>225,665</u>	<u>2,080,030</u>	<u>254,066</u>
Total long-term liabilities	\$ 8,535,856	\$ 194,299	\$ 1,389,861	\$ 7,340,294	\$ 1,064,419

Component Unit – School Board:	Beginning Balance As Restated	Increases	Decreases	Ending Balance	Due within One Year
Termination benefits	\$ 251,000	\$ 3,000	\$ 77,000	\$ 177,000	\$ 51,000
Financed purchases	397,428	-	397,428	-	-
Lease liabilities	1,768,470	-	361,903	1,406,567	378,016
Subscription liabilities	858,505	532,660	488,221	902,944	392,495
Compensated absences*	6,268,499	2,776,067	2,995,249	6,049,317	1,468,824
Total long-term liabilities	\$ 9,543,902	\$ 3,311,727	\$ 4,319,801	\$ 8,535,828	\$ 2,290,335

*See Note 25 regarding information on the restatement.

City of Falls Church, Virginia

Notes to Financial Statements

June 30, 2025

Annual debt service requirements to maturity for the City's governmental activities are as follows:

Governmental Activities								
	General Obligation and Revenue							
	Bonds		Leases		Subscription Liabilities		Financed Purchases	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2026	\$ 6,134,440	\$ 4,898,199	\$ 39,103	\$ 1,633	\$ 156,988	\$ 15,187	\$ 67,034	\$ 8,610
2027	6,276,994	4,644,082	33,283	457	114,882	10,371	69,035	6,609
2028	6,326,976	4,384,111	-	-	76,275	6,846	50,956	4,547
2029	6,466,657	4,136,719	-	-	23,583	4,475	40,755	3,127
2030	6,576,813	14,873,734	-	-	21,260	3,730	23,937	2,043
2031-2035	32,444,202	16,509,544	-	-	51,514	11,119	79,761	2,904
2036-2040	28,005,933	11,882,332	-	-	48,934	4,584	-	-
2041-2045	27,030,000	7,597,319	-	-	-	-	-	-
2046-2050	26,055,000	2,826,666	-	-	-	-	-	-
2051-2053	3,315,000	275,872	-	-	-	-	-	-
	\$ 148,632,015	\$ 72,028,578	\$ 72,386	\$ 2,090	\$ 493,436	\$ 56,312	\$ 331,478	\$ 27,840

Annual debt service requirements to maturity for the City's business-type activities are as follows:

	Business-Type Activities			
	General Obligation Bonds		Subscription Liabilities	
	Principal	Interest	Principal	Interest
2026	\$ 930,629	\$ 162,342	\$ 31,806	\$ 1,524
2027	836,859	140,221	18,958	568
2028	839,981	118,668	-	-
2029	854,252	97,204	-	-
2030	724,364	76,751	-	-
2031-2035	2,150,024	201,814	-	-
2036-2040	613,652	39,777	-	-
2041	32,918	369	-	-
	\$ 6,982,679	\$ 837,146	\$ 50,764	\$ 2,092

Annual debt service requirements to maturity for the School Board are as follows:

	Leases		Subscription Liabilities	
	Principal	Interest	Principal	Interest
2026	\$ 378,016	\$ 30,464	\$ 392,495	\$ 27,998
2027	292,543	20,972	297,542	15,962
2028	232,671	15,034	121,226	6,777
2029	245,173	9,344	91,681	2,935
2030	258,164	3,350	-	-
	\$ 1,406,567	\$ 79,164	\$ 902,944	\$ 53,672

The following are the general obligation bonds that were outstanding as of June 30:

	Interest Rates	Date Issued	Final Maturity Date	Amount of Original Issue	Governmental Activities	Business-Type Activities
General obligation	2.00-5.00%	12/23/2014	07/15/2030	\$ 11,740,000	\$ 5,200,000	\$ 650,000
General obligation	2.31%	08/31/2015	07/15/2035	5,360,000	1,874,069	1,005,932
General obligation 2016B	1.41%	11/16/2016	07/15/2026	4,071,000	32,000	102,000
General obligation 2016C	1.79%	11/16/2016	07/15/2031	2,511,000	126,000	1,493,000
General obligation	2.02-3.35%	06/06/2018	01/15/2048	22,305,000	14,860,000	385,000

City of Falls Church, Virginia

Notes to Financial Statements

June 30, 2025

	Interest Rates	Date Issued	Final Maturity Date	Amount of Original Issue	Governmental Activities	Business-Type Activities
VRA line of credit	3.35%	05/13/2009	09/01/2029	4,100,000	-	1,159,005
VPSA bond	4.10-5.10%	05/11/2006	07/15/2026	1,935,000	190,000	-
VPSA bond	4.25%	12/15/2011	12/01/2030	3,000,000	1,000,002	-
General obligation 2019B	3.00-5.00%	11/07/2019	07/15/2048	119,111,000	104,610,000	850,000
General obligation 2020A	2.24%	11/09/2020	07/01/2040	658,342	-	526,672
General obligation 2020B	1.351%	11/09/2020	07/01/2032	2,652,372	1,554,747	-
General obligation 2020C	1.88%	11/09/2020	07/01/2033	8,246,695	6,185,197	811,070
CDA Series 2022A	5.375%	06/27/2022	09/01/2052	13,000,000	13,000,000	-
					<u>\$ 148,632,015</u>	<u>\$ 6,982,679</u>

Note 11 – Leases and Subscription-Based Information Technology Arrangements

Leases

In instances where the City and School Board is the lessee, the right-to-use asset information can be found in Note 8, and the corresponding liabilities and maturity schedules are provided in Note 10. Details of significant leases are described below.

City as Lessee

The City entered into various small leases with inception dates starting in 2022 and expiring in 2027. Payments range from \$2,900 to \$38,000 per year. The interest rate has been imputed at 3%.

School Board as Lessee

On September 1, 2021, the School Board entered a lease for a variety of copiers and printers for a term of 63 months. Minimum monthly lease payments are \$14,488. For purposes of discounting future payments, the School Board imputed an interest rate of 3%.

During 2019, the School Board entered a lease for office facilities for a term of 11 years. Minimum monthly lease payments were \$18,024 and will increase annually at a rate of 2.75%. For the purposes of discounting future payments, the School Board imputed an interest rate of 2.39%.

EDA as Lessor – West Falls Church Development

In June 2019, the City entered into an agreement with a developer on the property that was formerly the old high school for commercial and residential development, referred to collectively as the West Falls Church Development. Until finalization of the agreement could be made, the developer made an up-front good faith payment to the City in 2019 of \$6.5 million. In May 2022 the agreement was finalized. The City sold a small portion of the land to the developers at the fair market value of \$5.5M while the majority of the land was transferred to the EDA. The EDA then entered into a lease agreement with the developer. A separate agreement between the EDA and the City requires the EDA to transfer all lease payments to the City upon receipt. See Note 27 regarding the related tax incentives.

The leased portion of the property is subject to non-cancellable lease agreements where the EDA leases 16 various lots to tenants for a term of 99 years. The EDA recognized a lease receivable and deferred inflow of resources in the government-wide and fund financial statements. At the commencement of the lease in May 2022, the EDA measured the lease receivable at the present value of payments expected to be received during the lease term. The discount rate used to

City of Falls Church, Virginia

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determine the present value of the lease receivable and to recognize interest revenue was determined by management to be 2.75%. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources was initially equal to the lease receivable at the commencement of the lease and will be recognized as revenue using the straight-line method over the life of the lease term. The portion of deferred inflows amortized during 2025 was \$388,094.

Expected future minimum lease payments are summarized below:

	Component Unit		
	EDA Lease Receivable		
	Principal	Interest	Total
2026	\$ 792,625	\$ 588,974	\$ 1,381,599
2027	* (80,794)	286,294	205,500
2028	* (363,659)	574,810	211,151
2029	* (367,853)	584,811	216,958
2030	* (372,003)	594,927	222,924
2031-2035	* (1,780,969)	3,123,056	1,342,087
2065-2040	* (1,834,009)	3,371,064	1,537,055
2041-2045	* (1,864,870)	3,625,219	1,760,349
2046-2050	* (1,865,993)	3,882,075	2,016,082
2051-2055	* (1,828,088)	4,137,052	2,308,964
2056-2060	* (1,739,789)	4,384,182	2,644,393
2061-2065	* (1,587,252)	4,615,806	3,028,554
2066-2070	* (1,353,681)	4,822,203	3,468,522
2071-2075	* (1,018,746)	4,991,153	3,972,407
2076-2080	* (557,931)	5,107,422	4,549,491
2081-2085	58,274	5,152,137	5,210,411
2086-2090	865,288	5,102,055	5,967,343
2091-2095	1,905,549	4,928,691	6,834,240
2096-2100	3,229,794	4,597,279	7,827,073
2101-2105	4,898,577	4,065,561	8,964,138
2106-2110	6,984,057	3,282,331	10,266,388
2111-2115	9,572,088	2,185,735	11,757,823
2116-2118	9,923,410	701,255	10,624,665
Total	\$ 21,614,025	\$ 74,704,092	\$ 96,318,117

**Negative amortization of the principal will occur between 2027 – 2084 due to payments being lower than the imputed interest calculated as required by GASB 87, Leases.*

The agreement specifies the EDA is to be the lessor and is responsible for carrying out the responsibilities set forth in the lease; however, the EDA is required to transfer all payments received by tenants to the City. This obligation only arises when payments are received and, therefore, the EDA is not obligated to pay the City in the event of tenant default. For this reason, no long-term obligations have been recorded for amounts to be transferred between the EDA and City. During the year ending June 30, 2025, the EDA transferred a total of \$4,681,599 to the City under the terms of this agreement.

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Subscription-Based Information Technology Arrangements

Under **GASB Statement No. 96**, *Subscription-Based Information Technology Arrangements* (“SBITAs”), subscription asset information is disclosed in Note 8, while the corresponding liabilities and maturity schedules are provided in Note 10.

The City holds various SBITA agreements starting in 2021 through 2025 with payments between \$9,000 to \$40,000 per year. The Schools agreements have inception dates between 2021 and 2025 with payments ranging between \$2,000 to \$125,000 per year.

Note 12 – Commitments and Contingent Liabilities

Contingent Liabilities

Under the terms of the federal and state grants, periodic audits are required and certain costs may be questioned as to being appropriate expenditures under terms of the grant. Such audits could lead to reimbursement to the grantor agencies. Management believes disallowances, if any, related to such audits would not be material to the financial position of the City at June 30, 2025.

The City is a defendant in various lawsuits. Although the outcome is not presently determinable, in the opinion of the City’s counsel, the resolution of these matters will not have a material adverse effect on its financial condition.

Construction and Improvement Contracts: The City has the following active construction and improvement commitments as of June 30, 2025:

Project	Amount Spent- to-Date	Remaining Commitment
Governmental Activities:		
North Washington & Columbia Signal	\$ -	\$ 984,569
Street lights LED Conversion	120,234	91,766
Broad Street Pedestrian Crossing	683,631	20,820
W&OD Trail Crossings	1,517,425	160,590
South Maple & Annadale Intersection Improvements	-	1,755,101
Shreve Road NVTAs	207,330	1,967,670
West Falls Church Transportation Improvements	14,975,001	24,999
Berman Park & Greenway Downs	5,970	24,334
Sidewalks	75,261	645,516
Bike Parking at City Hall	133,993	-
Neighborhood Traffic Calming	-	25,183
Community Center HVAC	2,867,612	337,717
	\$ 20,586,457	\$ 6,038,265

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	Amount Spent- to-Date	Remaining Commitment
Stormwater Fund:		
Sagres construction	\$ 115,073	\$ 3,356,507
School Board:		
Baseball Field Turf	\$ 1,304,350	\$ 1,544,622
Oak Street Elementary Security Enhancements	1,608,295	1,325,558
	\$ 2,912,645	\$ 2,870,180

Note 13 – Basic and Police Pension Plans

The City administers two pension plans. Fiduciary information for these plans as of June 30, 2025, is provided in Note 18. The net pension liability is based on a measurement date of June 30, 2024, as discussed in the following note.

Plan Description

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

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

Both Plans are authorized by City Council and are administered by the City. Benefit provisions are established and amended by City resolutions. The Plans include an annual increase to benefits for retirees. Participants are 100% vested after five years of participation.

The Plans do not issue stand-alone financial reports.

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

The City’s membership in the Basic and Police Pension Plans as of July 1, 2024, were as follows:

	Basic	Police
Retirees and beneficiaries	282	39
Terminated vested members	113	12
Active members	296	33
Total	691	84

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Contributions

The City Council establishes and may amend the contribution requirements of both plans. The City is required to contribute at an actuarially determined rate. For 2025 and 2024, the total contributions rate was 1.57% and 1.56% of annual covered payroll, respectively for the Basic Pension Plan, with employees contributing 5.0%. For the Police Pension Plan, the total contribution rate was 5.71% and 4.06% for 2025 and 2024, respectively, with employees contributing 7.0%. In 2001, the plan was amended to allow permanent employees who were formerly temporary employees who worked more than 20 hours per week to buy back that period for which they were not eligible due to their temporary status. The rate of contribution by these employees is 5.0% of current salary for each month they are buying back. Administrative costs are borne by the assets of the plans.

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

In 2014, the City Council approved an amendment to the plans allowing the City to reduce its contribution up to \$825,000 total for the two plans as a result of a one-time contribution of \$9.3 million of funds from the proceeds of the sale of the City's water system.

Total employer contributions to the Basic Pension Plan for the years ended June 30, 2025 and 2024 amounted to \$383,506 and \$345,917, respectively. The contributed amounts were based on a percentage of actuarially determined amounts as described above and were based on an actuarial valuation for the prior period. The total basic pension contributions represent funding for normal costs.

Total employer contributions to the Police Pension Plan for the years ended June 30, 2025 and 2024 amounted to \$192,559 and \$132,898, respectively. The contributed amounts were based on a percentage of actuarially determined amounts as described above and were based on an actuarial valuation for the prior period. The total police pension contributions represent funding for normal costs.

Investments

For the year ended June 30, 2024, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 11.79% for the basic plan and 12.01% for the police plan. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

As of the June 30, 2024, actuarial valuation, the return on the actuarial value of assets was 6.29% and 6.30% for the Basic and Police Plans, respectively.

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2024, using the following relevant actuarial information:

	<u>Basic</u>	<u>Police</u>
Actuarial valuation date	June 30, 2024	June 30, 2024
Actuarial cost method	Entry Age Normal	Entry Age Normal
Amortization method	Level Dollar Amount, Open	Level Dollar Amount, Open
Amortization period	10 years	15 years

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	Basic	Police
Actuarial assumptions:		
Investment rate of return	6.50%	6.50%
Projected salary increases	4.00%	4.00%
Inflation	2.25%	2.25%
Cost of living adjustments	1.125%	1.125%

The Basic and Police Pension Plans use the Healthy and Disabled Pub-2010 employee and Annuitant Mortality Tables, projected generationally with scale MP-2021.

The investment rate of return on pension plan investments was determined using the actual rates of return for the past ten years.

The discount rate used to measure the total pension liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. 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 plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability/Asset) - Basic Plan

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a) – (b)
Balances at June 30, 2023	\$ 106,863,368	\$ 125,187,384	\$ (18,324,016)
Changes for the year:			
Service cost	1,922,912	-	1,922,912
Interest	6,864,438	-	6,864,438
Differences between expected and actual experience	1,974,577	-	1,974,577
Contributions – employer	-	345,937	(345,937)
Contributions – employee	-	1,110,081	(1,110,081)
Net investment income	-	14,549,592	(14,549,592)
Benefit payments	(6,359,097)	(6,359,097)	-
Administrative expenses	-	(118,477)	118,477
Net changes	4,402,830	9,528,036	(5,125,206)
Balances at June 30, 2024	\$ 111,266,198	\$ 134,715,420	\$ (23,449,222)

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Changes in Net Pension Liability/ (Asset) - Police Plan

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a) – (b)
Balances at June 30, 2023	\$ 35,733,973	\$ 41,281,060	\$ (5,547,087)
Changes for the year:			
Service cost	639,636	-	639,636
Interest	2,300,448	-	2,300,448
Differences between expected and actual experience	756,359	-	756,359
Contributions – employer	-	132,898	(132,898)
Contributions – employee	-	229,359	(229,359)
Net investment income	-	4,871,749	(4,871,749)
Benefit payments	(1,964,209)	(1,964,209)	-
Administrative expenses	-	(37,194)	37,194
Net changes	1,732,234	3,232,603	(1,500,369)
Balances at June 30, 2024	\$ 37,466,207	\$ 44,513,663	\$ (7,047,456)

Sensitivity of the Net Pension Liability (Asset)

The following presents the net pension liability (asset) of the City basic and police plans as of June 30, 2024, calculated using the discount rate of 6.50%, as well as what the net pension liability (asset) would be if it was calculated using a discount rate that is one-percentage-point lower (5.50%) or one-percentage-point higher (7.50%) than the current rate:

	1% Decrease 5.50%	Discount Rate 6.50%	1% Increase 7.50%
Basic Plan			
Net pension liability (asset)	\$ (10,397,272)	\$ (23,449,222)	\$ (34,325,877)
Plan fiduciary net position as a percentage of the total pension liability (asset)	108.36%	121.07%	134.19%
	1% Decrease 5.50%	Discount Rate 6.50%	1% Increase 7.50%
Police Plan			
Net pension liability (asset)	\$ (2,511,409)	\$ (7,047,456)	\$ (10,826,126)
Plan fiduciary net position as a percentage of the total pension	105.98%	118.81%	132.14%

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

For the year ended June 30, 2025, pension expense (income) was \$(1,016,147) and \$(215,748) for the Basic and Police Plans, respectively. At June 30, 2025, deferred outflows of resources and deferred inflows of resources related to the Plans arose from the following sources:

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	Deferred Outflows of Resources	Deferred Inflows of Resources
Basic Plan:		
Differences between expected and actual experience	\$ 1,979,216	\$ 11,942
Change in assumptions	18,520	-
Net difference between projected and actual earnings on pension plan investments	-	2,611,293
Change in proportion during measurement period	649,196	649,196
Employer contributions subsequent to the measurement date	383,506	-
	\$ 3,030,438	\$ 3,272,431
	Deferred Outflows of Resources	Deferred Inflows of Resources
Police Plan:		
Differences between expected and actual experience	\$ 1,950,970	\$ 164,152
Change in assumptions	133,693	57,702
Net difference between projected and actual earnings on pension plan investments	-	906,696
Employer contributions subsequent to the measurement date	192,559	-
	\$ 2,277,222	\$ 1,128,550

Employer contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Increase (Decrease) to Pension Income	
	Basic	Police
2026	\$ (1,136,055)	\$ (399,631)
2027	3,227,286	1,124,611
2028	(1,401,607)	(233,754)
2029	(1,315,123)	(177,082)
2030	-	309,989
Thereafter	-	331,980

Note 14 – Allocation of Basic Pension Plan

The City and Component Unit – School Board portions of the cost-sharing multiple-employer defined benefit pension plan are noted below and represent 78% and 14% of the total plan, respectively. The Northern Virginia Criminal Justice Training Academy’s portion of the Basic Pension Plan of 7%, is reported in the Academy’s financial report. Proportionate shares did not change from the previous year. Overall plan information that includes all three participants, the City, School Board, and Academy can be found in Note 13.

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Membership

Membership in the Basic Pension Plan as of July 1, 2024, was as follows:

	City	Schools
Retirees and beneficiaries	220	41
Terminated vested members	89	16
Active members	231	43
Total	540	100

Contributions

Total contributions to the basic pension plan for the year ended June 30, 2025, amounted to \$194,289 for the City and \$126,012 for the Schools. Contributions made by the City and Schools represent 0.86% and 3.53% of covered payroll for the year, respectively.

Changes in Net Pension Liability/ (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a) – (b)
Basic Plan - City			
Balances at June 30, 2023	\$ 78,158,705	\$ 92,030,283	\$ (13,871,578)
Changes for the year:			
Service cost	1,506,245	-	1,506,245
Interest	5,377,017	-	5,377,017
Differences between expected and actual experience	1,546,716	-	1,546,716
Contributions – employer	-	175,636	(175,636)
Contributions – employee	-	869,543	(869,543)
Net investment income	-	11,974,152	(11,974,152)
Benefit payments, including refunds of employee contributions	(4,981,176)	(4,981,176)	-
Administrative expenses	-	(92,805)	92,805
Net changes	3,448,802	7,945,350	(4,496,548)
Balances at June 30, 2024	\$ 81,607,507	\$ 99,975,633	\$ (18,368,126)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a) – (b)
Basic Plan - Schools			
Balances at June 30, 2023	\$ 19,394,074	\$ 22,311,126	\$ (2,917,052)
Changes for the year:			
Service cost	276,646	-	276,646

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	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a) – (b)
Interest	987,573	-	987,573
Differences between expected and actual experience	284,078	-	284,078
Contributions – employer	-	113,071	(113,071)
Contributions – employee	-	159,705	(159,705)
Net investment income	-	1,749,097	(1,749,097)
Benefit payments, including refunds of employee contributions	(914,871)	(914,871)	-
Administrative expenses	-	(17,045)	17,045
Net changes	633,426	1,089,957	(456,531)
Balances at June 30, 2024	\$ 20,027,500	\$ 23,401,083	\$ (3,373,583)

Sensitivity of the Net Pension Liability (Asset)

The following presents the net pension liability (asset) of the City basic plan as of June 30, 2024, calculated using the discount rate of 6.50%, as well as what the net pension liability (asset) would be if it was calculated using a discount rate that is 1-percentage-point lower (5.50%) or one-percentage-point higher (7.50%) than the current rate:

	1% Decrease 5.50%	Discount Rate 6.50%	1% Increase 7.50%
Basic Plan - City			
Net pension liability (asset)	\$ (8,144,339)	\$ (18,368,126)	\$ (26,887,973)
Plan fiduciary net position as a percentage of the total pension liability (asset)	108.4%	121.1%	134.2%
Basic Plan - Schools			
Net pension liability (asset)	\$ (1,495,830)	\$ (3,373,583)	\$ (4,938,381)
Plan fiduciary net position as a percentage of the total pension liability (asset)	108.4%	121.1%	134.2%

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

For the year ended June 30, 2025, the City and Schools recognized pension expense (income) of \$(1,018,381) and \$45,913, respectively. At June 30, 2025, the City and Schools reported deferred outflows of resources and deferred inflows of resources related to the Plans from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	City	Schools	City	Schools
Differences between expected and actual experience	\$ 1,550,350	\$ 284,745	\$ 9,354	\$ 1,718
Change in assumptions	14,507	2,664	-	-
Change in proportion	90,514	364,576	612,384	-
Net investment differences	-	-	2,045,465	375,680

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	Deferred Outflows of Resources		Deferred Inflows of Resources	
	City	Schools	City	Schools
Employer contributions subsequent to the measurement date	194,289	126,012	-	-
	<u>\$ 1,849,660</u>	<u>\$ 777,997</u>	<u>\$ 2,667,203</u>	<u>\$ 377,398</u>

Employer contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Increase (Decrease) to Pension Expense (Income)	
	Basic - City	Basic - Schools
2026	\$ (1,133,837)	\$ 26,328
2027	2,323,603	595,402
2028	(1,171,444)	(157,939)
2029	(1,030,154)	(189,204)
Thereafter	-	-

Note 15 – Defined Benefit Pension Plan – Constitutional Officers Plan

Plan Description

Constitutional officers and their employees of the City of Falls Church, Virginia, (the “Political Subdivision”) are automatically covered by VRS Retirement Plan upon employment. This multi-employer agent plan is 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.

The System administers three different benefit structures for covered employees – Plan 1, Plan 2, and Hybrid. Each of these benefit structures has a different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are available at:

- <https://www.varetire.org/retirement-plans/defined-benefit/plan1/>
- <https://www.varetire.org/retirement-plans/defined-benefit/plan2/>
- <https://www.varetire.org/retirement-plans/hybrid/>

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Employees Covered by Benefit Terms

As of the June 30, 2023, actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Members</u>
Inactive members or their beneficiaries currently receiving benefits	20
Inactive members:	
Vested inactive members	5
Non-vested inactive members	12
Inactive members active elsewhere in VRS	4
Total inactive members	<u>21</u>
Active members	<u>17</u>
Total covered employees	<u><u>58</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 Political Subdivision's contractually required contribution rate for the year ended June 30, 2025, was 3.45% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2023.

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 Political Subdivision were \$61,133 and \$22,694 for the years ended June 30, 2025 and 2024, respectively.

The defined contributions component of the Hybrid plan includes member and employer mandatory and voluntary contributions. The Hybrid plan member must contribute a mandatory rate of 1% of their covered payroll. The employer must also contribute a mandatory rate of 1% of this covered payroll, which totaled \$8,567 for the year ended June 30, 2025. Hybrid plan members may also elect to contribute an additional voluntary rate of up to 4% of their covered payroll; which would require the employer a mandatory additional contribution rate of up to 2.5%. This additional employer mandatory contribution totaled \$13,639 for the year ended June 30, 2025. The total Hybrid plan participant covered payroll totaled \$856,665 for the year ended June 30, 2025.

Net Pension (Asset)/Liability

The net pension liability 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. For Political Subdivisions, the net pension liability was measured as of June 30, 2024. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2023, rolled forward to the measurement date of June 30, 2024.

City of Falls Church, Virginia

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Actuarial Assumptions

The total pension liability for General Employees in the Political Subdivision’s Retirement Plan was based on an actuarial valuation as of June 30, 2023, 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, 2024.

Inflation	2.50%
General Employees - Salary increases, including inflation	3.50 – 5.35%
Public Safety Employees with hazardous duty benefits – Salary increases, including inflation	3.50 – 4.75%
Investment rate of return	6.75%, net of pension plan investment expense, including inflation*

Mortality rates: General employees – 15 to 20% of deaths are assumed to be service-related. Public Safety Employees – 45 to 70% of deaths are assumed to be service-related. Mortality is projected using the applicable Pub-2010 Mortality Table and a Modified MP-2020 Improvement Scale with various setbacks or set forwards for both males and females.

The actuarial assumptions used in the June 30, 2023, valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study are as follows:

General Employees – Largest 10 – Non-Hazardous Duty and All Others (Non 10 Largest): Updated mortality table; adjusted retirement rates to better-fit experience; adjusted withdrawal rates to better-fit experience at each year age and service through 9 years of service; no change to disability rates; no change to salary scale; no change to line of duty disability; and no change to discount rate.

Public Safety Employees – Largest 10 – Hazardous Duty and All Others (Non 10 Largest): Updated mortality table; adjusted retirement rate to better-fit experience and increased final retirement age to 70; decreased rates of withdrawal; no change to disability rates; no changes to salary scale; no change to line of duty disability; and no change to discount rate.

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 weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table: (See Next Page)

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Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	32.00%	6.70%	2.14%
Fixed Income	16.00	5.40	0.86
Credit Strategies	16.00	8.10	1.30
Real Assets	15.00	7.20	1.08
Private Equity	15.00	8.70	1.31
PIP – Private Investment Partnership	1.00	8.00	0.08
Diversifying Strategies	6.00	5.80	0.35
Cash	2.00	3.00	0.06
Leverage	(3.00)	3.50	(0.11)
Total	100.00%		7.07%
*Expected arithmetic nominal return			7.07%

- * The above allocation provides for a one-year return of 7.07% (includes 2.50% inflation assumption). However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected rate of 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 7.10%, including expected inflation of 2.50%. On June 15, 2023, the VRS Board elected a long-term rate of 6.75%, which is roughly at the 45th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.14%, including expected inflation of 2.50%.

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. For the year ended June 30, 2024, the employer contribution was 100% of the actuarially determined employer contribution rate from the June 30, 2023 actuarial valuations. From July 1, 2024, on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

City of Falls Church, Virginia

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Changes in Net Pension Liability/ (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) – (b)
Balances at June 30, 2023	\$ 5,756,933	\$ 7,052,416	\$ (1,295,483)
Changes for the year:			
Service cost	180,992	-	180,992
Interest	389,969	-	389,969
Differences between expected and actual experience	182,187	-	182,187
Contributions – employer	-	22,686	(22,686)
Contributions – employee	-	77,962	(77,962)
Net investment income	-	677,921	(677,921)
Benefit payments, including refunds of employee contributions	(321,205)	(321,205)	-
Administrative expenses	-	(4,639)	4,639
Other changes	-	135	(135)
Net changes	431,943	452,860	(20,917)
Balances at June 30, 2024	<u>\$ 6,188,876</u>	<u>\$ 7,505,276</u>	<u>\$ (1,316,400)</u>

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

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

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
Political subdivision's net pension liability (asset)	\$ (689,279)	\$ (1,316,400)	\$ (1,853,840)

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

For the year ended June 30, 2025, the Political Subdivision recognized pension expense (income) of \$(12,622). At June 30, 2025, the Political Subdivision reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 77,482	\$ -
Net difference between projected and actual earnings on pension plan investments	-	200,185
Employer contributions subsequent to the measurement date	61,133	-
Total	<u>\$ 138,615</u>	<u>\$ 200,185</u>

City of Falls Church, Virginia

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The \$61,133 reported as deferred outflows of resources related to pensions resulting from the Political Subdivision'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, 2026. Other 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>Increase (Decrease) to Pension Income</u>
2026	\$ (99,221)
2027	56,606
2028	(38,193)
2029	(41,895)

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plans is also available in the separately issued VRS 2024 Annual Report. A copy of the 2024 VRS Annual Report may be downloaded from the VRS website at varetire.org/media/shared/pdf/publications/2024-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Payables to the Pension Plan

At June 30, 2025, approximately \$15,205 was payable to the Virginia Retirement System for the legally required contributions related to June 2025 payroll.

Note 16 – Defined Benefit Pension Plan – Teacher Cost-Sharing Plan

General Information about the Teacher Cost-Sharing Plan

Plan Description

All full-time, salaried permanent (professional) employees of Virginia public school divisions, including Falls Church Public Schools, (the "School Division"), are automatically covered by the VRS Teacher Retirement Plan upon employment. This multiple-employer, cost-sharing plan is 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 employers 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 funded service.

The System administers three different benefit structures for covered employees in the VRS Teacher Retirement Plan – Plan 1, Plan 2, and Hybrid. The provisions and features of the plans, as well as all actuarial assumptions and long-term expected rate of return, are substantially the same as those described in Note 15.

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

City of Falls Church, Virginia

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contribution rate for the year ended June 30, 2025 was 14.21% of covered employee compensation. This was the General Assembly approved rate which was based on an actuarially determined rate from an actuarial valuation as of June 30, 2023. 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 \$5,051,182 and \$5,288,860 for the years ended June 30, 2025 and 2024, respectively.

The defined contributions component of the Hybrid plan includes member and employer mandatory and voluntary contributions. The Hybrid plan member must contribute a mandatory rate of 1% of their covered payroll. The employer must also contribute a mandatory rate of 1% of this covered payroll, which totaled \$135,428 for the year ended June 30, 2025. Hybrid plan members may also elect to contribute an additional voluntary rate of up to 4% of their covered payroll; which would require the employer a mandatory additional contribution rate of up to 2.5%. This additional employer mandatory contribution totaled \$170,956 for the year ended June 30, 2025. The total Hybrid plan participant covered payroll totaled \$13,547,727 for the year ended June 30, 2025.

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

At June 30, 2025, the School Division reported a liability of \$29,443,059 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2024, and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation performed as of June 30, 2023, and rolled forward to the measurement date of June 30, 2024. 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, 2024, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2024, the School Division's proportion was 0.31366% as compared 0.32119% at June 30, 2023.

For the year ended June 30, 2025, the School division recognized pension expense (income) of \$(2,392,938). 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. Beginning with the June 30, 2022, measurement date, the difference between the expected and actual contributions is included with the pension expense calculation.

At June 30, 2025, the School Division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 5,107,956	\$ 606,253
Change of assumptions	534,431	-
Net difference between projected and actual earnings on pension plan investments	-	4,052,855
Changes in proportion and differences between Employer contributions and proportionate share of contributions	727,473	1,124,931
Employer contributions subsequent to the measurement date	5,051,182	-
Total	\$ 11,421,042	\$ 5,784,039

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The \$5,051,182 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 ended June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Increase (Decrease) to Pension Expense
2026	\$ (2,150,158)
2027	2,573,314
2028	623,740
2029	(461,075)
2030	-

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, 2024, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

	Teacher Employee Retirement Plan
Total pension liability	\$ 60,622,260
Plan fiduciary net position	51,235,326
Employers’ net pension liability (asset)	\$ 9,386,934
Plan fiduciary net position as a percentage of the total pension liability	84.52%

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.

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. Through the fiscal year ending June 30, 2024, the rate contributed by the school division for the VRS Teacher Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 112% of the actuarially determined contribution rate. From July 1, 2024, on, 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.

City of Falls Church, Virginia

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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 of the school division 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 was 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>100% Decrease (5.75%)</u>	<u>Current Discount Rate (6.75%)</u>	<u>100% Increase (7.75%)</u>
School Division's proportionate share of the VRS Teacher Employee Retirement plan net pension liability	<u>\$ 54,699,433</u>	<u>\$ 29,443,059</u>	<u>\$ 8,758,893</u>

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2024 Annual Report. A copy of the 2024 VRS Annual Report may be downloaded from the VRS website at varetire.org/media/shared/pdf/publications/2024-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 17 – Summary of Pension Elements

A summary of the pension-related financial statement elements is as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>	<u>School Board</u>
Net pension asset				
Basic Pension Plan	\$ 17,418,536	\$ 949,590	\$ 18,368,126	\$ 3,373,583
Police Pension Plan	7,047,456	-	7,047,456	-
VRS – Constitutional Officers	1,316,400	-	1,316,400	-
Total net pension asset	<u>\$ 25,782,392</u>	<u>\$ 949,590</u>	<u>\$ 26,731,982</u>	<u>\$ 3,373,583</u>
Deferred outflows of resources				
Change in assumptions –				
Basic Pension Plan	\$ 13,757	\$ 750	\$ 14,507	\$ 2,664
Police Pension Plan	133,693	-	133,693	-
VRS – Teacher Cost Sharing	-	-	-	534,431
Differences between expected and experience –				
Basic Pension Plan	1,470,200	80,150	1,550,350	284,745
Police Pension Plan	1,950,970	-	1,950,970	-
VRS – Teacher Cost Sharing	-	-	-	5,107,956
VRS – Constitutional Officers	77,482	-	77,482	-
Change in proportion –				
Basic Pension Plan	-	90,514	90,514	364,576
VRS – Teacher Cost Sharing	-	-	-	727,473
Pension contributions subsequent to measurement date-				
Basic Pension Plan	161,746	32,543	194,289	126,012
Police Pension Plan	192,559	-	192,559	-
VRS – Constitutional	61,133	-	61,133	-
VRS – Teacher Cost Sharing	-	-	-	5,051,182
Total deferred outflows of	<u>\$ 4,061,540</u>	<u>\$ 203,957</u>	<u>\$ 4,265,497</u>	<u>\$ 12,199,039</u>

City of Falls Church, Virginia

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June 30, 2025

Net pension liability				
VRS – Teacher Cost Sharing Pool	\$ -	\$ -	\$ -	\$ 29,443,059
Deferred inflows of resources				
Differences between expected and experience –				
Basic Pension Plan	\$ 8,870	\$ 484	\$ 9,354	\$ 1,718
Police Pension Plan	164,152	-	164,152	-
VRS – Teacher Cost Sharing	-	-	-	606,253
Change in assumptions –				
Police Pension Plan	57,702	-	57,702	-
Net difference between projected actual earnings on plan				
Basic Pension Plan	1,939,719	105,746	2,045,465	375,680
Police Pension Plan	906,696	-	906,696	-
VRS – Constitutional	200,185	-	200,185	-
VRS – Teacher Cost Sharing	-	-	-	4,052,855
Change in proportion –				
Basic Pension Plan	536,030	76,354	612,384	-
VRS – Teacher Cost Sharing	-	-	-	1,124,931
Total deferred inflows of	\$ 3,813,354	\$ 182,584	\$ 3,995,938	\$ 6,161,437

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>	<u>School Board</u>
Pension Expense (Income)				
Basic Pension Plan	\$ (1,043,527)	\$ 25,146	\$ (1,018,381)	\$ 45,913
Police Pension Plan	(215,748)	-	(215,748)	-
VRS – Constitutional Officers	(12,622)	-	(12,622)	-
VRS – Teacher Cost Sharing Pool	-	-	-	(2,392,938)
Total net pension expense (income)	\$ (1,271,897)	\$ 25,146	\$ (1,246,751)	\$ (2,347,025)

Note 18 – Basic and Police Pension Plans – Fiduciary Information

As described in Note 13, the City offers Basic and Police Pension Plans to certain employees. As permitted by GASB No. 68, the pension-related assets, liabilities and other financial statement elements recorded in the accompanying basic financial statements for June 30, 2025, are based on a pension plan measurement date of June 30, 2024. This is consistent with other pension items arising from those employees that participate in the Virginia Retirement System (“VRS”); the VRS information reported in the current year is based on a June 30, 2023, measurement date. Therefore, all amounts summarized in Note 17 – Summary of Pension Elements, are based on a measurement date of June 30, 2024.

Because the City does not issue a separate financial report for the Basic and Police Pension plans, the City must also report certain information for those plans as of and for the year ended June 30, 2025, the most recent measurement date for those plans. This information is disclosed below in this footnote. Exhibits 11 and 12, as well as certain required supplementary information that follows the notes to the financial statements, also report fiduciary information regarding these plans as of June 30, 2025.

As discussed in Note 13, the City’s Basic Pension plan is a cost-sharing plan, which also includes employees of the Northern Virginia Criminal Justice Training Academy; the amounts below are for the plan, as a whole.

City of Falls Church, Virginia

Notes to Financial Statements

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Summary of Significant Accounting Policies

The fiduciary financial statements of the Basic and Police Pension Plans are prepared using the accrual basis of accounting. Plan contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. All plan investments are reported at fair value. Securities traded on a national exchange are valued at the last reported sales price on June 30. Securities without an established market are reported at estimated fair value.

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

Plan Description

The City's membership in the Basic and Police Pension Plans as of June 30, 2025, the date of the most recent valuation, were as follows:

	<u>Basic</u>	<u>Police</u>
Retirees and beneficiaries	288	39
Terminated vested members	115	13
Active members	301	33
Total	<u>704</u>	<u>85</u>

Contributions

For 2025, the City's contribution rate was 1.57% of annual covered payroll for the Basic Pension Plan, with employees contributing 5.0%. The City's contribution rate was 5.71% for the Police Pension Plan, with employees contributing 7.0%. Other contribution information for 2025 is disclosed in Note 13.

Investments

Refer to Note 4 for the City's policy in regard to the allocation of invested assets.

The following investments, other than those issued or explicitly guaranteed by the U.S. government, represent 5 percent or more of the Basic Pension Plan's fiduciary net position:

<u>Investment</u>	<u>Market Value</u>	<u>Percent of Net Position</u>
MFS Growth Fund Class R6	\$ 29,784,378	20%
Vanguard Equity Income	14,304,809	10
JP Morgan Equity Income R6	14,064,234	10
Transamerica International Equity R6	11,584,791	8
MFS International Growth Fund	11,323,107	8
Lazard Global Listed Infrastructure	10,140,274	7
MFB NT Collective Intermediate Government	8,434,319	6
MFB NT Collective Aggregate Bond Index	8,017,387	6
Principal Midcap Blend	7,645,334	5

The following investments, other than those issued or explicitly guaranteed by the U.S. government, represent 5 percent or more of the Police Pension Plan's fiduciary net position:

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Investment	Market Value	Percent of Net Position
MFS Growth Fund Class R6	\$ 9,833,543	20%
JP Morgan Equity Income	5,145,033	11
Vanguard Equity	4,809,638	10
Transamerica International Equity R6	3,924,489	8
MFS International Growth Fund	3,713,561	8
Lazard Global Listed Infrastructure	2,926,897	6
MFB NT Collective Intermediate Government	2,783,758	6
Principal Midcap Blend	2,694,947	6
MFB NT Collective Aggregate Bond Index	2,640,672	5

For the year ended June 30, 2025, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 13.17% for the basic plan and 13.01% for the police plan. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Asset

The components of the net pension asset of the Plans at June 30, 2025, were as follows:

	Basic	Police
Total pension liability	\$ 116,430,639	\$ 38,489,952
Plan fiduciary net position	147,171,495	48,462,258
Plan's net pension liability/ (asset)	\$ (30,740,856)	\$ (9,972,306)
Plan fiduciary net position as a percentage of the total pension asset	126.40%	125.91%

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2025, using the following relevant actuarial information:

	Basic	Police
Actuarial valuation date	June 30, 2024	June 30, 2024
Actuarial cost method	Entry Age Normal	Entry Age Normal
Amortization method	Level Percentage of Payroll	Level Percentage of Payroll
Amortization period	10 years	15 years
Actuarial assumptions:		
Investment rate of return	6.50%	6.50%
Projected salary increases	4.00%	4.00%
Cost of living adjustments	1.125%	1.125%
Inflation	2.25%	2.25%

The Basic and Police Plans use the Healthy and Disabled RP-2010 Employee and Annuitant Headcount-Weighted Tables, projected generationally using Scale MP-2021.

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The investment rate of return on pension plan investments was determined using the actual rates of return for the past ten years.

The discount rate used to measure the total pension liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. 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 plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability (Asset)

The following presents the net pension liability (asset) of the Basic and Police plans as of June 30, 2025, calculated using the discount rate of 6.50%, as well as what the net pension liability (asset) would be if it was calculated using a discount rate that is 1-percentage-point lower (5.50%) or one-percentage-point higher (7.50%) than the current rate:

	1% Decrease 5.50%	Discount Rate 6.50%	1% Increase 7.50%
Basic Plan			
Net pension liability (asset)	\$ (17,040,793)	\$ (30,740,856)	\$ (42,119,751)
Plan fiduciary net position as a percentage of the total pension liability	113.10%	126.40%	140.09%
Police Plan			
Net pension liability (asset)	\$ (5,345,516)	\$ (9,972,306)	\$ (13,829,810)
Plan fiduciary net position as a percentage of the total pension liability	112.40%	125.91%	139.93%

Statement of Fiduciary Net Position

	Basic Plan	Police Plan
ASSETS		
Cash and cash equivalents	\$ 3,465,157	\$ 1,372,074
Investments:		
Domestic equity securities	75,343,545	25,369,136
Domestic fixed-income securities	16,666,901	5,495,670
International equity securities	30,348,986	9,658,870
RE Securities	10,924,403	3,584,714
Infrastructure	10,264,705	2,962,813
Total investments	143,548,540	47,071,203
Contribution receivable	193,933	28,112
Interest and dividends receivable	125,222	41,427
Total assets	147,332,852	48,512,816
LIABILITIES		
Accounts payable	127,874	39,406
Due to City	33,483	11,152
Total liabilities	161,357	50,558

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	Basic Plan	Police Plan
NET POSITION		
Held in trust for:		
Pension benefits	147,171,495	48,462,258
Total net position restricted for pension	\$ 147,171,495	\$ 48,462,258

Statement of Changes in Fiduciary Net Position

	Basic Plan	Police Plan
ADDITIONS		
Employer contributions	\$ 383,506	\$ 192,559
Employee contributions	1,227,184	237,434
Investment earnings:		
Interest	133,861	47,501
Dividends	1,404,912	422,504
Net increase in fair value	16,326,085	5,357,226
Total investments earnings	17,864,858	5,827,231
Less investment expenses	(358,363)	(103,041)
Net investment earnings	17,506,495	5,724,190
Total additions	19,117,185	6,154,183
DEDUCTIONS		
Benefits	6,521,406	2,162,566
Administration	139,704	43,022
Total deductions	6,661,110	2,205,588
Change in net position	12,456,075	3,948,595
NET POSITION AT JULY 1	134,715,420	44,513,663
NET POSITION AT JUNE 30	\$ 147,171,495	\$ 48,462,258

Note 19 – Other Postemployment Benefits Liability – Virginia Retirement System Plans

In addition to their participation in the pension plans offered through the VRS, the City also participates in various cost-sharing and agent multi-employer other postemployment benefit plans, described as follows.

Plan Descriptions

Group Life Insurance Program

All full-time teachers and employees of political subdivisions are automatically covered by the VRS Group Life Insurance (“GLI”) Program upon employment.

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

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Specific information for the GLI is available at <https://www.varetire.org/benefits-and-programs/benefits/life-insurance/>.

Teacher Employee Health Insurance Credit Program

All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Employee Health Insurance Credit (“HIC”) Program. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The health insurance credit is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree’s death.

Specific information about the Teacher HIC is available at <https://www.varetire.org/retirees/insurance/healthinscredit/index.asp>.

The GLI and Teacher HIC are administered by the VRS along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Both of these plans are considered multiple-employer, cost-sharing plans.

Line of Duty Act Program

All paid employees and volunteers in hazardous duty positions in Virginia localities and hazardous duty employees who are covered under the VRS are automatically covered by the Line of Duty Act Program (“LODA”). As required by statute, the VRS is responsible for managing the assets of the program. Participating employers made contributions to the program beginning in Fiscal Year 2012. The employer contributions are determined by the VRS actuary using anticipated program costs and the number of covered individuals associated with all participating employers. The LODA is considered a multiple-employer, cost-sharing plan.

Specific information about the LODA is available at <https://www.valoda.org/>.

Contributions

Contributions to the VRS OPEB programs, except for LODA, were based on actuarially determined rates from actuarial valuations as of June 30, 2023. The actuarially determined rates were expected to finance the cost of benefits earned by employees during the year, with an additional amount to fund any unfunded accrued liability, except for GLI which was also combined with employee contributions. Contributions to the VRS LODA OPEB program were based on an actuarially determined rate from an actuarial valuation as of June 30, 2024, and represents the pay-as-you-go funding rate and not the full actuarial cost of the benefits under the program. The actuarially determined pay-as-you-go rate for LODA was expected to finance the costs and related expenses of benefits payable during the year. Specific details related to the contributions for the VRS OPEB programs are as follows:

Group Life Insurance Program

Governed by:	<i>Code of Virginia</i> 51.1-506 and 51.1-508 and may be impacted as a result of funding provided to school divisions and governmental agencies by the Virginia General Assembly.
Total rate:	1.18% of covered employee compensation. Rate allocated 60/40; 0.71% employee and 0.47% employer. Employers may elect to pay all or part of the employee contribution.
June 30, 2025 Contribution- City	\$8,363

City of Falls Church, Virginia

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June 30, 2024 Contribution- City	\$9,260
June 30, 2025 Contribution- Schools	\$167,104
June 30, 2024 Contribution- Schools	\$183,354

Teacher Health Insurance Credit Program

Governed by:	<i>Code of Virginia 51.1-1401(E)</i> and may be impacted as a result of funding provided to school divisions by the Virginia General Assembly.
Total rate:	1.21% of covered employee compensation.
June 30, 2025 Contribution	\$430,199
June 30, 2024 Contribution	\$409,573

Line of Duty Act Program

Governed by:	<i>Code of Virginia 9-1-400.1</i> and may be impacted as a result of funding provided to governmental agencies by the Virginia General Assembly.
Total rate:	\$1,015.00 per covered full-time-equivalent employee. Based on pay-as-you-go funding rate.
June 30, 2025 Contribution	\$48,698
June 30, 2024 Contribution	\$44,666

OPEB Liabilities, OPEB Expense (Income) and Deferred Inflows and Outflows of Resources Related to OPEB

The net OPEB liabilities were measured as of June 30, 2024, and the total OPEB liabilities used to calculate the net OPEB liabilities were determined by actuarial valuations performed as of June 30, 2023, and rolled forward to the measurement date of June 30, 2024. The covered employer's proportion of the net OPEB liabilities, except for LODA, were based on the covered employer's actuarially determined employer contributions for the year ended June 30, 2024, relative to the total of the actuarially determined employer contributions for all participating employers. LODA proportion was determined based on pay-as-you-go employer contributions instead of actuarially determined contributions.

Group Life Insurance Program- City

June 30, 2025, proportionate share of liability	\$74,432
June 30, 2024 proportion	0.007 %
June 30, 2023 proportion	0.006 %
June 30, 2025 expense (income)	(\$7,849)

Group Life Insurance Program- Schools

June 30, 2025, proportionate share of liability	\$1,475,695
June 30, 2024 proportion	0.132 %
June 30, 2023 proportion	0.136 %
June 30, 2025 expense (income)	\$(141,386)

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Teacher Health Insurance Credit Program

June 30, 2025, proportionate share of liability	\$3,651,154
June 30, 2024 proportion	0.316 %
June 30, 2023 proportion	0.322 %
June 30, 2025 expense (income)	\$(166,319)

Line of Duty Act Program

June 30, 2025, proportionate share of liability	\$1,164,765
June 30, 2024 proportion	0.296 %
June 30, 2023 proportion	0.286 %
June 30, 2025 expense (income)	\$104,314

Since there was a change in proportionate share between measurement dates, a portion of the OPEB expense above was related to deferred amount from changes in proportion.

At June 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources.

Group Life Insurance Program- City

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 11,740	\$ 1,818
Change in assumptions	424	3,689
Net difference between projected and actual earnings on OPEB plan investments	-	6,274
Changes in proportion and contribution differences	7,019	2,983
Employer contributions subsequent to the measurement date	8,363	-
Total	\$ 27,546	\$ 14,764

Group Life Insurance Program- Schools

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 232,751	\$ 36,046
Change in assumptions	8,411	73,132
Net difference between projected and actual earnings on OPEB plan investments	-	124,386
Changes in proportion and contribution differences	28,975	81,304
Employer contributions subsequent to the measurement date	167,104	-
Total	\$ 437,241	\$ 314,868

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Teacher Health Insurance Credit Program

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 172,983
Change in assumptions	62,899	-
Net difference between projected and actual earnings on OPEB plan investments	-	12,987
Changes in proportion and contribution differences	132,250	184,065
Employer contributions subsequent to the measurement date	430,199	-
Total	\$ 625,348	\$ 370,035

Line of Duty Act Program

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 40,527	\$ 284,517
Change in assumptions	214,713	234,589
Net difference between projected and actual earnings on OPEB plan investments	-	3,850
Changes in proportion and contribution differences	98,676	62,518
Employer contributions subsequent to the measurement date	48,698	-
Total	\$ 402,614	\$ 585,474

The deferred outflows of resources related to OPEB resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the Net OPEB Liability in the fiscal year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Group Life Insurance Program- City

Year Ended June 30,	Increase (Reduction) to OPEB Income
2026	\$ (3,343)
2027	2,434
2028	2,127
2029	1,723
2030	1,478
Thereafter	-

Group Life Insurance Program- Schools

Year Ended June 30,	Increase (Reduction) to OPEB Income
2026	\$ (82,765)

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Year Ended June 30,	Increase (Reduction) to OPEB Income
2027	\$ 10,168
2028	(1,513)
2029	13,752
2030	15,626
Thereafter	-

Teacher Health Insurance Credit Program

Year Ended June 30,	Increase (Reduction) to OPEB Income
2026	\$ (36,974)
2027	(32,365)
2028	(50,901)
2029	(29,952)
2030	(9,546)
Thereafter	(15,149)

Line of Duty Act Program

Year Ended June 30,	Reduction to OPEB Expense
2026	\$ (13,460)
2027	(18,663)
2028	(28,016)
2029	(34,018)
2030	(36,748)
Thereafter	(100,653)

Actuarial Assumptions and Other Inputs

The total OPEB liability was determined using the following assumptions based on an actuarial valuation date of June 30, 2023, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2024:

Inflation	2.5%
Salary increases, including inflation:	
* Locality- general employees	3.5 – 5.35%
* Locality – hazardous duty employees	3.5 – 4.75%
* Teachers	3.5 – 5.95%
Healthcare cost trend rates:	
* Under age 65	7.25 – 4.25%
* Ages 65 and older	6.50 – 4.25%

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Investment rate of return, net of expenses,
including inflation*

GLI & HIC: 6.75%; LODA 3.97%

* Since LODA is funded on a current-disbursement basis, the assumed annual rate of return of 3.97% was used since it approximates the risk-free rate of return.

Mortality rates used for the various VRS OPEB plans are the same as those used for the actuarial valuations of the VRS pension plans. The mortality rates are discussed in detail at Note 15.

Net OPEB Liabilities

The net OPEB liabilities represent each program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2024, net OPEB liability amounts for the various VRS OPEB programs are as follows (amounts expressed in thousands):

	Group Life Insurance Program	Teacher Employee HIC OPEB Plan	Line of Duty Act Program
Total OPEB liability	\$ 4,196,055	\$ 1,478,105	\$ 398,395
Plan fiduciary net position	3,080,133	322,457	4,841
Employers' net OPEB liability (asset)	1,115,922	1,155,648	393,554
Plan fiduciary net position as a percentage of total OPEB liability	73.41%	21.82%	1.22%

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

Long-Term Expected Rate of Return

Group Life Insurance and Health Insurance Credit Programs

The long-term expected rate of return on VRS investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB 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 Note 15.

Line of Duty Act Program

The long-term expected rate of return on the LODA Program's investments was set at 3.97% for this valuation. Since LODA is funded on a current-disbursement basis, it is not able to use the VRS pooled investments 6.75% assumption noted above. Instead, the assumed annual rate of return of 3.97% was used since it approximates the risk-free rate of return. The Single Equivalent Interest Rate (SEIR) is the applicable municipal bond index rate based on the Fidelity Fixed Income General Obligation 20-year Municipal Bond Index as of the measurement date of June 30, 2024.

City of Falls Church, Virginia

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Discount Rate

The discount rate used to measure the GLI and HIC OPEB liabilities was 6.75%. The discount rate used to measure the LODA OPEB liability was 3.97%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made in accordance with the VRS funding policy at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2024, the rate contributed by the employer for the OPEB liabilities will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 113% of the actuarially determined contribution rate for GLI and 100% of the actuarially determined contribution rate for all other OPEB plans. From July 1, 2024 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the OPEB plans' 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 OPEB liability.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liabilities of the City, as well as what the City's net OPEB liabilities would be if it was calculated using a discount rate that is one-percentage-point lower (5.75% HIC; GLI/ 297% LODA) or one-percentage-point higher (7.75% HIC; GLI/ 4.97% LODA) than the current discount rate:

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
GLI Net OPEB liability- City	\$ 115,751	\$ 74,432	\$ 41,051
GLI Net OPEB liability- Schools	2,294,898	1,475,695	813,887
Teacher HIC Net OPEB liability	4,152,273	3,651,154	3,226,410
	(2.97%)	(3.97%)	(4.97%)
LODA Net OPEB liability	\$ 1,291,232	\$ 1,164,765	\$ 1,056,017

Sensitivity of the LODA Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

Because the LODA contains provisions for the payment of health insurance premiums, the liabilities are also impacted by the healthcare trend rates. The following presents the net LODA OPEB liability of the City using healthcare trend rate of 7.25% decreasing to 4.25%, as well as what the City's net LODA OPEB liability would be if it was calculated using healthcare cost trend rates that are one-percentage-point lower (6.25% decreasing to 3.25%) or one-percentage-point higher (8.25% decreasing to 5.25%) than the current healthcare cost trend rates:

	1.00% Decrease (6.25% decreasing to 3.25%)	Current Healthcare Cost Trend Rates (7.25% decreasing to 4.25%)	1.00% Increase (8.25% decreasing to 5.25%)
Net LODA OPEB liability	<u>\$ 992,225</u>	<u>\$ 1,164,765</u>	<u>\$ 1,376,474</u>

OPEB Plan Fiduciary Net Position

Information about the various VRS OPEB plan fiduciary net position is available in the separately issued VRS 2024 *Annual Comprehensive Financial Report* (Annual Report). A copy of the 2024 VRS Annual Report may be downloaded from the

City of Falls Church, Virginia

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VRS website at <https://www.varetire.org/media/shared/pdf/publications/2024-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 20 – Other Post-employment Benefits- Local Plan

Plan Description

The City provides post-employment healthcare insurance benefits for employees who are eligible for retirement benefits and who retire from the City under City Council resolution number 82-20. There is no provision for deferral of benefits for employees who separate from City employment without retiring. The School Board also provides post-employment health insurance benefits for eligible retirees. Two irrevocable trust funds were established in 2007 by action of City Council for purposes of accumulating and accounting for assets necessary to fund the City's and the School Board's future obligations for other post-employment benefits. The trust fund is administered by the Pension Board. The plans do not issue separate financial statements.

Summary of Significant Accounting Policies

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

Plan Descriptions and Contribution Information

The City and School Board OPEB plans are single-employer defined benefit post-employment healthcare plans that cover retired City and School Board employees. The City pays up to one-half of the health insurance premiums for employees hired before April 1, 2008. For employees hired on or after April 1, 2008, who complete at least ten years of service, the City pays 2% of the premium for each year of service up to a maximum of 50%. The School Board pays up to forty percent of the health insurance premiums of School Board employees depending on years of service and/or date of hire. The City Council and the School Board have the authority to change these benefits.

Membership in the plan consisted of the following at June 30, 2024, the date of the latest actuarial valuation:

	<u>City</u>	<u>Schools</u>
Retirees and beneficiaries	180	78
Active members	243	451
	<u>423</u>	<u>529</u>

Net OPEB Liability (Asset)

The City's total net OPEB asset of \$5,068,427 and the School's net OPEB asset of \$5,509,906 were measured as of June 30, 2024, and were determined by an actuarial valuation performed as of June 30, 2024.

Actuarial Assumptions and Other Inputs

The total OPEB liability was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

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	<u>City and Schools</u>
Actuarial valuation date	June 30, 2024
Actuarial cost method	Entry Age Normal
Amortization method	Level Percentage of Pay, Closed
Remaining Amortization period	14 years
Actuarial assumptions:	
Discount Rate	6.50%
Healthcare Cost Trend Rates	3.00% - 7.25%

The plan uses the Pub-2010 public sector mortality tables, projected generationally with Scale MP-2021.

Long-Term Expected Rate of Return

The most recent actuarial valuation of June 30, 2024, showed that the projected assets are expected to cover future benefit payments for current participants and as such, the single rate used as the discount rate is the long-term expected rate of return at 6.50%.

Discount Rate

The discount rate used to measure the net OPEB liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that City and School contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the 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 OPEB liability.

Changes in Net OPEB Liability (Asset)

	<u>Increase (Decrease)</u>		
	<u>Total OPEB Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net OPEB Liability(Asset) (a) – (b)</u>
City Plan			
Balances at June 30, 2023	\$ 7,311,063	\$ 10,582,218	\$ (3,271,155)
Changes for the year:			
Service cost	167,993	-	167,993
Interest	466,719	-	466,719
Differences between expected and actual experience	(350,129)	-	(350,129)
Changes in assumptions	(305,065)	-	(305,065)
Contributions – employer	-	253,818	(253,818)
Net investment income	-	1,530,610	(1,530,610)
Benefit payments	(607,079)	(607,079)	-
Administrative expenses	-	(7,638)	7,638
Net changes	(627,561)	1,169,711	(1,797,272)
Balances at June 30, 2024	<u>\$ 6,683,502</u>	<u>\$ 11,751,929</u>	<u>\$ (5,068,427)</u>

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	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability(Asset) (a) – (b)
School Plan			
Balances at June 30, 2023	\$ 3,343,577	\$ 7,645,500	\$ (4,301,923)
Changes for the year:			
Service cost	75,822	-	75,822
Interest	217,782	-	217,782
Differences between expected and actual experience	(116,140)	-	(116,140)
Changes in assumptions	(212,274)	-	(212,274)
Contributions – employer	-	63,601	(63,601)
Net investment income	-	1,114,720	(1,114,720)
Benefit payments	(140,033)	(140,033)	-
Administrative expenses	-	(5,148)	5,148
Net changes	(174,843)	1,033,140	(1,207,983)
Balances at June 30, 2024	<u>\$ 3,168,734</u>	<u>\$ 8,678,640</u>	<u>\$ (5,509,906)</u>

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Discount Rate

The following presents the net OPEB liability (asset) of the City and School, as well as what the net OPEB liability (asset) would be if it was calculated using a discount rate that is one-percentage-point lower (5.50%) or one-percentage-point higher (7.50%) than the current discount rate:

	1.00% Decrease (5.50%)	Current Discount Rate (6.50%)	1.00% Increase (7.50%)
Net OPEB (asset) - City	\$ (4,334,626)	\$ (5,068,427)	\$ (5,683,717)
Net OPEB (asset) - Schools	(5,088,164)	(5,509,906)	(5,855,554)

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability (asset) of the City and Schools, as well as what the net OPEB liability (asset) would be if it was calculated using healthcare cost trend rates that are one-percentage-point lower or one-percentage-point higher than the current healthcare cost trend rates:

	1.00% Decrease	Current Healthcare Cost Trend Rates	1.00% Increase
Net OPEB (asset)- City	\$ (5,682,556)	\$ (5,068,427)	\$ (4,326,799)
Net OPEB (asset)- Schools	(5,869,169)	(5,509,906)	(5,067,728)

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in Note 22.

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OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2025, the City and Schools recognized OPEB expense (income) of \$(484,807) and \$(727,111), respectively. At June 30, 2025, the City and Schools reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	City	Schools	City	Schools
Differences between expected and actual experience	\$ 322,716	\$ 345,371	\$ 282,143	\$ 177,431
Changes in assumptions	92,969	33,653	456,604	750,482
Net difference between projected and actual earnings on OPEB plan investments	-	-	670,657	458,635
Employer contributions subsequent to the measurement date	200,012	71,831	-	-
	\$ 615,697	\$ 450,855	\$ 1,409,404	\$ 1,386,548

Employer contributions subsequent to the measurement date will be recognized as a reduction of the Net OPEB Liability in the year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Increase (Decrease) to OPEB Expense	
	City	Schools
2026	\$ (426,297)	\$ (435,062)
2027	129,118	(41,131)
2028	(385,424)	(284,246)
2029	(292,032)	(156,901)
2030	(19,084)	(43,668)
Thereafter	-	(46,516)

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Note 21 – Summary of Other Postemployment Benefits Elements

A summary of the OPEB-related financial statement elements is as follows:

	<u>Government</u>	<u>Business- Type</u>	<u>Total Primary Government</u>	<u>School Board</u>
Net OPEB asset				
Local Plan	\$ 4,874,810	\$ 193,617	\$ 5,068,427	\$ 5,509,906
Total net OPEB asset	\$ 4,874,810	\$ 193,617	\$ 5,068,427	\$ 5,509,906
Deferred outflows of resources				
Differences between expected and actual experience –				
Local Plan	\$ 310,388	\$ 12,328	\$ 322,716	\$ 345,371
VRS – Group Life Insurance	11,740	-	11,740	232,751
VRS – LODA	40,527	-	40,527	-
Change in proportion –				
VRS – Group Life Insurance	7,019	-	7,019	28,975
VRS – LODA	98,676	-	98,676	-
VRS – Teacher Health Insurance	-	-	-	132,250
Change in assumptions –				
Local Plan	89,418	3,551	92,969	33,653
VRS – Group Life Insurance	424	-	424	8,411
VRS – LODA	214,713	-	214,713	-
VRS – Teacher Health Insurance	-	-	-	62,899
OPEB contributions subsequent to				
Local Plan	192,372	7,640	200,012	71,831
VRS – Group Life Insurance	8,363	-	8,363	167,104
VRS – LODA	48,698	-	48,698	-
VRS – Teacher Health Insurance	-	-	-	430,199
Total deferred outflows of resources	\$ 1,022,338	\$ 23,519	\$ 1,045,857	\$ 1,513,444
Net OPEB liability				
VRS – Group Life Insurance	\$ 74,432	\$ -	\$ 74,432	\$ 1,475,695
VRS – LODA	1,164,765	-	1,164,765	-
VRS – Teacher Health Insurance Credit	-	-	-	3,651,154
Total net OPEB liability	\$ 1,239,197	\$ -	\$ 1,239,197	\$ 5,126,849

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	<u>Government</u>	<u>Business- Type</u>	<u>Total Primary Government</u>	<u>School Board</u>
Deferred inflows of resources				
Differences between expected and actual experience –				
Local Plan	\$ 271,365	\$ 10,778	\$ 282,143	\$ 177,431
VRS – Group Life Insurance	1,818	-	1,818	36,046
VRS – LODA	284,517	-	284,517	-
VRS – Teacher Health Insurance	-	-	-	172,983
Net difference between projected and actual earnings on plan investments -				
Local Plan	645,038	25,619	670,657	458,635
VRS – Group Life Insurance	6,274	-	6,274	124,386
VRS – LODA	3,850	-	3,850	-
VRS – Teacher Health Insurance	-	-	-	12,987
Change in assumptions –				
Local Plan	439,161	17,443	456,604	750,482
VRS – Group Life Insurance	3,689	-	3,689	73,132
VRS – LODA	234,589	-	234,589	-
VRS – Teacher Health Insurance	-	-	-	-
Deferred inflows of resources (Continued)				
Change in proportion –				
VRS – Group Life Insurance	2,983	-	2,983	81,304
VRS – LODA	62,518	-	62,518	-
VRS – Teacher Health Insurance	-	-	-	184,065
Total deferred inflows of resources	<u>\$ 1,955,802</u>	<u>\$ 53,840</u>	<u>\$ 2,009,642</u>	<u>\$ 2,071,451</u>
OPEB Expense (Income)				
Local Plan	\$ (466,280)	\$ (18,527)	\$ (484,807)	\$ (727,111)
VRS – Group Life Insurance	(7,849)	-	(7,849)	(141,386)
VRS – LODA	104,314	-	104,314	-
VRS – Teacher Health Insurance Credit	-	-	-	(166,319)
Total net OPEB expense (income)	<u>\$ (369,815)</u>	<u>\$ (18,527)</u>	<u>\$ (388,342)</u>	<u>\$ (1,034,816)</u>

Note 22 – OPEB Plan – Fiduciary Information

Summary of Significant Accounting Policies

The fiduciary financial statements of the OPEB Plan are prepared using the accrual basis of accounting. Plan contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. All plan investments are reported at fair value. Securities traded on a national exchange are valued at the last reported sales price on June 30. Securities without an established market are reported at estimated fair value.

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

City of Falls Church, Virginia

Notes to Financial Statements

June 30, 2025

Plan Description

The City's membership in the Plan as of June 30, 2025, the date of the most recent valuation, was as follows:

	City	Schools
Retirees and beneficiaries	180	78
Active members	243	451
Total	423	\$ 529

Contributions

For 2025, the total contribution rate was 0.89% and 0.20% of annual covered payroll for City and Schools, respectively. Other contribution information for 2025 is disclosed in Note 20.

Investments

Refer to Note 4 for the City's policy in regard to the allocation of invested assets.

The following investments, other than those issued or explicitly guaranteed by the U.S. government, represent 5 percent or more of the OPEB Plan's fiduciary net position:

Investment	Market Value	Percent of Net Position
Fidelity 500 Index Fund	\$ 9,518,338	42%
Fidelity Short-Term Bond Index	5,298,638	23
Fidelity International Index Fund	3,497,041	15
Fidelity Mid Cap Index Fund	1,915,963	8
Small-cap Index Fund (Vanguard)	1,827,532	8

For the year ended June 30, 2025, the annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expense, was 12.75% and 12.85% for the City and Schools plans, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net OPEB Asset

The components of the net OPEB liability (asset) of the Plan at June 30, 2025, were as follows:

	City	Schools
Total OPEB liability	\$ 7,274,067	\$ 3,540,031
Plan fiduciary net position	12,893,505	9,699,319
Plans net OPEB liability (asset)	\$ (5,619,438)	\$ (6,159,288)
Plan fiduciary net position as a percentage of the total OPEB liability	177.25%	273.99%

City of Falls Church, Virginia

Notes to Financial Statements

June 30, 2025

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2025, measured at June 30, 2025, using the following relevant actuarial information:

	City and Schools
Actuarial valuation date	June 30, 2025
Actuarial cost method	Entry Age Normal
Asset valuation method	Adjusted Market Value
Amortization method	Level Percentage of pay, closed
Amortization period	13 years
Actuarial assumptions:	
Discount rate	6.50%
Healthcare Cost Trend Rates	4.00% - 8.00%

The discount rate used to measure the total OPEB liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the Net OPEB Liability (Asset)

The following presents the net OPEB liability (asset) as of June 30, 2025, calculated using the discount rate of 6.50%, as well as what the net OPEB liability (asset) would be if it was calculated using a discount rate that is 1-percentage-point lower (5.50%) or one-percentage-point higher (7.50%) than the current rate:

	1% Decrease 5.50%	Discount Rate 6.50%	1% Increase 7.50%
City Plan			
Net OPEB liability (asset)	\$ (4,805,527)	\$ (5,619,438)	\$ (6,301,327)
Plan fiduciary net position as a percentage of the total OPEB liability	159.42%	177.25%	195.59%
School Plan			
Net OPEB liability (asset)	(5,685,565)	(6,159,288)	(6,547,483)
Plan fiduciary net position as a percentage of the total OPEB liability	253.09%	273.99%	329.59%

The following presents the net OPEB liability (asset), calculated using healthcare cost trend rates described in the assumptions above, as well as what the net OPEB liability (asset) would be if it was calculated using rates that are 1-percentage-point lower or one-percentage-point higher than the current rates:

	1% Decrease	Healthcare Trend	1% Increase
City Plan			
Net OPEB liability (asset)	\$ (6,308,872)	\$ (5,619,438)	\$ (4,784,587)
Plan fiduciary net position as a percentage of the total OPEB liability	195.81%	177.25%	159.00%

City of Falls Church, Virginia

Notes to Financial Statements

June 30, 2025

School Plan

Net OPEB liability (asset)	(6,562,467)	(6,159,288)	(5,663,493)
Plan fiduciary net position as a percentage of the total OPEB liability	331.33%	273.99%	251.60%

Statement of Fiduciary Net Position

	City OPEB		School Board OPEB
ASSETS			
Cash and cash equivalents	\$ 5,869	\$	4,414
Investments:			
Domestic equity securities	7,433,783		5,590,210
Domestic fixed-income securities	2,970,102		2,233,518
International equity securities	2,528,922		1,901,751
Total investments	12,932,807		9,725,479
Interest and dividends receivable	3,453		2,597
Total assets	12,942,129		9,732,490
LIABILITIES			
Accounts payable	467		938
Due to City	48,157		32,233
Total liabilities	48,624		33,171
NET POSITION			
Held in trust for:			
Pension benefits	12,893,505		9,699,319
Total net position restricted for OPEB	\$ 12,893,505	\$	9,699,319

Statement of Changes in Fiduciary Net Position

	City OPEB		School Board OPEB
ADDITIONS			
Investment earnings:			
Interest	\$ 4,167	\$	3,123
Dividends	247,603		183,214
Net increase in fair value	1,262,115		936,968
Total investments earnings	1,513,885		1,123,305
Less investment expenses	(11,790)		(7,831)
Net investment earnings	1,502,095		1,115,474
Total additions	1,502,095		1,115,474
DEDUCTIONS			
Benefits	351,194		93,765
Administration	9,325		1,030
Total deductions	360,519		94,795

City of Falls Church, Virginia

Notes to Financial Statements

June 30, 2025

	City OPEB	School Board OPEB
Change in net position	1,141,576	1,020,679
NET POSITION AT JULY 1	11,751,929	8,678,640
NET POSITION AT JUNE 30	\$ 12,893,505	\$ 9,699,319

Note 23 – Risk Management

The City participates in the Commonwealth of Virginia’s Law Enforcement Liability Plan, called VARisk2, operated by the Division of Risk Management of the Commonwealth’s Department of General Services. It was created in accordance with Sec. 2.1-526.8:l of the *Code of Virginia*, which says that the State shall have the right and duty to defend any suit seeking damages or compensation against the City’s officials and employees on account of wrongful acts even if any of the allegations of the suits are groundless, false, or fraudulent and may make investigation and settlement of any claims or suit as deemed expedient. The limits of VARisk2 coverage are \$1,000,000 per claim.

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance through the Virginia Risk-Sharing Association (“VRSA”). The City also carries workers’ compensation insurance through VRSA. This program is administered by a servicing contractor, which furnishes claims review and processing services. Each member jointly and severally agrees to assume, pay and discharge any liability. The City pays VRSA contributions and assessments based upon classifications and rates into a designated cash reserve fund out of which expenses of the Association and claims awards are to be paid. In the event of a loss deficit and depletion of all available excess insurance, the Association may assess all members in the proportion, which the premium of each bears to the total premiums of all members in the year in which such deficit occurs.

The School Board carries commercial insurance through the VRSA for property, casualty, general liability, and automobile coverage. Errors and omissions coverage are provided through the VARisk2 pool. Settled claims from these risks have not exceeded commercial coverage in any of the last three fiscal years.

Note 24 – Self-Insurance

City and School employees are covered by a professionally administered risk-sharing program, which provides health coverage for employees of the City and Schools on a cost-reimbursement basis. Dependents are covered by the program provided they pay a premium to the City and Schools. Under the program, health insurance claims are separately rated from other groups, and the City and School claims experience is factored into the premiums assessed in subsequent periods. However, gains and losses resulting from the City and School claims experience is not settled directly with the City and Schools, but instead is shared by the pool. If the City and Schools were to exit the risk pool, it could be assessed a settlement charge that would not exceed any net loss resulting from the City and School’s most recent year’s claims experience. The City and Schools have no plans to exit the pool.

Note 25 – Prior Period Restatements

The City has an agreement with Fairfax County to share the operating and major project cost of sewage treatment facilities. An accrual is estimated at the end of the year based on prior year consumption data. Once consumption reports are available, a true-up is performed. Combined with the current year true-up, the City has increased prior year expense in the sanitary sewer fund.

City of Falls Church, Virginia

Notes to Financial Statements

June 30, 2025

During 2025, the City adopted GASB 101, *Compensated Absences*. This statement updated the recognition and measurement guidance for certain paid leave, with the impact retroactively restating beginning fund balance/ net position as noted below.

The following is a summary of all the restatements to net position.

	Governmental Activities	Business Type Activities	School Board
Net position, June 30, 2024, as previously reported	\$ 186,067,977	\$ 53,216,932	\$ (13,320,857)
Fairfax County adjustment	-	(34,508)	-
GASB 101	(743,257)	9,792	(3,712,866)
Net position, June 30, 2024, as restated	\$ 185,324,720	\$ 53,192,216	\$ (17,033,723)

	Sanitary Sewer Fund	Stormwater Fund	Custodial Fund
Net position, June 30, 2024, as previously reported	\$ 40,039,009	\$ 13,177,923	\$ 17,701,709
Fairfax County adjustment	(34,508)	-	-
GASB 101	7,646	2,146	(90,851)
Net position, June 30, 2024, as restated	\$ 40,012,147	\$ 13,180,069	\$ 17,610,858

Note 26 – Fund Balances

Fund Balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds.

	General Fund	Other Governmental Funds
Nonspendable:		
Prepays	\$ 29,648	\$ -
Inventories	131,207	-
Total nonspendable	160,855	-
Restricted for:		
Capital projects	251,078	328,942
Grants	388,771	-
Special transportation	-	8,439,633
Affordable housing	-	988,877
CDA	-	1,822,389
Total restricted	639,849	11,579,841
Committed to:		
Capital projects	15,137,529	7,400,209
Future development costs	2,490,543	-

City of Falls Church, Virginia

Notes to Financial Statements

June 30, 2025

	General Fund	Other Governmental Funds
Affordable housing	-	2,022,793
Total committed	17,628,072	9,423,002
Assigned to:		
Departmental programs	1,583,240	-
Total assigned	1,583,240	-
Unassigned	22,697,218	-
Total fund balance	\$ 42,709,234	\$ 21,002,843

Note 27 – Tax Abatement and Incentive Programs

Rehabilitated Commercial Properties

Section 40-352 to 40-360 of the City Code provides for the partial exemption of real estate taxes for rehabilitated commercial properties that meet certain eligibility criteria. These criteria include: (1) the structure must be no less than 20 years of age; (2) the structure must be substantially rehabilitated or renovated such that the assessed value of the structure is increased by no less than 100 percent over its assessed value on the date of the application, or replaced resulting in an increase or improvement of at least 10,000 square feet of office space by adding new office space, renovating or rehabilitating existing office space, or converting other uses to office space; (3) the structure must not contain residential rental units, condominium units, townhouses, or a single-family attached unit; and (4) the rehabilitation, renovation, or replacement must be the result of a single project with all work undertaken pursuant to a single building permit or combination of permits issued within a 60-day period and completed within 24 months from the date the initial construction permit was issued. The partial exemption shall be the amount of real estate taxes resulting from the increase in assessed value attributable to the substantial rehabilitation, renovation, or replacement of the structure and will be applicable to subsequent assessments commencing on January 1 of the year following completion of the rehabilitation, renovation or replacement. 100% of the partial exemption shall be applicable for the first five years and 50% shall be applicable for the next five years. In FY2025, no properties received this credit.

West Falls Church Development

As described in Note 11, the City and EDA entered into a long-term agreement regarding the West Falls Church Development. As part of the agreement, taxes will be paid by owners of the sold site, and the leased portion will be considered a sale for real estate tax purposes. Accordingly, the City entered into a tax incentive agreement where incentive credit payments will be made to lessees and owners as follows:

- Tax year 3 (FY25): 100% of the amount of taxes paid timely by the lessee/owner, less \$1 million allocated to each lessee/owner based on the agreement. During FY25, this amounted to \$1,536,088.
- Tax year 4 (FY26): 100% of the amount of real estate paid timely by the lessee/owner, less \$1.5 million allocated to each lessee/owner based on the agreement
- Tax year 5 (FY27): 100% of the amount of real estate paid timely by the lessee/owner, less \$2 million allocated to each lessee/owner based on the agreement
- Tax year 6 (FY28): 100% of the amount of real estate paid timely by the lessee/owner, less \$3 million allocated to each lessee/owner based on the agreement. Tax year 6 is the final year for making tax incentive payments.

City of Falls Church, Virginia

Notes to Financial Statements

June 30, 2025

Note 28 – Conduit Debt

During 2013, the EDA entered into a conduit debt arrangement with Easter Seals Greater Washington-Baltimore Region Inc. (“Easter Seals”). Under this agreement, the EDA issued revenue bonds totaling \$3,008,000 for the purpose of financing costs associated with the acquisition, renovation, and furnishings of a property to be utilized by Easter Seals. Easter Seals executed a promissory note to show obligation of payment for the bonds, which are due to be paid off in 2037. The agreement specified the EDA is in no way obligated to make principal or interest payments on the bonds. As of June 30, 2025, the total remaining principal outstanding was \$1,990,518.

Also during 2013, the EDA entered into a conduit debt arrangement with Tax Analysts. The EDA issued refunding revenue bonds totaling \$15,020,000 for the purpose of refinancing a portion of the costs associated with the acquisition and improvement of a facility used by Tax Analysts. Tax Analysts issued a promissory note to show obligation of payment of the bonds, which are due to be paid off in 2027. The agreement specified the EDA is in no way obligated to make principal or interest payments on the bonds. As of June 30, 2025, the total remaining principal outstanding was \$5,193,663.

Note 29 – New Accounting Standards

The Governmental Accounting Standards Board (“GASB”) has issued the following Statements, which are not yet effective.

In April 2024, the GASB issued **Statement No. 103**, *Financial Reporting Model Improvements*. This statement improves key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision-making and assessing a government’s accountability, as well as addresses certain application issues. The requirements of this Statement are effective for reporting periods beginning after June 15, 2025.

In September 2024, the GASB issued **Statement No. 104**, *Disclosure of Certain Capital Assets*. This statement requires certain information regarding capital assets to be presented by major class. Certain types of capital assets are to be disclosed separately in the capital assets note disclosures required by Statement No. 34. The requirements of this Statement are effective for reporting periods beginning after June 15, 2025.

Management has not determined the effects these new GASB Statements may have on prospective financial statements.

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Required Supplementary Information

City of Falls Church, Virginia

Required Supplementary Information
 Schedule of Changes in the Net Pension Liability (Asset) and Related Ratios - Basic Pension Plan
 For the Year Ended June 30, 2025

	Measurement Dates - Plan Year									
	June 30, 2025	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016
Total Pension Liability										
Service Cost	\$ 2,152,792	\$ 1,922,912	\$ 1,658,115	\$ 1,520,767	\$ 1,545,819	\$ 1,632,350	\$ 1,508,663	\$ 1,508,277	\$ 1,597,442	\$ 1,539,198
Interest (includes interest on service cost)	7,160,289	6,864,438	6,613,034	6,466,646	6,458,557	6,562,905	6,397,092	6,184,236	6,139,726	5,773,189
Differences between expected and actual experience	2,372,765	1,974,577	1,535,475	(139,877)	(1,591,398)	(275,762)	(260,268)	1,069,324	(1,068,167)	(595,377)
Changes of assumptions	-	-	-	216,934	(561,529)	3,270,602	-	(521,422)	(1,009,938)	3,155,541
Benefit payments, including refunds of member contributions	(6,521,405)	(6,359,097)	(6,048,261)	(5,851,122)	(5,552,789)	(5,441,073)	(5,359,765)	(5,040,218)	(4,827,875)	(4,561,229)
Net change in total pension liability	5,164,441	4,402,830	3,758,363	2,213,348	298,660	5,749,022	2,285,722	3,200,197	831,188	5,311,322
Total pension liability - beginning	111,266,198	106,863,368	103,105,005	100,891,657	100,592,997	94,843,975	92,558,253	89,358,056	88,526,868	83,215,546
Total pension liability - ending	\$ 116,430,639	\$ 111,266,198	\$ 106,863,368	\$ 103,105,005	\$ 100,891,657	\$ 100,592,997	\$ 94,843,975	\$ 92,558,253	\$ 89,358,056	\$ 88,526,868
Plan fiduciary net position										
Contributions - employer	\$ 383,506	\$ 345,937	\$ 245,940	\$ 205,635	\$ 224,613	\$ 273,869	\$ 251,480	\$ 1,257,789	\$ 1,160,820	\$ 1,972,956
Contributions - member	1,227,184	1,110,081	948,396	871,483	809,750	826,874	773,972	759,047	755,822	789,920
Net investment income	17,506,494	14,549,592	9,215,178	(11,916,344)	30,723,343	3,340,371	7,204,502	13,225,934	13,427,809	507,418
Benefit payments, including refunds of member contributions	(6,521,405)	(6,359,097)	(6,048,261)	(5,851,122)	(5,552,789)	(5,441,073)	(5,359,765)	(5,040,218)	(4,827,875)	(4,561,229)
Administrative expenses	(139,704)	(118,477)	(87,529)	(85,354)	(73,862)	(106,970)	(42,261)	(53,716)	(70,173)	(77,649)
Net change in plan fiduciary net position	12,456,075	9,528,036	4,273,724	(16,775,702)	26,131,055	(1,106,929)	2,827,928	10,148,836	10,446,403	(1,368,584)
Plan fiduciary net position - beginning	134,715,420	125,187,384	120,913,660	137,689,362	111,558,307	112,665,236	109,837,308	99,688,472	89,242,069	90,610,653
Plan fiduciary net position - ending	\$ 147,171,495	\$ 134,715,420	\$ 125,187,384	\$ 120,913,660	\$ 137,689,362	\$ 111,558,307	\$ 112,665,236	\$ 109,837,308	\$ 99,688,472	\$ 89,242,069
Net pension liability (asset) - ending	\$ (30,740,856)	\$ (23,449,222)	\$ (18,324,016)	\$ (17,808,655)	\$ (36,797,705)	\$ (10,965,310)	\$ (17,821,261)	\$ (17,279,055)	\$ (10,330,416)	\$ (715,201)
Plan fiduciary net position as a percentage of total pension liability	126.40%	121.07%	117.15%	117.27%	136.47%	110.90%	118.79%	118.67%	111.56%	100.81%
Covered payroll	\$ 24,461,926	\$ 22,201,424	\$ 18,967,847	\$ 17,429,613	\$ 16,170,632	\$ 16,601,604	\$ 15,859,634	\$ 15,180,552	\$ 15,111,938	\$ 15,023,723
Net pension liability (asset) as a percentage of covered payroll	-125.67%	-105.62%	-96.61%	-102.17%	-227.56%	-66.05%	-112.37%	-113.82%	-68.36%	-4.76%

Notes to Schedule:

Reporting dates are one year subsequent to the measurement dates.
 In 2020, the actuary performed an experience study and the recommended actuarial assumption changes were approved.

City of Falls Church, Virginia

Required Supplementary Information

Schedule of Changes in the Net Pension Liability (Asset) and Related Ratios - Police Pension Plan
For the Year Ended June 30, 2025

Measurement Dates - Plan Year

	June 30, 2025	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016
Total Pension Liability										
Service Cost	\$ 696,587	\$ 639,636	\$ 576,104	\$ 599,401	\$ 573,982	\$ 555,633	\$ 638,468	\$ 644,642	\$ 647,878	\$ 550,412
Interest (includes interest on service cost)	2,410,298	2,300,448	2,181,885	2,062,981	2,021,742	2,059,582	2,002,662	1,939,570	1,869,430	1,727,698
Differences between expected and actual experience	79,425	756,359	880,896	875,234	(322,756)	174,824	(500,341)	(407,298)	(140,892)	85,941
Changes of assumptions	-	-	-	55,564	(113,454)	253,554	-	(141,013)	(287,168)	609,562
Benefit payments, including refunds of member contributions	(2,162,565)	(1,964,209)	(1,792,546)	(1,688,631)	(1,412,327)	(1,349,395)	(1,140,085)	(1,116,820)	(1,051,184)	(1,041,507)
Net change in total pension liability	1,023,745	1,732,234	1,846,339	1,904,549	747,187	1,694,198	1,000,704	919,081	1,038,064	1,932,106
Total pension liability - beginning	37,466,207	35,733,973	33,887,634	31,983,085	31,235,898	29,541,700	28,540,996	27,621,915	26,583,851	24,651,745
Total pension liability - ending	\$ 38,489,952	\$ 37,466,207	\$ 35,733,973	\$ 33,887,634	\$ 31,983,085	\$ 31,235,898	\$ 29,541,700	\$ 28,540,996	\$ 27,621,915	\$ 26,583,851
Plan fiduciary net position										
Contributions - employer	\$ 192,559	\$ 132,898	\$ 81,726	\$ 65,877	\$ 78,835	\$ 196,880	\$ 309,263	\$ 625,820	\$ 600,676	\$ 751,332
Contributions - member	237,434	229,359	275,699	196,480	189,685	186,453	198,404	198,118	296,901	250,909
Net investment income	5,724,189	4,871,749	3,042,726	(3,909,750)	9,942,234	1,122,116	2,332,611	4,092,322	4,019,100	202,768
Benefit payments, including refunds of member contributions	(2,162,565)	(1,964,209)	(1,792,546)	(1,688,631)	(1,412,327)	(1,349,395)	(1,140,085)	(1,116,820)	(1,051,184)	(1,041,507)
Administrative expenses	(43,022)	(37,194)	(29,288)	(27,896)	(23,448)	(37,179)	(29,536)	(16,968)	(21,978)	(27,185)
Net change in plan fiduciary net position	3,948,595	3,232,603	1,578,317	(5,363,920)	8,774,979	118,875	1,670,657	3,782,472	3,843,515	136,317
Plan fiduciary net position - beginning	44,513,663	41,281,060	39,702,743	45,066,663	36,291,684	36,172,809	34,502,152	30,719,680	26,876,165	26,739,848
Plan fiduciary net position - ending	\$ 48,462,258	\$ 44,513,663	\$ 41,281,060	\$ 39,702,743	\$ 45,066,663	\$ 36,291,684	\$ 36,172,809	\$ 34,502,152	\$ 30,719,680	\$ 26,876,165
Net pension liability (asset) - ending	\$ (9,972,306)	\$ (7,047,456)	\$ (5,547,087)	\$ (5,815,109)	\$ (13,083,578)	\$ (5,055,786)	\$ (6,631,109)	\$ (5,961,156)	\$ (3,097,765)	\$ (292,314)
Plan fiduciary net position as a percentage of total pension liability	125.91%	118.81%	115.52%	117.16%	140.91%	116.19%	122.45%	120.89%	111.21%	101.10%
Covered payroll	\$ 3,371,952	\$ 3,276,560	\$ 3,178,847	\$ 2,806,864	\$ 2,709,767	\$ 2,685,250	\$ 2,872,324	\$ 2,830,258	\$ 2,713,990	\$ 2,542,578
Net pension liability (asset) as a percentage of covered payroll	-295.74%	-215.09%	-174.50%	-207.17%	-482.83%	-188.28%	-230.86%	-210.62%	-114.14%	-11.50%

Notes to Schedule:

Reporting dates are one year subsequent to the measurement dates.
In 2020, the actuary performed an experience study and the recommended actuarial assumption changes were approved.

City of Falls Church, Virginia

Required Supplementary Information
 Schedule of Changes in the Net Pension Liability (Asset) and Related Ratios - Constitutional Officers Plan
 For the Year Ended June 30, 2025

Measurement Dates - Plan Year

	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Total Pension Liability										
Service Cost	\$ 180,992	\$ 165,870	\$ 137,974	\$ 122,932	\$ 135,870	\$ 123,847	\$ 126,438	\$ 113,858	\$ 115,519	\$ 125,830
Interest (includes interest on service cost)	389,969	368,691	365,611	340,213	307,625	301,441	312,070	307,203	273,085	255,657
Changes of assumptions	-	-	-	214,063	-	108,916	-	(99,592)	-	-
Differences between expected and actual experience	182,187	83,364	(177,684)	(127,768)	337,943	(18,370)	(364,497)	(33,717)	288,621	11,357
Benefit payments, including refunds of member contributions	(321,205)	(314,411)	(301,932)	(320,371)	(276,925)	(252,525)	(199,201)	(237,225)	(142,431)	(145,323)
Net change in total pension liability	431,943	303,514	23,969	229,069	504,513	263,309	(125,190)	50,527	534,794	247,521
Total pension liability - beginning	<u>5,756,933</u>	<u>5,453,419</u>	<u>5,429,450</u>	<u>5,200,381</u>	<u>4,695,868</u>	<u>4,432,559</u>	<u>4,557,749</u>	<u>4,507,222</u>	<u>3,972,428</u>	<u>3,724,907</u>
Total pension liability - ending	<u>\$ 6,188,876</u>	<u>\$ 5,756,933</u>	<u>\$ 5,453,419</u>	<u>\$ 5,429,450</u>	<u>\$ 5,200,381</u>	<u>\$ 4,695,868</u>	<u>\$ 4,432,559</u>	<u>\$ 4,557,749</u>	<u>\$ 4,507,222</u>	<u>\$ 3,972,428</u>
Plan fiduciary net position										
Contributions - employer	\$ 22,686	\$ 20,055	\$ 35,445	\$ 34,950	\$ 10,641	\$ 11,660	\$ 18,642	\$ 20,809	\$ 30,313	\$ 32,780
Contributions - member	77,962	69,904	61,949	71,142	58,587	60,409	62,844	65,328	66,058	59,345
Net investment income	677,921	435,820	(4,568)	1,546,009	110,624	370,585	395,513	595,283	85,110	216,702
Benefit payments, including refunds of member contributions	(321,205)	(314,411)	(301,932)	(320,371)	(276,925)	(252,525)	(199,201)	(237,225)	(142,431)	(145,323)
Administrative expenses	(4,639)	(4,435)	(4,432)	(3,951)	(3,871)	(3,780)	(3,444)	(3,521)	(3,080)	(3,022)
Other changes	135	175	161	145	(129)	(233)	(350)	(525)	-	-
Net change in plan fiduciary net position	452,860	207,108	(213,377)	1,327,924	(101,073)	186,116	274,004	440,149	35,970	160,482
Plan fiduciary net position - beginning	<u>7,052,416</u>	<u>6,845,308</u>	<u>7,058,685</u>	<u>5,730,761</u>	<u>5,831,834</u>	<u>5,645,718</u>	<u>5,371,714</u>	<u>4,931,565</u>	<u>4,895,595</u>	<u>4,735,113</u>
Plan fiduciary net position - ending	<u>\$ 7,505,276</u>	<u>\$ 7,052,416</u>	<u>\$ 6,845,308</u>	<u>\$ 7,058,685</u>	<u>\$ 5,730,761</u>	<u>\$ 5,831,834</u>	<u>\$ 5,645,718</u>	<u>\$ 5,371,714</u>	<u>\$ 4,931,565</u>	<u>\$ 4,895,595</u>
Net pension liability (asset) - ending	<u>\$ (1,316,400)</u>	<u>\$ (1,295,483)</u>	<u>\$ (1,391,889)</u>	<u>\$ (1,629,235)</u>	<u>\$ (530,380)</u>	<u>\$ (1,135,966)</u>	<u>\$ (1,213,159)</u>	<u>\$ (813,965)</u>	<u>\$ (424,343)</u>	<u>\$ (923,167)</u>
Plan fiduciary net position as a percentage of total pension liability	121.27%	122.50%	125.52%	130.01%	110.20%	124.19%	127.37%	117.86%	109.41%	123.24%
Covered payroll	<u>\$ 1,714,910</u>	<u>\$ 1,528,199</u>	<u>\$ 1,357,817</u>	<u>\$ 1,199,406</u>	<u>\$ 1,251,345</u>	<u>\$ 1,266,107</u>	<u>\$ 1,319,818</u>	<u>\$ 1,364,445</u>	<u>\$ 1,344,074</u>	<u>\$ 1,086,779</u>
Net pension liability (asset) as a percentage of covered payroll	-76.76%	-84.77%	-102.51%	-135.84%	-42.38%	-89.72%	-91.92%	-59.66%	-31.57%	-84.95%

Notes to Schedule:

Measurement dates used are one year prior to the reporting date.

City of Falls Church, Virginia

**Required Supplementary Information
Schedule of Pension Contributions
For the Year Ended June 30, 2025**

Entity Fiscal Year Ended June 30	Contractually Determined Contribution	Contributions in Relation to Contractually Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
Basic Plan - Total Plan					
2025	\$ 383,506	\$ 383,506	\$ -	\$ 24,461,926	1.57 %
2024	345,917	345,917	-	22,201,424	1.56
2023	245,779	245,779	-	18,967,847	1.30
2022	205,635	205,635	-	17,429,613	1.18
2021	224,613	343,629	(119,016)	16,170,632	2.13
2020	273,762	273,762	-	16,601,604	1.65
2019	251,480	251,480	-	15,859,634	1.59
2018	1,263,956	1,257,789	6,167	15,180,552	8.29
2017	1,160,277	1,160,820	(543)	15,111,938	7.68
2016	1,972,956	1,972,956	-	15,023,723	13.13
Police Plan					
2025	\$ 192,559	\$ 192,559	\$ -	\$ 3,371,952	5.71 %
2024	132,898	132,898	-	3,276,560	4.06
2023	81,726	81,726	-	3,178,847	2.57
2022	65,877	65,877	-	2,806,864	2.35
2021	78,835	78,835	-	2,709,767	2.91
2020	196,880	196,880	-	2,685,250	7.33
2019	309,263	309,263	-	2,872,324	10.77
2018	625,820	673,820	(48,000)	2,830,258	23.81
2017	624,490	600,676	23,814	2,713,990	22.13
2016	751,332	751,332	-	2,542,578	29.55
Constitutional Officers					
2025	\$ 61,133	\$ 61,133	\$ -	\$ 1,773,372	3.45 %
2024	22,694	22,694	-	1,714,910	1.32
2023	21,810	21,810	-	1,528,199	1.43
2022	49,968	49,968	-	1,357,817	3.68
2021	34,950	34,950	-	1,199,406	2.91
2020	9,600	9,600	-	1,251,345	0.77
2019	14,607	14,607	-	1,266,107	1.15
2018	19,111	19,111	-	1,319,818	1.45
2017	20,809	20,809	-	1,364,445	1.53
2016	45,257	45,257	-	1,344,074	3.37

City of Falls Church, Virginia

Exhibit 17

**Required Supplementary Information
Schedule of Pension and Local OPEB Investment Returns
For the Year Ended June 30, 2025**

	<u>Basic</u>	<u>Police</u>	<u>OPEB- City</u>	<u>OPEB- Schools</u>
Annual money-weighted rate of return, net of investment expense				
June 30, 2025	13.17%	13.01%	12.75%	12.85%
June 30, 2024	11.79%	12.01%	14.47%	14.55%
June 30, 2023	7.79%	7.83%	13.03%	13.12%
June 30, 2022	-8.85%	-8.86%	-13.48%	-13.44%
June 30, 2021	28.37%	28.12%	33.38%	37.49%
June 30, 2020	2.69%	2.82%	3.52%	3.52%
June 30, 2019	6.36%	6.48%	6.34%	6.37%
June 30, 2018	13.79%	13.71%	9.37%	9.37%
June 30, 2017	15.16%	14.92%	13.97%	13.88%
June 30, 2016	0.71%	0.88%	N/A*	N/A*

Required Supplementary Information
 Schedule of Employer's Share of Net Pension Liability (Asset)
 June 30, 2025

Plan Year Ended June 30	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset)	Employer's Covered Payroll	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)
Basic Plan - City					
2024	78.33 %	\$ (18,368,126)	\$ 17,390,880	(105.62) %	121.07 %
2023	75.70	(13,871,578)	14,354,147	(96.64)	117.15
2022	75.79	(13,497,489)	13,176,641	(102.43)	117.27
2021	74.88	(27,552,892)	12,112,537	(227.47)	136.47
2020	73.67	(8,077,971)	12,223,636	(66.08)	110.90
2019	75.12	(13,387,775)	11,459,245	(116.83)	118.80
2018	72.33	(12,497,198)	10,979,441	(113.82)	118.70
2017	73.16	(7,558,096)	11,056,426	(68.36)	111.60
2016	73.00	(520,795)	10,939,965	(4.76)	100.81
2015	71.97	(5,322,577)	10,420,367	(51.08)	108.89
Basic Plan - Schools					
2024	14.39 %	\$ (3,373,583)	\$ 3,193,889	(105.63) %	121.07 %
2023	15.92	(2,917,052)	3,019,572	(96.60)	117.15
2022	16.42	(2,924,538)	2,862,201	(102.18)	117.27
2021	17.31	(6,369,156)	2,808,383	(226.79)	136.47
2020	18.49	(2,027,649)	3,014,547	(67.26)	110.90
2019	16.49	(2,939,214)	2,994,367	(98.16)	118.80
2018	19.05	(3,292,408)	2,892,548	(113.82)	118.70
2017	18.13	(1,873,107)	2,840,908	(65.93)	111.60
2016	18.80	(127,854)	2,685,735	(4.76)	100.81
2015	18.80	(1,390,211)	2,867,047	(48.49)	108.89
VRS Teacher Retirement Plan					
2024	0.31 %	\$ 29,443,059	\$ 35,546,669	82.83 %	84.52 %
2023	0.32	32,463,331	33,845,542	95.92	82.45
2022	0.31	29,447,212	32,015,366	91.98	82.61
2021	0.31	24,211,548	27,759,621	87.22	85.46
2020	0.33	47,357,156	28,578,319	165.71	71.47
2019	0.33	43,393,026	27,738,714	156.43	73.51
2018	0.32	37,232,000	25,755,203	144.56	74.81
2017	0.32	39,492,000	25,447,924	155.19	72.92
2016	0.32	45,483,000	24,618,277	184.75	68.28
2015	0.32	40,438,000	21,122,520	191.44	70.68

City of Falls Church, Virginia

Exhibit 19

Required Supplementary Information
Schedule of Pension Contributions
June 30, 2025

Entity Fiscal Year Ended June 30	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
Basic Plan - City					
2025	\$ 194,289	\$ 194,289	\$ -	\$ 22,714,149	0.86 %
2024	175,637	175,637	-	17,390,880	1.01 %
2023	93,686	93,686	-	14,354,147	0.65
2022	63,863	63,863	-	13,176,641	0.48
2021	165,409	165,409	-	12,112,537	1.37
2020	85,789	85,789	-	12,223,636	0.70
2019	79,457	79,457	-	11,459,245	0.69
2018	888,463	883,450	5,013	10,979,441	8.05
2017	835,101	852,360	(17,259)	11,056,426	7.71
2016	1,445,007	1,446,667	(1,660)	10,939,965	13.22
Basic Plan - Schools					
2025	\$ 126,012	\$ 126,012	\$ -	\$ 3,567,723	3.53 %
2024	113,050	113,050	-	3,193,889	3.54
2023	99,645	99,645	-	3,019,572	3.30
2022	96,173	96,173	-	2,862,201	3.36
2021	115,035	115,035	-	2,808,383	4.10
2020	132,005	132,005	-	3,014,547	4.38
2019	114,044	114,044	-	2,994,367	3.81
2018	258,305	258,101	204	2,892,548	8.92
2017	218,122	206,553	11,569	2,840,908	7.27
2016	352,614	346,038	6,576	2,685,735	12.88
VRS Teacher Retirement Plan					
2025	\$ 5,051,182	\$ 5,051,182	\$ -	\$ 35,546,669	14.21 %
2024	5,288,860	5,288,860	-	33,845,542	15.63
2023	5,026,763	5,026,763	-	32,015,366	15.70
2022	4,592,819	4,592,819	-	28,963,437	15.86
2021	4,412,210	4,412,210	-	27,759,621	15.89
2020	4,303,928	4,303,928	-	28,578,319	15.06
2019	4,214,000	4,214,000	-	27,738,714	15.19
2018	4,094,000	4,094,000	-	25,755,203	15.90
2017	3,654,087	3,654,087	-	25,447,924	14.36
2016	3,426,047	3,426,047	-	24,618,277	13.92

City of Falls Church, Virginia

Required Supplementary Information
 Schedule of Changes in the Net OPEB Liability (Asset) and Related Ratios- City Local Plan
 For the Year Ended June 30, 2025

	Measurement Dates - Plan Year								
	June 30, 2025	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Total OPEB Liability									
Service Cost	\$ 179,006	\$ 167,993	\$ 154,863	\$ 147,219	\$ 149,334	\$ 130,338	\$ 166,453	\$ 187,579	\$ 182,271
Interest (includes interest on service cost)	428,431	466,719	453,932	438,674	465,688	457,713	584,093	586,842	573,368
Differences between expected and actual experience	89,978	(350,129)	57,091	704,400	102,923	888,803	63,273	(392,413)	-
Changes of assumptions	444,355	(305,065)	151,998	(364,960)	(401,788)	(130,479)	(1,936,880)	72,449	-
Benefit payments, including refunds of member contributions	(551,205)	(607,079)	(660,648)	(734,676)	(724,772)	(753,290)	(551,946)	(574,301)	(557,510)
Net change in total OPEB liability	590,565	(627,561)	157,236	190,657	(408,615)	593,085	(1,675,007)	(119,844)	198,129
Total OPEB liability - beginning	6,683,502	7,311,063	7,153,827	6,963,170	7,371,785	6,778,700	8,453,707	8,573,551	8,375,422
Total OPEB liability - ending	\$ 7,274,067	\$ 6,683,502	\$ 7,311,063	\$ 7,153,827	\$ 6,963,170	\$ 7,371,785	\$ 6,778,700	\$ 8,453,707	\$ 8,573,551
Plan fiduciary net position									
Contributions - employer	\$ 200,012	\$ 253,818	\$ 277,681	\$ 507,863	\$ 578,997	\$ 588,389	\$ 578,656	\$ 584,118	\$ 805,464
Net investment income	1,502,094	1,530,610	1,258,270	(1,533,567)	3,110,755	331,413	565,484	766,243	926,085
Benefit payments, including refunds of member contributions	(551,205)	(607,079)	(660,648)	(734,676)	(724,772)	(753,290)	(551,946)	(574,301)	(557,510)
Administrative expenses	(9,325)	(7,638)	(7,728)	(9,139)	(7,445)	(10,765)	(16,844)	(1,721)	(11,485)
Net change in plan fiduciary net position	1,141,576	1,169,711	867,575	(1,769,519)	2,957,535	155,747	575,350	774,339	1,162,554
Plan fiduciary net position - beginning	11,751,929	10,582,218	9,714,643	11,484,162	8,526,627	8,370,880	7,795,530	7,021,191	5,858,637
Plan fiduciary net position - ending	\$ 12,893,505	\$ 11,751,929	\$ 10,582,218	\$ 9,714,643	\$ 11,484,162	\$ 8,526,627	\$ 8,370,880	\$ 7,795,530	\$ 7,021,191
Net OPEB liability (asset) - ending	\$ (5,619,438)	\$ (5,068,427)	\$ (3,271,155)	\$ (2,560,816)	\$ (4,520,992)	\$ (1,154,842)	\$ (1,592,180)	\$ 658,177	\$ 1,552,360
Plan fiduciary net position as a percentage of total OPEB liability	177.25%	175.83%	144.74%	135.80%	164.93%	115.67%	123.49%	92.21%	81.89%
Covered payroll	\$ 22,531,202	\$ 21,874,953	\$ 18,304,121	\$ 17,770,991	\$ 16,737,491	\$ 16,249,991	\$ 14,528,545	\$ 14,139,703	\$ 13,970,500
Net OPEB liability (asset) as a percentage of covered employee payroll	-24.94%	-23.17%	-17.87%	-14.41%	-27.01%	-7.11%	-10.96%	4.65%	11.11%

Notes to Schedule:

Data will be presented from the time GASB 74 was first implemented in fiscal year 2017 until 10 years of trend data is achieved. Measurement dates used are one year prior to the reporting date.

City of Falls Church, Virginia
Required Supplementary Information
Schedule of Changes in the Net OPEB Liability (Asset) and Related Ratios -
School Local Plan
For the Year Ended June 30, 2025

Measurement Dates - Plan Year

	June 30, 2025	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Total OPEB Liability									
Service Cost	\$ 77,739	\$ 75,822	\$ 71,170	\$ 75,500	\$ 77,125	\$ 102,825	\$ 188,720	\$ 199,960	\$ 161,195
Interest (includes interest on service cost)	205,724	217,782	207,507	190,042	192,512	234,526	251,561	253,991	234,724
Differences between expected and actual experience	18,001	(116,140)	(40,791)	412,568	(21,139)	(131,762)	736,777	(510,811)	-
Changes of assumptions	235,429	(212,274)	47,141	(289,391)	(182,881)	(476,791)	(1,231,569)	63,998	-
Benefit payments, including refunds of member contributions	(165,596)	(140,033)	(123,442)	(108,188)	(96,011)	(87,495)	(119,902)	(142,248)	(137,285)
Net change in total OPEB liability	371,297	(174,843)	161,585	280,531	(30,394)	(358,697)	(174,413)	(135,110)	258,634
Total OPEB liability - beginning	3,168,734	3,343,577	3,181,992	2,901,461	2,931,855	3,290,552	3,464,965	3,600,075	3,341,441
Total OPEB liability - ending	\$ 3,540,031	\$ 3,168,734	\$ 3,343,577	\$ 3,181,992	\$ 2,901,461	\$ 2,931,855	\$ 3,290,552	\$ 3,464,965	\$ 3,600,075
Plan fiduciary net position									
Contributions - employer	\$ 71,831	\$ 63,601	\$ 55,777	\$ 115,269	\$ 44,006	\$ 74,418	\$ 107,769	\$ 225,027	\$ 510,079
Net investment income	1,115,474	1,114,720	895,280	(1,072,431)	2,004,976	206,658	352,484	476,993	569,574
Benefit payments, including refunds of member contributions	(165,596)	(140,033)	(123,442)	(108,188)	(96,011)	(87,495)	(119,902)	(142,248)	(137,285)
Administrative expenses	(1,030)	(5,148)	(5,211)	(6,088)	(5,000)	(7,000)	(10,865)	(1,187)	(7,920)
Net change in plan fiduciary net position	1,020,679	1,033,140	822,404	(1,071,438)	1,947,971	186,581	329,486	558,585	934,448
Plan fiduciary net position - beginning	8,678,640	7,645,500	6,823,096	7,894,534	5,946,563	5,759,982	5,430,496	4,871,911	3,937,463
Plan fiduciary net position - ending	\$ 9,699,319	\$ 8,678,640	\$ 7,645,500	\$ 6,823,096	\$ 7,894,534	\$ 5,946,563	\$ 5,759,982	\$ 5,430,496	\$ 4,871,911
Net OPEB liability (asset) - ending	\$ (6,159,288)	\$ (5,509,906)	\$ (4,301,923)	\$ (3,641,104)	\$ (4,993,073)	\$ (3,014,708)	\$ (2,469,430)	\$ (1,965,531)	\$ (1,271,836)
Plan fiduciary net position as a percentage of total OPEB liability	273.99%	273.88%	228.66%	214.43%	272.09%	202.83%	175.05%	156.73%	135.33%
Covered payroll	\$ 35,088,199	\$ 34,066,213	\$ 30,250,015	\$ 29,368,947	\$ 28,194,127	\$ 27,372,939	\$ 31,111,688	\$ 30,279,015	\$ 29,036,463
Net OPEB liability (asset) as a percentage of covered employee payroll	-17.55%	-16.17%	-14.22%	-12.40%	-17.71%	-11.01%	-7.94%	-6.49%	-4.38%

Notes to Schedule:

Data will be presented from the time GASB 74 was first implemented in fiscal year 2017 until 10 years of trend data is achieved. Measurement dates used are one year prior to the reporting date.

City of Falls Church, Virginia

**Required Supplementary Information
Schedule of OPEB Contributions- Local Plans
For the Year Ended June 30, 2025**

Entity Fiscal Year Ended June 30	Actuarially Determined Contribution	Contributions in Relation to Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
OPEB Plan- City					
2025	\$ 200,012	\$ 200,012	\$ -	\$ 22,531,202	0.89 %
2024	253,818	253,818	-	21,874,953	1.16
2023	277,681	277,681	-	18,304,121	1.52
2022	115,361	507,863	(392,502)	17,770,991	2.86
2021	-	578,997	(578,997)	16,737,491	3.46
2020	235,900	588,389	(352,489)	16,249,991	3.62
2019	380,218	578,656	(198,438)	14,528,545	3.98
2018	400,842	584,118	(183,276)	14,139,703	4.13
2017	754,906	805,464	(50,558)	13,970,500	5.77
OPEB Plan- Schools					
2025	\$ 71,831	\$ 71,831	\$ -	\$ 35,088,199	0.20 %
2024	63,601	63,601	-	34,066,213	0.19
2023	55,777	55,777	-	30,250,015	0.18
2022	59,579	115,269	(55,690)	29,368,947	0.39
2021	-	44,006	(44,006)	28,194,127	0.16
2020	29,334	74,418	(45,084)	27,372,939	0.27
2019	97,111	107,769	(10,658)	31,111,688	0.35
2018	123,595	225,027	(101,432)	30,279,015	0.74
2017	486,812	510,079	(23,267)	29,036,463	1.76

Schedule is intended to show information for 10 years. Since 2017 was the first year for OPEB, no other data is available. However, additional years will be included as they become available. Reporting dates are one year later than the measurement dates.

Required Supplementary Information
 Schedule of Employer's Share of Net OPEB Liability- Cost Sharing Plans
 June 30, 2025

Plan Year Ended June 30	Employer's Proportion of the Net OPEB Liability (Asset)	Employer's Proportionate Share of the Net OPEB Liability (Asset)	Employer's Covered Payroll	Employer's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
Virginia Retirement System - Health Insurance Credit - Teachers					
2024	0.32%	\$ 3,651,154	\$ 35,553,662	10.27%	21.82%
2023	0.32%	3,898,705	33,849,025	11.52%	17.90%
2022	0.31%	3,883,036	32,015,366	12.13%	15.08%
2021	0.31%	4,028,996	28,963,437	13.91%	13.15%
2020	0.33%	4,254,000	28,583,333	14.88%	9.95%
2019	0.33%	4,341,000	27,317,073	15.89%	8.97%
2018	0.32%	4,043,000	25,755,203	15.70%	8.08%
Virginia Retirement System - Group Life Insurance - General Employees					
2024	0.01%	\$ 74,432	\$ 1,773,372	4.20%	3.41%
2023	0.01%	77,835	1,714,910	4.54%	69.30%
2022	0.01%	75,136	1,528,199	4.92%	67.21%
2021	0.01%	67,644	1,356,449	4.99%	67.45%
2020	0.01%	101,000	1,251,345	8.07%	52.64%
2019	0.01%	106,000	1,266,107	8.37%	52.00%
2018	0.01%	105,000	1,320,064	7.95%	51.22%
Virginia Retirement System - Group Life Insurance - Schools					
2024	0.13%	\$ 1,475,695	\$ 35,553,662	4.15%	3.41%
2023	0.14%	1,634,304	33,954,588	4.81%	69.30%
2022	0.13%	1,607,348	32,081,770	5.01%	67.21%
2021	0.13%	1,570,602	29,037,223	5.41%	67.45%
2020	0.14%	2,319,000	28,582,043	8.11%	52.64%
2019	0.14%	2,313,000	27,741,133	8.34%	52.00%
2018	0.14%	2,068,000	25,756,084	8.03%	51.22%
Virginia Retirement System - Line of Duty Act					
2024	0.30%	\$ 1,164,765	\$ 3,900,769	29.86%	1.22%
2023	0.29%	1,148,336	3,731,287	30.78%	1.31%
2022	0.29%	1,087,075	3,484,825	31.19%	1.87%
2021	0.27%	1,212,021	3,021,055	40.12%	1.68%
2020	0.27%	1,131,011	3,070,268	36.84%	1.02%
2019	0.30%	1,080,000	3,617,026	29.86%	0.79%
2018	0.32%	989,000	3,550,588	27.85%	0.60%

Schedule is intended to show information for 10 years. Since 2018 was the first year for this presentation, no other data is available. Additional years will be included as they become available.

The covered payroll amounts above are for the measurement period, which is the twelve months prior to the entity's fiscal year.

City of Falls Church, Virginia
Required Supplementary Information
Schedule of OPEB Contributions - Cost Sharing Plans
 June 30, 2025

Entity Fiscal Year Ended June 30	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percentage of Covered Payroll
Virginia Retirement System - Health Insurance Credit - Teachers					
2025	\$ 430,199	\$ 430,199	\$ -	\$ 35,553,662	1.21%
2024	409,573	409,573	-	33,849,025	1.21%
2023	387,383	387,383	-	32,015,366	1.21%
2022	350,457	350,457	-	28,963,437	1.21%
2021	336,000	336,000	-	27,759,621	1.21%
2020	343,000	343,000	-	28,583,333	1.20%
2019	336,000	336,000	-	27,317,073	1.23%
2018	317,000	317,000	-	25,755,203	1.23%
Virginia Retirement System - Group Life Insurance - General Employees					
2025	\$ 8,363	\$ 8,363	\$ -	\$ 1,773,372	0.47%
2024	9,260	9,260	-	1,714,910	0.54%
2023	8,258	8,258	-	1,528,199	0.54%
2022	7,330	7,330	-	1,356,449	0.54%
2021	6,470	6,470	-	1,198,239	0.54%
2020	7,000	7,000	-	1,251,345	0.56%
2019	7,000	7,000	-	1,266,107	0.55%
2018	7,000	7,000	-	1,320,064	0.53%
Virginia Retirement System - Group Life Insurance - Schools					
2025	\$ 167,104	\$ 167,104	\$ -	\$ 35,553,662	0.47%
2024	183,354	183,354	-	33,954,588	0.54%
2023	173,241	173,241	-	32,081,770	0.54%
2022	156,803	156,803	-	29,037,223	0.54%
2021	150,000	150,000	-	27,824,647	0.54%
2020	149,000	149,000	-	28,582,043	0.52%
2019	144,000	144,000	-	27,741,133	0.52%
2018	135,000	135,000	-	25,756,084	0.52%
Virginia Retirement System - Line of Duty Act					
2025	\$ 98,849	\$ 48,698	\$ 50,151	\$ 3,900,769	1.25%
2024	103,047	44,666	58,381	3,731,287	1.20%
2023	95,095	38,013	57,082	3,484,825	1.09%
2022	71,109	39,560	31,549	3,021,055	1.31%
2021	68,511	37,838	30,673	3,070,268	1.23%
2020	66,110	37,000	29,110	3,617,026	1.02%
2019	40,000	40,000	-	3,550,588	1.13%
2018	34,000	34,000	-	3,667,341	0.93%

Schedule is intended to show information for 10 years. Since 2018 was the first year for this presentation, no other data is available. Additional years will be included as they become available.

The covered payroll amounts above are for the entity's fiscal year - i.e. the covered payroll on which required contributions were based for the same year.

City of Falls Church, Virginia

Notes to Required Supplementary Information

June 30, 2025

Note 1 – Changes of Benefit Terms

Pension

There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Other Postemployment Benefits (OPEB)

There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Note 2 – Changes of Assumptions

The actuarial assumptions used in the June 30, 2023, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Largest 10 – Non-Hazardous Duty:

- Update mortality table to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020.
- Adjusted retirement rates to better fit experience for Plan 1; set separate rates based on experience for Plan2/Hybrid; changed final retirement age from 75 to 80 for all.
- Adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service.
- No change to disability rates.
- No change to salary scale.
- No change to line of duty rates.
- No change to discount rate.

Largest 10 – Hazardous Duty/Public Safety Employees:

- Update mortality table to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020.
- Adjusted retirement rates to better fit experience and changed final retirement age from 65 to 70.
- Decreased withdrawal rates.
- No change to disability rates.
- No change to salary scale.
- No change to line of duty rates.
- No change to discount rate.

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

- Update mortality table to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020.
- Adjusted retirement rates to better fit experience for Plan 1; set separate rates based on experience for Plan2/Hybrid; changed final retirement age from 75 to 80 for all.
- Adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service.
- No change to disability rates.
- No change to salary scale.

City of Falls Church, Virginia

Notes to Required Supplementary Information

June 30, 2025

- No change to line of duty rates.
- No change to discount rate.

All Others (Non 10 Largest) – Hazardous Duty/Public Safety Employees:

- Update mortality table to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020.
- Adjusted retirement rates to better fit experience and changed final retirement age from 65 to 70.
- Decreased withdrawal rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Largest 10 Hazardous Duty.
- No change to disability rates.
- No change to salary scale.
- No change to line of duty rates.
- No change to discount rate.

Teacher cost-sharing pool:

- Update mortality table to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020.
- Adjusted retirement rates to better fit experience for Plan 1; set separate rates based on experience for Plan2/Hybrid; changed final retirement age from 75 to 80 for all.
- Adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service.
- No change to disability rates.
- No changes to salary scale.
- No change to discount rate.

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Other Supplementary Information

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Combining Fund Statements and Schedules

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Budget to Actual – General Fund

City of Falls Church, Virginia

Schedule 1

Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual by Department
General Fund
Year Ended June 30, 2025

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	\$ 75,554,272	\$ 75,554,272	\$ 76,276,211	\$ 721,939
Other local taxes	24,268,500	24,268,500	23,080,710	(1,187,790)
Permits, privilege fees, and regulatory licenses	1,454,200	1,454,200	1,715,355	261,155
Fines and forfeitures	550,000	550,000	1,086,481	536,481
Use of money and property	1,874,465	1,874,465	2,904,881	1,030,416
Charges for services	3,900,792	4,059,792	4,574,439	514,647
Miscellaneous	28,000	28,000	144,272	116,272
Gifts and contributions	16,800	113,800	587,777	473,977
Recovered costs	317,700	317,700	236,723	(80,977)
Intergovernmental				
Commonwealth	4,837,669	4,841,202	4,925,189	83,987
Federal	450,297	4,836,219	4,803,748	(32,471)
EDA	4,681,799	4,681,799	4,681,599	(200)
Total revenues	117,934,494	122,579,949	125,017,385	2,437,436
EXPENDITURES				
Current:				
Clerk of Court	45,750	45,750	33,937	11,813
Commissioner of Revenue	1,014,895	1,022,481	1,034,812	(12,331)
Community Planning and Economic Development Services	4,597,408	4,843,249	4,728,104	115,145
Executive Management	5,704,606	5,761,327	5,641,055	120,272
Finance	2,198,533	2,266,656	2,200,535	66,121
Human Services	5,105,056	5,180,599	5,136,847	43,752
Legislative	1,595,448	1,911,360	1,874,084	37,276
Library Services	2,546,716	2,653,280	2,616,015	37,265
Public Safety	12,100,254	11,678,043	11,473,170	204,873
Public Works	9,276,700	10,059,267	8,892,326	1,166,941
Recreation and Parks	4,085,159	4,369,975	4,340,322	29,653
Registrar	477,506	480,004	460,254	19,750
Sheriff	1,322,076	1,397,398	1,384,594	12,804
Treasurer	715,193	753,193	745,348	7,845
Non-departmental	67,634,112	68,483,112	68,481,953	1,159
Total expenditures	118,419,412	120,905,694	119,043,356	1,862,338
Excess (deficiency) of revenues over expenditures	(484,918)	1,674,255	5,974,029	4,299,774
OTHER FINANCING SOURCES (USES)				
Issuance of leases	-	-	652,196	652,196
Transfers in	2,727,000	2,727,000	2,727,000	-
Transfers out	(12,559,830)	(18,838,504)	(18,838,612)	(108)
Total other financing sources (uses)	(9,832,830)	(16,111,504)	(15,459,416)	652,088
Net change in fund balance	\$ (10,317,748)	\$ (14,437,249)	\$ (9,485,387)	\$ 4,951,862



Nonmajor Governmental Fund

Community Development Fund (“CDA”)

The West Falls CDA was created for the purpose of issuing bonds to pay for public infrastructure in the West Falls District, and administering a special assessment on property in the district to pay the debt service of those bonds, plus eligible administrative expenses associated with the district. Accordingly, this fund presents the CDA transactions as reported in the separate financial report of the CDA.



City of Falls Church, Virginia

Schedule 2

Balance Sheet
Nonmajor Governmental Fund
June 30, 2025

	<u>CDA</u>
ASSETS	
Restricted cash and investments	\$ 1,728,197
Receivables, net	1,841
Due from other funds	<u>459,575</u>
Total assets	<u><u>\$ 2,189,613</u></u>
LIABILITIES	
Accounts payable and other liabilities	<u>\$ 367,224</u>
FUND BALANCE	
Restricted	<u>1,822,389</u>
Total fund balances	<u>1,822,389</u>
Total liabilities and fund balance	<u><u>\$ 2,189,613</u></u>

City of Falls Church, Virginia

Schedule 3

**Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Fund
Year Ended June 30, 2025**

	<u>CDA</u>
REVENUES	
Use of money and property	\$ 128,704
Special assessments	919,150
Total revenues	<u>1,047,854</u>
EXPENDITURES	
Current:	
Community development	147,654
Capital outlay	2,176,041
Debt service:	
Interest and fiscal charges	698,750
Total expenditures	<u>3,022,445</u>
Excess (deficiency) of revenues over expenditures	<u>(1,974,591)</u>
Net change in fund balance	(1,974,591)
FUND BALANCES AT JULY 1	<u>3,796,980</u>
FUND BALANCES AT JUNE 30	<u><u>\$ 1,822,389</u></u>



Post Employment Benefit Trust Funds

Basic Plan - Pension

To account for the costs associated with providing pension benefits to current and future eligible permanent employees, except police officers, of the City that are scheduled to work 20 hours or more per week.

Basic Plan- Police

To account for the costs associated with providing pension benefits to current and future eligible police officers that work on a full-time basis.

Other Post-Employment Benefits Fund

To account for the costs associated with providing healthcare benefits to current and future eligible retirees of the City.

School Board Other Post-Employment Benefits Fund

To account for the costs associated with providing healthcare benefits to current and future eligible retirees of the School Board.

City of Falls Church, Virginia

Schedule 4

Combining Statement of Fiduciary Net Position
Post-Employment Benefit Trust Funds
June 30, 2025

	City			School Board	Total
	Basic Plan	Police Plan	Other Post-Employment Benefits	Other Post-Employment Benefits	
ASSETS					
Cash and cash equivalents	\$ 3,465,157	\$ 1,372,074	\$ 5,869	\$ 4,414	\$ 4,847,514
Investments:					
Domestic equity securities	75,343,545	25,369,136	7,433,783	5,590,210	113,736,674
Domestic fixed-income securities	16,666,901	5,495,670	2,970,102	2,233,518	27,366,191
International equity securities	30,348,986	9,658,870	2,528,922	1,901,751	44,438,529
Real estate securities	10,924,403	3,584,714	-	-	14,509,117
Infrastructure	10,264,705	2,962,813	-	-	13,227,518
Total investments	143,548,540	47,071,203	12,932,807	9,725,479	213,278,029
Contributions receivable:					
Employer	23,894	2,057	-	-	25,951
Employee	170,039	26,055	-	-	196,094
Total contributions receivable	193,933	28,112	-	-	222,045
Interest and dividends receivable	125,222	41,427	3,453	2,597	172,699
Total assets	147,332,852	48,512,816	12,942,129	9,732,490	218,520,287
LIABILITIES					
Accounts payable	127,874	39,406	467	938	168,685
Due to City (Note 7)	33,483	11,152	48,157	32,233	125,025
Total liabilities	161,357	50,558	48,624	33,171	293,710
NET POSITION					
Held in trust for:					
Pension benefits	147,171,495	48,462,258	-	-	195,633,753
Other post-employment benefits	-	-	12,893,505	9,699,319	22,592,824
Total net position restricted for pension and other post-employment benefits	\$ 147,171,495	\$ 48,462,258	\$ 12,893,505	\$ 9,699,319	\$ 218,226,577

**Combining Statement of Changes in Fiduciary Net Position
Post-Employment Benefit Trust Funds
Year Ended June 30, 2025**

	City		Other Post- Employment Benefits	School Board	Total
	Basic Plan	Police Plan		Other Post- Employment Benefits	
ADDITIONS					
Employer contributions	\$ 383,506	\$ 192,559	\$ -	\$ -	\$ 576,065
Employee contributions	1,227,184	237,434	-	-	1,464,618
Investment earnings:					
Interest	133,861	47,501	4,167	3,123	188,652
Dividends	1,404,912	422,504	247,603	183,214	2,258,233
Net increase in fair value of investments	16,326,085	5,357,226	1,262,115	936,968	23,882,394
Total investment earnings	17,864,858	5,827,231	1,513,885	1,123,305	26,329,279
Less investment expenses	(358,363)	(103,041)	(11,790)	(7,831)	(481,025)
Net investment earnings	17,506,495	5,724,190	1,502,095	1,115,474	25,848,254
Total additions	19,117,185	6,154,183	1,502,095	1,115,474	27,888,937
DEDUCTIONS					
Benefits	6,521,406	2,162,566	351,194	93,765	9,128,931
Administration	139,704	43,022	9,325	1,030	193,081
Total deductions	6,661,110	2,205,588	360,519	94,795	9,322,012
Change in net position	12,456,075	3,948,595	1,141,576	1,020,679	18,566,925
NET POSITION AT JULY 1	134,715,420	44,513,663	11,751,929	8,678,640	199,659,652
NET POSITION AT JUNE 30	\$ 147,171,495	\$ 48,462,258	\$ 12,893,505	\$ 9,699,319	\$ 218,226,577



Custodial Fund

Northern Virginia Criminal Justice Training Academy Fund

To account for monies received and disbursed on behalf of the Academy.

City of Falls Church, Virginia
Combining Statement of Fiduciary Net Position
Custodial Fund
June 30, 2025

Schedule 6

	<u>Northern Virginia Criminal Justice Academy</u>
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 7,728,724
Receivables	94,153
Due from other governments	373
Due from Prince William County	154,545
Total current assets	<u>7,977,795</u>
NONCURRENT ASSETS	
Investments	413,780
Net OPEB asset	99,518
Net pension asset	1,707,513
Capital assets:	
Non-depreciable	1,164,347
Depreciable, net	9,173,070
Total noncurrent assets	<u>12,558,228</u>
Total assets	<u>20,536,023</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred amount on refunding	10,901
Deferred outflows related to pensions	402,781
Deferred outflows related to OPEB	23,281
Total deferred outflows of resources	<u>436,963</u>
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable and accrued liabilities	253,614
Accrued interest expense	1,807
Due to general fund	2,145
Total current liabilities	<u>257,566</u>
NONCURRENT LIABILITIES	
Due within one year:	
Compensated absences	290,866
Lease and SBITA liabilities	45,695
Bonds payable	915,025
Due in more than one year:	
Compensated absences	108,142
Lease and SBITA liabilities	107,711
Total noncurrent liabilities	<u>1,467,439</u>
Total liabilities	<u>1,725,005</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	227,830
Deferred inflows related to OPEB	53,196
Deferred inflows related leases	87,619
Total deferred inflows of resources	<u>368,645</u>
NET POSITION	
Restricted for:	
Individuals, organizations, and other governments	18,879,336
Total net position	<u>\$ 18,879,336</u>

**Combining Statement of Changes in Fiduciary Net Position
Custodial Fund
Year Ended June 30, 2025**

	Northern Virginia Criminal Justice Academy
	<hr/>
ADDITIONS	
Charges for services	\$ 4,111,065
Grants and contributions	992,158
Debt service assessments	801,046
Lease revenue	153,530
Investment earnings	441,556
Miscellaneous	64,840
	<hr/>
Total additions	6,564,195
	<hr/>
DEDUCTIONS	
Personnel services and benefits	2,409,844
Purchased services	1,234,087
Materials and supplies	613,815
Depreciation	969,048
Interest expense	51,365
Miscellaneous	17,558
	<hr/>
Total deductions	5,295,717
	<hr/>
Change in net position	1,268,478
NET POSITION AT JULY 1, AS PREVIOUSLY PRESENTED	<hr/> 17,701,709
RESTATEMENT (Note 25)	(90,851)
NET POSITION AT JULY 1, AS RESTATED	<hr/> 17,610,858
	<hr/>
NET POSITION AT JUNE 30	<u><u>\$ 18,879,336</u></u>



Discretely Presented Component Unit – School Board

Major Governmental Funds

School Operating Fund

The School Operating Fund is a special revenue fund that accounts for the operations of the City's school system. Financing is provided by the State and Federal Governments, as well as contributions from the general fund.

School Community Service Fund

The School Community Service Fund is a special revenue fund that accounts for transactions related to donations, daycare operations, and rental income for the school system.

Nonmajor Governmental Funds

School Food Service Fund

The School Food Service Fund is a special revenue fund that accounts for the City's school lunch program. Financing is provided from lunch sales and state and federal reimbursements.

School Activity Funds

The School Activity Fund is a special revenue fund that accounts for all funds received from extracurricular school activities, such as entertainment, athletic contests, club dues, etc., and from school-sponsored activities that involve school personnel, students, or property.

CITY OF FALLS CHURCH, VIRGINIA

Discretely Presented Component Unit - School Board
 Balance Sheet - Governmental Funds
 June 30, 2025

	Major		Nonmajor		Total Governmental Funds
	School Operating	School Community Service	School Food Service	School Activity Funds	
ASSETS					
Cash and investments	\$ 3,853,982	\$ 1,698,711	\$ 609,364	\$ 513,550	\$ 6,675,607
Accounts receivable	150,312	10,954	-	-	161,266
Due from fiduciary funds	32,233	-	-	-	32,233
Due from primary government	6,599,764	35,614	-	-	6,635,378
Due from other governments	666,459	-	41,072	-	707,531
Prepays	28,335	22,008	-	-	50,343
Total assets	<u>\$ 11,331,085</u>	<u>\$ 1,767,287</u>	<u>\$ 650,436</u>	<u>\$ 513,550</u>	<u>\$ 14,262,358</u>
LIABILITIES					
Accounts payable and other liabilities	\$ 7,262,990	\$ 106,771	\$ 56,303	\$ -	\$ 7,426,064
Unearned revenue	-	30,342	64,413	-	94,755
Total liabilities	<u>7,262,990</u>	<u>137,113</u>	<u>120,716</u>	<u>-</u>	<u>7,520,819</u>
FUND BALANCES					
Nonspendable:					
Prepays	28,335	22,008	-	-	50,343
Assigned:					
Education	<u>4,039,760</u>	<u>1,608,166</u>	<u>529,720</u>	<u>513,550</u>	<u>6,691,196</u>
Total fund balances	<u>4,068,095</u>	<u>1,630,174</u>	<u>529,720</u>	<u>513,550</u>	<u>6,741,539</u>
Total liabilities and fund balances	<u>\$ 11,331,085</u>	<u>\$ 1,767,287</u>	<u>\$ 650,436</u>	<u>\$ 513,550</u>	<u>\$ 14,262,358</u>

City of Falls Church, Virginia

Schedule 9

**Discretely Presented Component Unit - School Board
Reconciliation of the Balance Sheet of the Governmental Funds
to the Statement of Net Position
June 30, 2025**

Total Fund Balance - Governmental Funds		\$ 6,741,539
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</p>		
Nondepreciable	\$ 1,317,903	
Depreciable, net	<u>9,513,292</u>	10,831,195
<p>Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.</p>		
Deferred outflows related to pensions	12,199,039	
Deferred outflows related to OPEB	1,513,444	
Deferred inflows related to pensions	(6,161,437)	
Deferred inflows related to OPEB	(2,071,451)	
Net pension asset - basic pension plan	3,373,583	
Net pension liability - teacher cost-sharing pool	(29,443,059)	
Net OPEB asset - all plans	5,509,906	
Net OPEB liability - all plans	<u>(5,126,849)</u>	(20,206,824)
<p>Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.</p>		
Termination benefits	(177,000)	
Compensated absences	(6,049,317)	
Lease liabilities	(1,406,567)	
Subscription liabilities	<u>(902,944)</u>	(8,535,828)
<p>Interest on long-term liabilities is not accrued in governmental funds, but is recognized as an expenditure when due.</p>		
		<u>(14,181)</u>
Total Net Position - Governmental Activities		<u><u>\$ (11,184,099)</u></u>

**Discretely Presented Component Unit - School Board
Statement of Revenues, Expenditures, and Changes in
Fund Balances - Governmental Funds
Year Ended June 30, 2025**

	Major		Nonmajor		Total Governmental Funds
	School Operating	School Community Service	School Food Service	School Activity Funds	
REVENUES					
Revenue from use of money and property	\$ 185,915	\$ 286,848	\$ 51,419	\$ -	\$ 524,182
Charges for services	790,085	1,813,895	947,964	617,476	4,169,420
Fines	253,200	-	-	-	253,200
Miscellaneous	7,579	29,339	-	-	36,918
Gifts and contributions	-	227,342	-	-	227,342
Intergovernmental:					
Federal	1,083,629	-	312,126	-	1,395,755
Commonwealth	11,147,154	-	22,073	-	11,169,227
Payments from City	53,573,566	107,500	-	-	53,681,066
Total revenues	67,041,128	2,464,924	1,333,582	617,476	71,457,110
EXPENDITURES					
Current:					
Education	62,812,516	2,479,005	1,514,532	537,484	67,343,537
Capital outlay	3,223,636	10,389	-	-	3,234,025
Debt service:					
Principal retirement	1,212,174	-	-	-	1,212,174
Interest and fiscal charges	25,119	-	-	-	25,119
Total expenditures	67,273,445	2,489,394	1,514,532	537,484	71,814,855
Excess (deficiency) of revenues over expenditures	(232,317)	(24,470)	(180,950)	79,992	(357,745)
OTHER FINANCING SOURCES (USES)					
Issuance of subscription liabilities	532,660	-	-	-	532,660
Transfers in	130,000	168,000	30,000	-	328,000
Transfers out	(30,000)	(130,000)	(168,000)	-	(328,000)
Total other financing sources (uses)	632,660	38,000	(138,000)	-	532,660
Net change in fund balance	400,343	13,530	(318,950)	79,992	174,915
FUND BALANCE AT JULY 1	3,667,752	1,616,644	848,670	433,558	6,566,624
FUND BALANCE AT JUNE 30	\$ 4,068,095	\$ 1,630,174	\$ 529,720	\$ 513,550	\$ 6,741,539

**Discretely Presented Component Unit - School Board
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances to the Statement of Activities
Year Ended June 30, 2025**

Net Change in Fund Balance - Governmental Funds		\$ 174,915
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures; however, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation and amortization expense.</p>		
Capital outlays	\$ 3,234,025	
Depreciation and amortization expense	<u>(1,924,670)</u>	
		1,309,355
<p>In the Statement of Activities, only the gain or loss on the sale of capital assets is reported, whereas in the governmental funds, the entire proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balances by the cost of the property sold.</p>		
		(24,561)
<p>Revenue in the Statement of Activities that do not provide current financial resources are not reported as revenues in the Statement of Activities.</p>		
Issuance of subscription liabilities		(532,660)
<p>Governmental funds report employer pension and OPEB contributions as expenditures. However, in the statement of activities the cost of pension and OPEB benefits earned net of employee contributions is reported as pension and OPEB expense.</p>		
Employer pension contributions	5,177,194	
Employer OPEB contributions	669,134	
Pension (income) expense	(2,830,169)	
OPEB expense	<u>365,682</u>	
		3,381,841
<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.</p>		
Change in termination benefits	74,000	
Change in compensated absences	<u>219,182</u>	
		293,182
<p>The repayment of the principal of long-term debt consumes current financial resources of governmental funds. However, the transaction has no effect on net position.</p>		
		<u>1,247,552</u>
Change in Net Position - Governmental Activities		<u><u>\$ 5,849,624</u></u>

City of Falls Church, Virginia

Schedule 12

Discretely Presented Component Unit - School Board
 Schedule of Revenues, Expenditures, and Changes
 in Fund Balances - Budget and Actual - School Operating Fund
 Year Ended June 30, 2025

	Budgeted Amounts		Actual	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
REVENUES				
Revenue from use of money and property	\$ 90,000	\$ 90,000	\$ 185,915	\$ 95,915
Charges for services	530,000	530,000	790,085	260,085
Fines	220,000	220,000	253,200	33,200
Miscellaneous	283,986	258,986	7,579	(251,407)
Intergovernmental:				
Federal	666,341	1,066,341	1,083,629	17,288
Commonwealth	9,787,846	10,080,808	11,147,154	1,066,346
Primary government	52,567,920	53,573,566	53,573,566	-
Total revenues	64,146,093	65,819,701	67,041,128	1,221,427
EXPENDITURES				
Current:				
Education	62,970,943	65,255,253	62,812,516	2,442,737
Capital outlay	938,660	2,648,791	3,223,636	(574,845)
Debt service:				
Principal retirement	405,490	409,490	1,212,174	(802,684)
Interest and fiscal charges	-	-	25,119	(25,119)
Reserves	601,000	576,000	-	576,000
Total expenditures	64,916,093	68,889,534	67,273,445	1,616,089
Excess (deficiency) of revenues over expenditures	(770,000)	(3,069,833)	(232,317)	2,837,516
OTHER FINANCING SOURCES (USES)				
Issuance of SBITAs and financed purchases	-	-	532,660	532,660
Transfers in	130,000	130,000	130,000	-
Transfers out	(30,000)	(30,000)	(30,000)	-
Total other financing sources (uses)	100,000	100,000	632,660	532,660
Net change in fund balances	\$ (670,000)	\$ (2,969,833)	\$ 400,343	\$ 3,370,176

City of Falls Church, Virginia

Discretely Presented Component Unit - School Board
 Schedule of Revenues, Expenditures, and Changes
 in Fund Balances - Budget and Actual - School Community Service Fund
 Year Ended June 30, 2025

	Budgeted Amounts		Actual	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
REVENUES				
Revenue from use of money and property	\$ 95,500	\$ 95,500	\$ 286,848	\$ 191,348
Charges for services	1,647,700	1,647,700	1,813,895	166,195
Miscellaneous	30,000	30,000	29,339	(661)
Gifts and contributions	177,000	177,000	227,342	50,342
Intergovernmental:				
Payments from City	107,500	107,500	107,500	-
Total revenues	<u>2,057,700</u>	<u>2,057,700</u>	<u>2,464,924</u>	<u>407,224</u>
EXPENDITURES				
Current:				
Education	1,987,200	2,643,700	2,479,005	164,695
Capital outlay	<u>40,500</u>	<u>245,500</u>	<u>10,389</u>	<u>235,111</u>
Total expenditures	<u>2,027,700</u>	<u>2,889,200</u>	<u>2,489,394</u>	<u>399,806</u>
Excess (deficiency) of revenues over expenditures	<u>30,000</u>	<u>(831,500)</u>	<u>(24,470)</u>	<u>807,030</u>
OTHER FINANCING USES				
Transfers in	168,000	168,000	168,000	-
Transfers out	<u>(298,000)</u>	<u>(130,000)</u>	<u>(130,000)</u>	<u>-</u>
Total other financing uses	<u>(130,000)</u>	<u>38,000</u>	<u>38,000</u>	<u>-</u>
Net change in fund balances	<u>\$ (100,000)</u>	<u>\$ (793,500)</u>	<u>\$ 13,530</u>	<u>\$ 807,030</u>

City of Falls Church, Virginia

Schedule 14

Discretely Presented Component Unit - School Board
 Schedule of Revenues, Expenditures, and Changes
 in Fund Balances - Budget and Actual - School Food Service Fund
 Year Ended June 30, 2025

	Budgeted Amounts		Actual	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
REVENUES				
Revenue from use of money and property	\$ 24,617	\$ 24,617	\$ 51,419	\$ 26,802
Charges for services	866,333	866,333	947,964	81,631
Miscellaneous	548	548	-	(548)
Intergovernmental:				
Federal	346,505	346,505	312,126	(34,379)
Commonwealth	26,550	26,550	22,073	(4,477)
	<u>1,264,553</u>	<u>1,264,553</u>	<u>1,333,582</u>	<u>69,029</u>
Total revenues				
EXPENDITURES				
Current:				
Education	<u>1,519,553</u>	<u>1,719,553</u>	<u>1,514,532</u>	<u>205,021</u>
Total expenditures	<u>1,519,553</u>	<u>1,719,553</u>	<u>1,514,532</u>	<u>205,021</u>
Excess (deficiency) of revenues over expenditures	<u>(255,000)</u>	<u>(455,000)</u>	<u>(180,950)</u>	<u>274,050</u>
OTHER FINANCING USES				
Transfers in	30,000	30,000	30,000	-
Transfers out	<u>-</u>	<u>(168,000)</u>	<u>(168,000)</u>	<u>-</u>
Total other financing uses	<u>30,000</u>	<u>(138,000)</u>	<u>(138,000)</u>	<u>-</u>
Net change in fund balances	<u>\$ (225,000)</u>	<u>\$ (593,000)</u>	<u>\$ (318,950)</u>	<u>\$ 274,050</u>



Discretely Presented Component Unit – Economic Development Authority

Economic Development Authority Fund

To account for the promotion of economic development of the City. All activities necessary to provide such services are included in the fund.

City of Falls Church, Virginia

Schedule 15

Discretely Presented Component Unit - Economic Development Authority
 Balance Sheet - Governmental Fund
 June 30, 2025

ASSETS

Cash and investments	\$ 811,467
Lease receivable	21,614,025
Accounts receivable	7,185
Total assets	<u><u>\$ 22,432,677</u></u>

LIABILITIES

Accounts payable and other liabilities	<u>\$ 12,066</u>
Total liabilities	<u>12,066</u>

DEFERRED INFLOWS OF RESOURCES

Deferred inflows related to leases	<u>37,596,560</u>
Total deferred inflows of resources	<u>37,596,560</u>

FUND BALANCE

Assigned	<u>(15,175,949)</u>
Total fund balance	<u>(15,175,949)</u>
Total liabilities and fund balance	<u><u>\$ 22,432,677</u></u>

**Discretely Presented Component Unit - Economic Development Authority
 Reconciliation of the Balance Sheet of the Governmental Funds
 to the Statement of Net Position
 June 30, 2025**

Total Fund Balance - Governmental Funds		\$ (15,175,949)
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</p>		
Nondepreciable	\$ 2,839,549	
Depreciable, net	<u>1,257,911</u>	
		<u>4,097,460</u>
Total Net Position - Governmental Activities		<u>\$ (11,078,489)</u>

Discretely Presented Component Unit - Economic Development Authority
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Governmental Fund
 Year Ended June 30, 2025

REVENUES

Use of money and property	\$ 1,216,932
Payments from City	477,338
Miscellaneous	7,185
	<hr/>
Total revenue	1,701,455

EXPENDITURES

Current:

Economic development	171,594
Payments to City (Note 11)	4,681,599
	<hr/>
Total expenditures	4,853,193
	<hr/>
Deficiency of expenditures over revenues	(3,151,738)
	<hr/>
Net change in fund balance	(3,151,738)

FUND BALANCE AT JULY 1	<hr/> (12,024,211)
FUND BALANCE AT JUNE 30	<u><u>\$ (15,175,949)</u></u>

**Discretely Presented Component Unit - Economic Development Authority
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances to the Statement of Activities
Year Ended June 30, 2025**

Net Change in Fund Balance - Governmental Funds **\$ (3,151,738)**

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; however, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.

Depreciation expense	(70,580)	(70,580)
----------------------	----------	----------

Change in Net Position - Governmental Activities **\$ (3,222,318)**



Statistical Section

This part of the City’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government’s overall financial health.

Contents

	Pages
Financial Trends – Tables 1 – 4	118-122
These tables contain financial trend information to help the reader understand how the government’s financial performance and well-being have changed over time.	
Revenue Capacity – Tables 5 – 8	123-126
These tables contain information to help the reader assess the government’s most significant local revenue source, real estate and personal property taxes.	
Debt Capacity – Tables 9 – 11	127-129
These schedules contain trend information to help the reader assess the affordability of the government’s current levels of outstanding debt and the government’s ability to issue additional debt in the future.	
Demographic and Economic Information – Tables 12 – 13	130-131
These schedules offer demographic and economic indicators to help the reader understand the environment within which the government’s financial activities take place.	
Operating Information – Tables 14 – 16	132-135
These schedules contain service and infrastructure data to help the reader understand how the information in the government’s financial report relates to the services the government provides and activities it performs.	

Sources: Unless otherwise noted, the information in these schedules is derived from the Annual Comprehensive Financial Reports “AFCR” for the relevant year.

City of Falls Church, Virginia

Table 1

Net Position by Component
Last Ten Fiscal Years
 (accrual basis of accounting)
 (unaudited)

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018**</u>	<u>2017</u>	<u>2016</u>
Governmental activities										
Net investment in capital assets	\$ 112,990,293	\$ 98,634,055	\$ 89,765,024	\$ 88,772,216	\$ 65,320,324	\$ 67,833,215	\$ 61,809,131	\$ 48,269,980	\$ 41,537,609	\$ 38,820,954
Restricted	37,724,986	29,174,475	27,417,732	27,735,016	20,290,406	17,994,576	10,282,371	8,563,128	1,167,594	425,551
Unrestricted	49,544,724	58,259,447	45,958,096	31,645,325	32,363,230	33,045,450	34,735,298	38,477,078	51,092,020	49,025,639
Total governmental activities net position	<u>\$ 200,260,003</u>	<u>\$ 186,067,977</u>	<u>\$ 163,140,852</u>	<u>\$ 148,152,557</u>	<u>\$ 117,973,960</u>	<u>\$ 118,873,241</u>	<u>\$ 106,826,800</u>	<u>\$ 95,310,186</u>	<u>\$ 93,797,223</u>	<u>\$ 88,272,144</u>
Business-type activities										
Net investment in capital assets	\$ 37,039,307	\$ 33,405,525	\$ 26,465,878	\$ 21,897,051	\$ 21,221,376	\$ 19,646,688	\$ 14,674,620	\$ 12,463,534	\$ 12,247,022	\$ 11,597,722
Restricted	1,143,207	763,662	856,287	1,086,632	643,109	577,129	441,735	348,515	-	-
Unrestricted	23,209,571	19,047,745	20,516,898	14,369,496	13,381,320	13,562,151	14,477,470	15,209,915	14,059,299	11,667,833
Total business-type activities net position	<u>\$ 61,392,085</u>	<u>\$ 53,216,932</u>	<u>\$ 47,839,063</u>	<u>\$ 37,353,179</u>	<u>\$ 35,245,805</u>	<u>\$ 33,785,968</u>	<u>\$ 29,593,825</u>	<u>\$ 28,021,964</u>	<u>\$ 26,306,321</u>	<u>\$ 23,265,555</u>
Primary government										
Net investment in capital assets	\$ 150,029,600	\$ 132,039,580	\$ 116,230,902	\$ 110,669,267	\$ 86,541,700	\$ 87,479,903	\$ 76,483,751	\$ 60,733,514	\$ 53,784,631	\$ 50,418,676
Restricted	38,868,193	29,938,137	28,274,019	28,821,648	20,933,515	18,571,705	10,724,106	8,911,643	1,167,594	425,551
Unrestricted	72,754,295	77,307,192	66,474,994	46,014,821	45,744,550	46,607,601	49,212,768	53,686,993	65,151,319	60,693,472
Total primary government net position	<u>\$ 261,652,088</u>	<u>\$ 239,284,909</u>	<u>\$ 210,979,915</u>	<u>\$ 185,505,736</u>	<u>\$ 153,219,765</u>	<u>\$ 152,659,209</u>	<u>\$ 136,420,625</u>	<u>\$ 123,332,150</u>	<u>\$ 120,103,544</u>	<u>\$ 111,537,699</u>

Notes:

The City restated net position as of June 30, 2021-2025. The restatements are not included in the prior data.

**GASB Statement No. 75 was adopted in fiscal year 2018.

City of Falls Church, Virginia
Changes in Net Position by Component
 Last Ten Fiscal Years
 (accrual basis of accounting)
 (unaudited)

Table 2

	2025	2024	2023	2022	2021	2020	2019	2018**	2017	2016
Expenses										
Governmental activities										
General government	\$ 11,203,641	\$ 10,616,013	\$ 8,258,422	\$ 8,083,919	\$ 7,857,170	\$ 6,506,295	\$ 6,759,570	\$ 6,830,072	\$ 7,093,808	\$ 6,909,252
Judicial administration	2,712,078	2,559,028	2,145,069	1,825,208	1,849,656	1,862,314	1,785,143	2,056,960	2,313,556	2,068,457
Public safety	14,007,026	13,957,697	11,182,942	8,466,157	9,510,699	10,042,113	10,831,092	11,441,556	11,376,143	11,411,724
Public works	9,222,566	8,955,825	7,703,936	7,081,711	7,228,170	5,645,614	5,885,225	6,841,110	7,084,612	7,872,682
Health and welfare	3,455,306	3,573,763	2,670,935	2,524,825	3,384,583	2,482,283	2,346,246	2,678,982	2,261,565	2,161,544
Parks, recreation, and cultural	7,979,552	6,760,239	6,360,128	5,043,343	4,598,173	4,439,119	5,606,037	5,372,211	5,339,143	5,044,608
Community development	7,669,850	8,429,097	467,499	3,553,744	4,601,130	4,889,246	3,990,673	3,757,139	2,676,887	2,276,387
Economic development	920,722	631,396	53,860,087	2,719,066	877,182	455,154	296,976	267,549	453,829	457,658
Education and payments to schools	61,043,838	57,192,049	6,040,970	51,078,946	46,990,686	45,638,880	44,801,558	42,836,993	41,479,234	40,197,569
Interest	4,751,116	4,952,675	6,122,328	4,814,132	5,388,538	4,959,807	2,167,112	1,718,404	1,580,885	1,791,263
Total governmental activities	\$ 122,965,695	\$ 117,627,782	\$ 104,812,316	\$ 95,191,051	\$ 92,285,987	\$ 86,920,825	\$ 84,469,632	\$ 83,800,976	\$ 81,659,662	\$ 80,191,144
Business-type activities										
Sewer	\$ 3,983,465	\$ 3,770,553	\$ 3,509,848	\$ 3,085,571	\$ 3,355,839	\$ 3,266,935	\$ 3,258,103	\$ 3,140,822	\$ 3,146,582	\$ 2,872,497
Stormwater	2,036,006	1,842,799	1,568,783	997,889	1,587,658	1,609,387	1,414,356	1,149,089	1,315,994	1,310,670
Total business-type activities expense	6,019,471	5,613,352	5,078,631	4,083,460	4,943,497	4,876,322	4,672,459	4,289,911	4,462,576	4,183,167
Total primary government expenses	\$ 128,985,166	\$ 123,241,134	\$ 109,890,947	\$ 99,274,511	\$ 97,229,484	\$ 91,797,147	\$ 89,142,091	\$ 88,090,887	\$ 86,122,238	\$ 84,374,311
Program revenues										
Governmental activities										
Charges for services										
Parks and recreation	\$ 2,774,143	\$ 2,671,256	\$ 2,347,435	\$ 1,909,948	\$ 1,085,435	\$ 878,419	\$ 2,129,444	\$ 2,076,168	\$ 2,029,253	\$ 2,030,695
Judicial administration	1,485,451	1,190,456	1,124,109	1,128,521	454,160	1,083,386	1,026,814	890,898	697,794	986,955
Public safety	2,620,263	2,221,046	4,317,173	1,636,377	936,544	2,035,121	2,012,631	1,339,397	979,683	1,320,831
Other activities	2,753,692	1,334,383	643,873	2,629,124	765,389	959,697	1,048,771	930,109	641,851	577,572
Operating grants and contributions	3,643,410	5,129,380	4,560,559	3,642,417	2,898,629	3,295,493	2,573,333	2,319,112	3,046,976	2,511,069
Capital grants and contributions	12,258,405	10,628,624	6,512,051	14,496,774	4,377,526	4,800,676	2,765,794	4,256,317	3,464,841	4,286,565
Total governmental activities program revenues	\$ 25,535,364	\$ 23,175,145	\$ 19,505,200	\$ 25,443,161	\$ 10,517,683	\$ 13,052,792	\$ 11,556,787	\$ 11,812,001	\$ 10,860,398	\$ 11,713,687
Business-type activities										
Charges for services										
Sewer	\$ 7,665,383	\$ 4,967,173	\$ 12,094,496	\$ 4,273,265	\$ 4,154,578	\$ 5,555,833	\$ 4,377,024	\$ 4,389,685	\$ 5,710,832	\$ 6,198,048
Stormwater	1,932,462	1,842,599	1,708,277	1,684,220	1,675,101	1,664,388	1,594,293	1,575,640	1,595,168	1,571,696
Capital grants and contributions	2,220,865	3,459,226	1,194,600	393,224	584,245	1,335,763	-	18,750	-	103,500
Total business-type activities program revenues	\$ 11,818,710	\$ 10,268,998	\$ 14,997,373	\$ 6,350,709	\$ 6,413,924	\$ 8,555,984	\$ 5,971,317	\$ 5,984,075	\$ 7,306,000	\$ 7,873,244
Total primary government program revenues	\$ 37,354,074	\$ 33,444,143	\$ 34,502,573	\$ 31,793,870	\$ 16,931,607	\$ 21,608,776	\$ 17,528,104	\$ 17,796,076	\$ 18,166,398	\$ 19,586,931
Net (expense) revenue										
Governmental activities	\$ (97,430,331)	\$ (94,452,637)	\$ (85,307,116)	\$ (69,747,890)	\$ (81,768,304)	\$ (73,868,033)	\$ (72,912,845)	\$ (71,988,975)	\$ (70,799,264)	\$ (68,477,457)
Business-type activities	5,799,239	4,655,646	9,918,742	2,267,249	1,470,427	3,679,662	1,298,858	1,694,164	2,843,424	3,690,077
Total primary government net expense	\$ (91,631,092)	\$ (89,796,991)	\$ (75,388,374)	\$ (67,480,641)	\$ (80,297,877)	\$ (70,188,371)	\$ (71,613,987)	\$ (70,294,811)	\$ (67,955,840)	\$ (64,787,380)

(Continued)

City of Falls Church, Virginia
Changes in Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)
(unaudited)

Table 2
(Continued)

	2025	2024	2023	2022	2021	2020	2019	2018**	2017	2016
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
General property taxes	\$ 76,137,082	\$ 73,133,299	\$ 69,423,758	\$ 66,128,416	\$ 65,679,216	\$ 63,779,982	\$ 62,045,603	\$ 53,258,669	\$ 50,699,679	\$ 48,693,996
Personal property	-	-	-	-	-	-	-	5,825,554	5,372,445	5,037,458
Business licenses, based on gross receipts	5,718,174	5,243,773	5,047,192	5,263,844	4,420,054	4,201,281	4,629,217	4,181,701	4,110,102	3,973,548
Local sales and use	7,240,401	6,919,816	6,370,552	5,896,951	6,009,026	5,561,524	5,172,399	4,703,523	4,603,600	4,209,733
Consumer's utility	2,059,343	1,930,020	1,935,544	1,986,747	1,981,133	2,018,975	2,123,278	2,266,303	2,149,523	2,146,829
Motor vehicle decals	345,222	326,031	310,779	327,663	332,985	327,412	350,424	344,563	347,080	336,404
Real estate recordation taxes	524,187	427,643	451,485	722,593	801,928	457,573	523,282	523,816	475,481	391,911
Occupancy, tobacco, and other	7,365,623	7,077,266	6,211,783	5,206,495	5,182,342	5,050,189	5,898,941	5,842,109	5,420,378	5,166,228
Intergovernmental, non-categorical aid	11,256,044	9,713,562	8,400,655	9,357,110	4,233,575	2,411,403	2,020,878	2,020,878	2,020,878	2,139,708
Use of money and property	3,245,673	4,054,393	2,172,340	(138,970)	463,359	2,039,021	1,427,748	726,327	444,740	482,608
Miscellaneous	131,996	193,947	259,555	173,586	28,328	67,114	2,689	218,328	85,651	189,863
Special items	(117,813)	8,429,011	-	6,912,000	(7,446,927)	-	235,000	-	594,786	(49,390)
Transfers	-	(68,999)	(286,686)	-	-	-	-	-	-	64,517
Total governmental activities	\$ 113,905,932	\$ 117,379,762	\$ 100,296,957	\$ 101,836,435	\$ 81,685,019	\$ 85,914,474	\$ 84,429,459	\$ 79,911,771	\$ 76,324,343	\$ 72,783,413
Business-type activities:										
Use of money and property	\$ 860,312	\$ 808,896	\$ 348,681	\$ (148,166)	\$ 35,972	\$ 342,492	\$ 393,340	\$ 96,278	\$ 35,492	\$ 93,405
Miscellaneous	-	-	-	(11,709)	3,150	-	-	12,916	24,287	192
Transfers	-	68,999	286,686	-	-	-	-	-	-	(64,517)
Total business-type activities	\$ 860,312	\$ 877,895	\$ 635,367	\$ (159,875)	\$ 39,122	\$ 342,492	\$ 393,340	\$ 109,194	\$ 59,779	\$ 29,080
Total primary government	\$ 114,766,244	\$ 118,257,657	\$ 100,932,324	\$ 101,676,560	\$ 81,724,141	\$ 86,256,966	\$ 84,822,799	\$ 80,020,965	\$ 76,384,122	\$ 72,812,493
Changes in Net Position										
Governmental activities	\$ 16,475,601	\$ 22,927,125	\$ 14,989,841	\$ 32,088,545	\$ (83,285)	\$ 12,046,441	\$ 11,516,614	\$ 7,922,796	\$ 5,525,079	\$ 4,305,956
Business-type activities	6,659,551	5,533,541	10,554,109	2,107,374	1,509,549	4,022,154	1,692,198	1,803,358	2,903,203	3,719,157
Total primary government	\$ 23,135,152	\$ 28,460,666	\$ 25,543,950	\$ 34,195,919	\$ 1,426,264	\$ 16,068,595	\$ 13,208,812	\$ 9,726,154	\$ 8,428,282	\$ 8,025,113

Notes:
The City restated net position as of June 30, 2017, 2019, 2021-2025. The restatements are not included in the prior data.
**GASB Statement No. 75 was adopted in fiscal year 2018.

City of Falls Church, Virginia

Table 3

Fund Balances - Governmental Funds
 Last Ten Fiscal Years
 (modified accrual basis of accounting)
 (unaudited)

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
General Fund										
Nonspendable	\$ 160,855	\$ 1,029,165	\$ 176,554	\$ 133,097	\$ 126,269	\$ 115,999	\$ 168,376	\$ 197,513	\$ 265,013	\$ 201,779
Restricted	639,849	583,915	248,963	429,200	1,423,696	1,312,217	326,466	923,689	1,167,594	425,551
Committed	17,628,072	24,565,092	12,781,092	13,294,819	5,897,636	11,578,757	12,361,699	11,311,699	10,566,999	11,909,590
Assigned	1,583,240	1,201,699	3,475,148	3,136,265	2,711,880	3,143,112	5,073,794	2,609,806	2,430,164	1,582,296
Unassigned	22,697,218	24,814,387	27,271,368	21,631,574	20,393,237	17,376,544	16,274,836	16,191,209	14,993,614	15,336,497
Total general fund	<u>\$ 42,709,234</u>	<u>\$ 52,194,258</u>	<u>\$ 43,953,125</u>	<u>\$ 38,624,955</u>	<u>\$ 30,552,718</u>	<u>\$ 33,526,629</u>	<u>\$ 34,205,171</u>	<u>\$ 31,233,916</u>	<u>\$ 29,423,384</u>	<u>\$ 29,455,713</u>
All Other Governmental Funds										
Restricted	\$ 11,579,841	\$ 10,555,817	\$ 14,703,276	\$ 8,410,300	\$ 14,345,491	\$ 69,721,089	\$ 21,733,440	\$ 19,888,673	\$ 15,067,259	\$ 17,529,237
Committed	9,423,002	7,381,091	383,329	651,150	506,064	1,207,618	2,751,547	9,015,129	11,557,405	7,627,932
Total all other governmental funds	<u>\$ 21,002,843</u>	<u>\$ 17,936,908</u>	<u>\$ 15,086,605</u>	<u>\$ 9,061,450</u>	<u>\$ 14,851,555</u>	<u>\$ 70,928,707</u>	<u>\$ 24,484,987</u>	<u>\$ 28,903,802</u>	<u>\$ 26,624,664</u>	<u>\$ 25,157,169</u>

City of Falls Church, Virginia

Table 4

Changes in Fund Balances - Governmental Funds

Last Ten Fiscal Years
(modified accrual basis of accounting)
(unaudited)

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Revenues										
General property taxes	\$ 76,276,211	\$ 73,259,179	\$ 69,421,812	\$ 66,033,455	\$ 65,601,444	\$ 63,522,205	\$ 62,075,834	\$ 59,073,580	\$ 56,233,419	\$ 53,951,291
Other local taxes	23,080,710	21,868,021	20,612,929	19,008,352	18,765,012	17,760,400	18,574,708	17,833,994	17,161,462	16,194,923
Permits, fees, and licenses	1,715,355	2,036,106	4,148,597	1,536,535	1,087,162	2,282,634	2,011,442	1,264,495	1,036,162	1,211,625
Fines and forfeitures	1,086,481	312,658	337,073	303,718	203,980	319,927	716,683	514,936	490,773	623,251
Use of money and property	3,355,138	4,993,908	2,220,016	(137,643)	2,402,545	2,040,719	1,433,641	726,327	444,740	482,609
Charges for services	5,709,608	3,944,937	3,880,487	3,291,354	463,983	2,478,972	3,643,258	3,357,278	2,708,257	2,997,544
Special assessments	919,150									
Miscellaneous	144,272	122,985	197,304	77,300	98,362	272,815	78,752	76,623	74,667	92,794
Gifts and contributions	587,777	155,379	258,851	2,328,401	185,000	202,851	580,908	211,161	1,762,314	2,096,774
Recovered costs	236,723	264,368	266,940	293,329	182,840	248,933	318,002	319,362	376,684	370,918
Intergovernmental:										
Commonwealth	11,654,318	11,790,059	11,350,022	10,608,199	6,774,926	8,912,512	5,108,652	6,563,134	5,413,953	5,655,194
Federal	7,420,793	5,049,626	3,159,364	7,526,202	4,511,639	1,198,682	1,682,625	1,837,637	814,822	922,939
Payments from EDA	4,681,599	4,681,599	4,681,599	5,624,913	-	-	-	-	-	-
Payment from schools	1,365,000	2,090,000	-	-	-	-	-	-	235,100	-
Total revenues	\$ 138,233,135	\$ 130,568,825	\$ 120,534,994	\$ 116,494,115	\$ 100,276,893	\$ 99,240,650	\$ 96,224,505	\$ 91,778,527	\$ 86,752,353	\$ 84,599,862
Expenditures										
General government	\$ 10,970,300	\$ 9,916,536	\$ 8,898,228	\$ 8,843,968	\$ 6,930,260	\$ 7,038,815	\$ 7,167,412	\$ 6,908,253	\$ 6,595,540	\$ 6,858,045
Judicial administration	2,699,627	2,657,153	2,236,437	2,029,210	1,838,522	1,997,071	2,044,550	2,093,560	2,159,891	2,112,412
Public safety	14,359,397	13,955,794	12,059,814	11,363,390	10,134,571	10,495,419	10,876,004	11,409,320	11,308,852	12,071,602
Public works	8,545,059	8,792,839	7,218,056	5,940,491	5,626,721	5,846,848	5,609,696	5,884,953	5,415,516	5,841,732
Health and welfare	3,441,308	3,533,545	3,057,049	2,727,946	3,382,628	2,553,157	2,420,572	2,672,200	2,211,781	2,166,326
Parks, recreation, and cultural	6,542,398	6,047,592	5,581,674	4,976,767	4,076,302	4,449,776	4,879,430	4,991,289	4,883,003	4,794,740
Community development	7,613,185	8,422,360	6,509,755	4,135,391	4,507,619	5,028,954	4,146,368	3,442,634	3,231,194	2,311,668
Economic development	490,424	50,483,538	511,915	2,744,013	888,223	491,987	328,600	265,242	437,004	460,337
Education	53,715,262	630,212	48,198,265	45,652,897	43,219,249	43,396,814	42,351,898	41,181,003	39,848,512	38,554,169
Capital outlay	22,186,767	10,532,219	13,769,206	18,881,647	64,347,899	67,690,376	29,815,579	25,119,075	4,536,405	7,773,871
Debt service:										
Principal retirement	7,988,990	8,038,252	7,804,530	8,617,028	7,884,694	5,825,502	6,205,522	4,808,130	4,557,831	4,053,392
Interest and fiscal charges	5,211,385	5,471,146	6,436,120	5,411,549	6,582,150	2,784,091	2,061,436	1,868,052	1,746,848	1,872,349
Total expenditures	\$ 143,764,102	\$ 128,481,186	\$ 122,281,049	\$ 121,324,297	\$ 159,418,838	\$ 157,598,810	\$ 117,907,067	\$ 110,643,711	\$ 86,932,377	\$ 88,870,643
Excess of revenues over (under) expenditures	\$ (5,530,967)	\$ 2,087,639	\$ (1,746,055)	\$ (4,830,182)	\$ (59,141,945)	\$ (58,358,160)	\$ (21,682,562)	\$ (18,865,184)	\$ (180,024)	\$ (4,270,781)
Other Financing Sources (Uses)										
Premium on issuance of bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,733,338	\$ -	\$ -	\$ 1,010,000	\$ -
Payment to refunded bond escrow agent	-	-	-	-	(9,861,694)	(20,000,000)	-	-	-	-
Proceeds from borrowing	-	-	13,000,000	-	-	-	-	-	-	4,667,852
Proceeds from other liabilities	652,196	574,786	99,459	200,314	-	-	-	-	-	69,065
Proceeds from sale of assets	-	-	-	6,912,000	10,056	-	235,000	136,001	605,189	88,715
Issuance of debt	-	-	-	-	9,942,520	118,390,000	20,000,000	22,818,855	-	-
Transfers in	22,151,626	8,510,379	5,328,552	4,910,815	5,493,392	15,495,989	3,830,564	3,052,520	4,440,560	2,089,514
Transfers out	(23,691,944)	(8,510,379)	(5,328,552)	(4,910,815)	(5,493,392)	(15,495,989)	(3,830,564)	(3,052,520)	(4,440,560)	(2,089,514)
Total other financing sources (uses)	\$ (888,122)	\$ 574,786	\$ 13,099,459	\$ 7,112,314	\$ 90,882	\$ 104,123,338	\$ 20,235,000	\$ 22,954,856	\$ 1,615,189	\$ 4,825,632
Special Items										
Purchase of land	\$ -	\$ (16,570,989)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Proceeds from sale of capital assets	-	25,000,000	-	-	-	-	-	-	-	-
Total special items	\$ -	\$ 8,429,011	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net change in fund balances	\$ (6,419,089)	\$ 11,091,436	\$ 11,353,404	\$ 2,282,132	\$ (59,051,063)	\$ 45,765,178	\$ (1,447,562)	\$ 4,089,672	\$ 1,435,165	\$ 554,851
Debt service as a percentage of noncapital expenditures:	10.86%	11.45%	13.12%	13.69%	15.22%	9.58%	9.38%	7.81%	7.65%	7.31%

City of Falls Church, Virginia

Table 5

Assessed Value and Actual Value of Taxable Property

Last Ten Fiscal Years

(unaudited)

Fiscal Year	Real Property (1)		Personal Property (2)		Total Taxable Assessed Value	Total Direct Tax Rate(3)	Actual Taxable Value(4)	Value as a Percentage of Assessed Value
	Residential Property	Commercial Property*	Motor Vehicles	Other				
2025	\$ 3,979,079,500	\$ 1,867,867,759	\$ 158,265,883	\$ 40,217,657	\$ 6,045,430,799	\$1.33	\$ 6,045,430,799	100.00
2024	3,849,215,800	1,554,836,195	158,634,263	40,850,302	5,603,536,560	1.36	5,603,536,560	100.00
2023	3,692,932,700	1,440,874,698	165,440,743	37,820,071	5,337,068,212	1.35	5,337,068,212	100.00
2022	3,257,681,100	1,329,093,293	122,535,088	36,290,227	4,745,599,708	1.44	4,745,599,708	100.00
2021	3,127,352,600	1,352,338,987	120,503,346	37,853,400	4,638,048,333	1.48	4,638,048,333	100.00
2020	3,023,853,300	1,289,362,000	119,151,081	37,517,427	4,469,883,808	1.48	4,469,883,808	100.00
2019	2,937,819,700	1,233,455,100	117,479,542	38,704,249	4,327,458,591	1.49	4,327,458,591	100.00
2018	2,827,359,400	1,206,357,000	115,141,028	39,441,092	4,188,298,520	1.47	4,188,298,520	100.00
2017	2,755,918,500	1,135,720,643	113,256,298	34,077,053	4,038,972,494	1.45	4,038,972,494	100.00
2016	2,717,628,800	1,037,442,703	117,414,292	32,407,907	3,904,893,702	1.45	3,904,893,702	100.00

(1) Source: Falls Church Office of Real Estate Assessment. Amounts are reported net of exempt property.

(2) Source: Falls Church Treasurer's office. Amounts are reported net of exempt property.

(3) Total Direct Tax Rate is calculated using the weighted-average method. Rates are per \$100 of valuation.

(4) Virginia code requires assessment at full market value.

*Includes apartment buildings

City of Falls Church, Virginia

Table 6

Direct Property Tax Rates

Last Ten Fiscal Years

(unaudited)

<u>Year</u>	<u>Real Property</u>		<u>Motor Vehicles</u>		<u>Business Tangible</u>	<u>Total Direct Rate (1)</u>
2025	\$	1.210	\$	4.800	\$5.00	\$ 1.33
2024		1.230		4.800	5.00	1.36
2023		1.230		4.300	5.00	1.35
2022		1.320		1.320	5.00	1.44
2021		1.355		1.355	5.00	1.48
2020		1.355		1.355	5.00	1.48
2019		1.355		1.355	5.00	1.49
2018		1.330		1.330	5.00	1.47
2017		1.315		1.315	5.00	1.45
2016		1.315		1.315	4.84	1.45

Note: Total Direct Tax Rate is calculated using the weighted-average method. Rates are per \$100 of valuation.

City of Falls Church, Virginia

Table 7

Principal Property Taxpayers
Current Year and Ten Years Ago
 (unaudited)

Taxpayer	2025			2016		
	Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Founders Row Holdings, LLC	\$ 166,491,000	1	3.08%			
Comref Pearson Square, LLC	129,598,300	2	2.40%			
Falls Church Owner LLC	123,714,900	3	2.29%			
Falls Church DVMT Partners LLC	115,028,600.00	4	2.13%	30,888,300	6	0.82%
April Lane Associates JV - Tinner Hill	77,628,300.00	5	1.44%			
Eden Center, Inc.	61,250,300	6	1.13%	55,545,100.00	3.00	1.48%
Federal Realty Investment Trust	61,213,800	7	1.13%	23,412,000.00	9.00	0.62%
127 Broad Street LLC	46,889,200	8	-			
WF Condo Owner LLC	40,410,700	9	-			
Morguard Falls Church LLC	40,176,500	10	0.74%			
TMW Pearson Square, LLC	-		-	\$86,138,600	1.00	2.29%
Falls Church Country Club (Apartments)	-		-	83,274,100.00	2.00	2.22%
Wooddell Family Ltd Partnership	-		-	44,899,100	4	1.20%
Washreit Roosevelt Towers LLC	-		-	32,244,100	5	0.86%
BJ'S GL I, LLC & II, LLC	-		-	30,175,000	7	0.80%
West Falls Parcel, Inc.	-		-	23,997,800	8	0.64%
Aimco Merrill House, LLC	-		-	22,097,400	10	0.59%
Totals	\$ 862,401,600		14.34% %	\$ 432,671,500		11.52% %

Source: Fall Church Office of Real Estate Assessment. Values as of January 1. Beginning in FY2015, the City changed its tax-year to coincide with the fiscal year, using the assessment as of the previous January 1. FY2024 revenues are based on the assessments as of January 1, 2023.

City of Falls Church, Virginia

Table 8

Property Tax Levies and Collections
 Last Ten Calendar Years
 (unaudited)

Year Ended June 30	Taxes Levied for the Year	Collected within the Year of the Levy		Collections in Subsequent Years*	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2025	\$ 77,331,239	\$ 76,244,703	98.59 %	\$ -	\$ 76,244,703	98.59 %
2024	73,153,064	72,039,533	98.48	849,729	72,889,262	99.64
2023	69,618,405	68,718,481	98.71	721,089	69,439,570	99.74
2022	66,025,818	65,072,258	98.56	818,930	65,891,188	99.80
2021	65,519,850	64,591,819	98.58	857,461	65,449,280	99.89
2020	63,799,621	59,011,190	92.49	4,725,579	63,736,769	99.90
2019	61,954,110	61,452,683	99.19	452,388	61,905,071	99.92
2018	58,888,496	58,364,540	99.11	459,571	58,824,111	99.89
2017	56,024,751	55,298,718	98.70	670,675	55,969,393	99.90
2016	53,438,040	52,681,973	98.59	706,907	53,388,880	99.91

Notes: Property tax levies and collections include real estate taxes and personal property taxes, and excludes Commonwealth of Virginia Personal Property Tax Relief Act ("PPTRA") reimbursement.

Note for 2020: As a result of the economic impacts by the COVID-19 pandemic, the City extended the due date for the second half of the 2020 real estate tax, originally due on June 5, 2020 to July 6, 2020.

City of Falls Church, Virginia
Ratios of Outstanding Debt by Type
 Last Ten Fiscal Years
 (unaudited)

Table 9

Fiscal Year	Governmental Activities					Business-type Activities					Total Primary Government	Percentage of Personal Income (2)	Debt Per Capita
	General Obligation Bonds	Bond Premiums and Discounts	General Obligation Notes	Leases and SBITAs (1)	Revenue Bonds	General Obligation Bonds	Bond Premiums and Discounts	Note Payable	Leases and SBITAs (1)	Revenue Bonds			
2025	\$ 135,632,015	\$ 5,563,790	\$ 331,478	\$ 2,875,333	\$ 13,000,000	\$ 6,982,679	\$ 166,904	\$ -	\$ 50,764	\$ -	\$ 164,602,963	N/A %	10,373
2024	142,552,885	5,862,870	578,198	3,039,468	13,000,000	8,204,338	183,826	-	25,180	-	173,446,765	N/A	10,931
2023	151,118,659	6,222,599	778,714	2,964,399	13,000,000	9,612,926	204,966	-	53,316	-	183,955,579	0.14	11,736
2022	158,841,969	6,616,343	1,172,792	2,446,221	-	10,913,583	226,106	-	-	-	180,217,014	0.15	12,372
2021	167,449,365	7,009,904	87,325	444,338	-	12,197,111	247,246	-	-	-	187,435,289	0.16	12,826
2020	174,431,539	8,388,479	545,888	490,068	-	12,646,032	359,618	-	-	-	196,861,624	0.19	13,430
2019	61,859,233	3,032,273	20,954,930	441,470	-	12,616,245	288,204	-	-	-	99,192,355	0.10	6,922
2018	68,043,928	3,274,841	1,154,544	92,662	-	13,724,001	308,665	-	-	-	86,598,641	0.09	5,989
2017	51,124,621	2,354,723	-	342,592	-	14,173,447	289,039	-	-	-	68,284,422	0.07	4,786
2016	54,657,852	2,539,614	368,587	269,952	-	10,515,183	459,406	2,441,103	-	1,905,979	73,157,676	0.08	5,180

Governmental Activities above includes activities of the School Board.

(1) Governmental Accounting Standards Board Statement No. 87, *Leases*, was implemented in FY2022 and Statement No. 96, *SBITA* was implemented in FY2023.

(2) Based on personal income for Fairfax, Fairfax City, and Falls Church shown on Table 12.

N/A - Not available. There is no census data available for personal income.

City of Falls Church, Virginia

Table 10

Ratios of General Bonded Debt Outstanding
 Last Ten Fiscal Years
 (unaudited)

Fiscal Year	General Obligation Bonds, Net of Premiums and Discounts	General Obligation Notes	Total	Percentage of Estimated Actual Taxable Value of Property	Per Capita
2025	\$ 148,345,388	\$ 331,478	\$ 148,676,866	2.46 %	9,370
2024	156,803,919	578,198	157,382,117	2.81	9,918
2023	167,159,150	778,714	167,937,864	3.15	10,714
2022	176,598,001	1,172,792	177,770,793	3.75	12,205
2021	186,903,626	87,325	186,990,951	4.03	12,795
2020	195,825,668	545,888	196,371,556	4.39	13,397
2019	77,795,955	20,954,930	98,750,885	2.28	6,891
2018	85,351,435	1,154,544	86,505,979	2.07	5,982
2017	67,941,830	-	67,941,830	1.68	4,761
2016	68,172,055	368,587	68,540,642	1.76	4,853

City of Falls Church, Virginia
Legal Debt Margin Information
 Last Ten Fiscal Years
 (unaudited)

Table 11

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Debt limit	\$ 584,694,726	\$ 540,405,200	\$ 513,380,740	\$ 458,677,439	\$ 447,969,159	\$ 431,321,530	\$ 417,127,480	\$ 403,371,640	\$ 389,163,914	\$ 375,507,150
Total net debt applicable to limit	<u>148,676,866</u>	<u>157,382,117</u>	<u>167,922,027</u>	<u>176,788,712</u>	<u>187,435,289</u>	<u>196,861,624</u>	<u>98,901,877</u>	<u>83,015,135</u>	<u>65,640,660</u>	<u>68,428,875</u>
Legal debt margin	<u>\$ 436,017,860</u>	<u>\$ 383,023,083</u>	<u>\$ 345,458,713</u>	<u>\$ 281,888,727</u>	<u>\$ 260,533,870</u>	<u>\$ 234,459,906</u>	<u>\$ 318,225,603</u>	<u>\$ 320,356,505</u>	<u>\$ 323,523,254</u>	<u>\$ 307,078,275</u>
Total net debt applicable to the limit as a percentage of debt limit	25.43%	29.12%	32.71%	38.54%	41.84%	45.64%	23.71%	20.58%	16.87%	18.22%

Legal Debt Margin Calculation for Fiscal Year 2025

Assessed value	\$ 5,846,947,259
Debt limit (10% of assessed value)	584,694,726
Less debt applicable to limit:	
General obligation bonds	148,345,388
Notes payable	<u>331,478</u>
Total net debt applicable to limit	<u>148,676,866</u>
Legal debt margin	<u>\$ 584,694,726</u>

Demographic Statistics
 Last Ten Calendar Years
 (unaudited)

Fiscal Year	Population (1)	Personal Income (2)	Per Capita Personal Income (2)	Median Age (3)	School Enrollment (4)	Unemployment Rate (5)
2025	15,868	N/A	N/A	N/A	2,714	4.00 %
2024	15,868	N/A	N/A	N/A	2,634	2.50
2023	15,675	128,634,390	108,855	N/A	2,534	2.30
2022	14,566	121,167,220	102,810	39	2,502	2.20
2021	14,614	114,936,237	97,315	39	2,516	3.20
2020	14,658	104,373,057	87,894	39	2,661	5.30
2019	14,331	101,707,190	85,525	39	2,645	2.10
2018	14,460	97,242,394	81,955	38.8	2,698	2.30
2017	14,269	92,353,090	77,860	39.7	2,670	2.80
2016	14,123	89,667,640	75,908	38.9	2,509	2.80

Sources:

- (1) Year 2020 is based on U.S. Census estimate. Years 2013-2019 and 2021-2023 are based on Weldon Cooper Center for Public Service estimates; numbers are estimates as of July 1. 2025 numbers shown are 2024 estimates.
 - (2) US Department of Commerce, Bureau of Economic Analysis for Fairfax, Fairfax City, and Falls Church. Some data is not yet available.
 - (3) U.S. Census Bureau American Community Survey 5-Year Estimates. Some data is not yet available.
 - (4) Source: City of Falls Church Public School Board, Seat Enrollment.
 - (5) Source: Virginia Employment Commission Local Area Unemployment Statistics as of June of each year.
- NA - Not available.

City of Falls Church, Virginia

Table 13

Principal Employers Current Year and Nine Years Ago (unaudited)

	<u>2025</u>	<u>2016</u>
<u>Employer</u>	<u>Employees</u>	<u>Employees</u>
Falls Church City Schools	500-700	500-700
Falls Church City Government	300-500	300-500
Kaiser Permanente	200-300	200-300
Markon Solutions	200-300	
BG Healthcare Services		200-300
Koon's Ford	100-200	100-200
Tax Analysts	100-200	100-200
VL Home Health Care, Inc		100-200
Giant Food Store	100-200	100-200
Harris Teeter	100-200	
Don Beyer Volvo	100-200	100-200
BJ's Wholesale Club	100-200	100-200

% of Total Employment is not available.

City of Falls Church, Virginia

Table 14

Full-Time Equivalent City Government Employees by Function/Program

Last Ten Fiscal Years
(unaudited)

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Function/Program										
General government	60.00	58.00	53.40	51.90	51.15	48.65	48.20	48.65	48.65	46.90
Judicial administration	16.50	16.60	16.60	15.85	15.85	15.73	15.23	15.23	14.23	13.73
Public safety	72.35	67.35	65.75	55.75	53.75	54.08	50.50	51.50	54.50	54.60
Public works	44.00	41.00	32.95	29.95	30.10	29.05	30.40	32.15	29.60	30.10
Health and Welfare	4.90	4.90	4.90	4.90	4.90	4.90	4.90	4.90	4.80	4.80
Parks, recreation, and cultural	36.10	35.10	34.45	33.55	33.05	32.25	32.25	31.25	31.45	31.25
Community development	21.00	22.00	20.00	21.00	22.00	22.00	20.00	18.00	18.00	16.00
Economic development	2.00	2.00	2.00	2.00	2.00	2.00	2.00	3.00	3.00	3.00
Sewer	7.03	6.08	5.95	6.00	5.85	5.15	4.40	4.40	4.58	4.92
Stormwater	7.48	7.43	7.10	7.05	7.05	6.70	6.00	6.30	7.82	7.98
Total	271.36	260.46	243.10	227.95	225.70	220.51	213.88	215.38	216.63	213.28

Source: Adopted Budget for City of Falls Church. Only permanent employees are included. The City also employs temporary, on-call, and seasonal employees.

City of Falls Church, Virginia
Operating Indicators by Function/Program
Last Ten Fiscal Years
(unaudited)

Table 15

<u>Function/Program</u>	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
General Government										
Communications										
Number of Media Releases	45	57	74	111	118	109	121	117	189	236
eFOCUS Newsletter Subscribers	N/A	2,909	2,788	2,392	2,262	2,251	1,634	1,263	1,151	1,142
Number of Social Media Followers	43,871	37,989	31,921	27,426	13,983	12,406	10,921	13,776	12,842	5,347
Public safety										
Police										
Part I Crimes (1)	543	529	531	491	448	589	269	293	286	353
Calls for Service	27,683	29,052	32,438	29,092	30,244	31,306	43,578	42,921	34,371	31,387
Accidents	143	127	118	107	90	96	151	157	169	197
Traffic Enforcement	1,447	1,737	1,840	1004	243	1202	2177	2,007	2,346	3,311
DWI Arrests	17	21	26	26	40	54	46	34	54	56
Inspections										
Plan Review	1,835	1,673	1,502	1,521	1,178	995	1,010	1,147	1,028	990
Stop Work Orders	7	10	8	10	14	13	9	22	23	24
Fire Marshal										
Fire Inspections Performed	424	475	385	257	238	223	N/A	294	287	289
Fire Code Violations Cited	1,103	1,001	942	431	591	858	N/A	777	812	997
Fire Code Permits Issued	400	386	358	284	233	252	N/A	283	281	267
Fires Reported and Investigated	22	34	25	5	13	9	NA	5	3	9
Estimated Fire/Explosion Loss	\$300,000	\$50,000	\$40,000	\$15,500	\$125,000	\$300,000	NA	\$865,000	\$325,000	\$ 120,000
Public works										
Refuse collected (tons)	N/A	2,141	2,047	1,916	2,244	2,389	2,289	3,049	2,020	2,073
Recycling collected (tons)	N/A	2,812	2,138	1,740	2,931	2,247	3,479	3,620	3,018	3,091
Street Resurfacing (miles)	2.59	2.40	2.30	2.30	3.60	3.30	N/A	N/A	4.84	5.31
Health and Welfare										
Housing and Human Services										
Information/Referral Contacts	N/A	N/A	2,238	2,350	3,000	1,969	2,587	2,709	2,901	3,009

City of Falls Church, Virginia
Operating Indicators by Function/Program
Last Ten Fiscal Years
(unaudited)

Table 15
(Continued)

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Parks, Recreational, and Cultural										
Parks & Recreation										
Special Events	129	94	115	115	70	115	115	130	124	195
Class participants	4,150	4,382	3,987	3,210	1,717	3,022	3,284	3,079	3,118	3,146
Room Reservations (3)	391	1,617	1,343	8,135	4,073	6,969	6,361	6,351	4,854	6,028
Tennis Reservations (2)	11,096	8,627	6,360	7,063	6,482	3,391	1,260	1,970	831	854
Youth Sports Participants	4,769	3,121	3,125	2,908	1,411	2,454	3,234	3,044	3,104	3,036
Adult Sports Teams	6	11	9	25	-	65	73	98	97	96
Teen Dance Participants	360	540	524	379	-	520	455	650	800	400
Teen Center Attendance	690	740	1,500	1,498	-	300	500	500	700	700
Summer Camps Offered	231	265	219	239	149	192	287	264	237	263
Summer Camp Participants	4,841	5,656	3,743	3,975	2,361	4,194	5,349	5,523	5,482	5,689
Senior Center lunch meals served	N/A	-	-	-	-	-	-	-	-	198
Library:										
Size of collection (all formats)	116,850	105,150	107,391	108,926	141,754	142,053	121,402	153,181	148,955	148,636
Total circulation of all materials	507,324	449,528	432,185	371,817	219,761	366,603	502,695	476,669	501,827	465,687
Total visits to library (door count)	185,347	167,901	143,250	101,598	-	210,000	320,000	313,429	308,393	310,251
Number of registered borrowers	30,538	31,283	28,377	26,425	26,599	34,148	32,314	30,152	27,540	27,413
Number of website visits/yr	324,561	298,866	265,362	283,578	280,967	333,439	356,379	433,909	380,319	566,877
Number of programs/yr	640	878	463	322	365	448	713	802	970	738
Attendance at programs	25,732	25,114	11,312	4,999	4,434	14,142	30,055	36,267	36,598	27,087
Study & Conference Room Reservations	2,366	2,345	2,190	1,254	N/A	N/A	N/A	N/A	N/A	N/A
Community development:										
Urban Forestry										
Development Inquiries	115	N/A	315	220	110	91	N/A	153	43	N/A
Permits/Plans Reviewed	16	N/A	25	7	15	29	N/A	49	75	N/A
Trees Planted/removed/pruned	65	1,460	502	260	252	821	N/A	1,079	1,217	1,372

Sources:

Reported by individual departments

Notes:

N/A- Not available

(1) Part I crimes are defined as murder, rape, robbery, aggravated assault, burglary, grand larceny, auto theft & arson.

(2) Four courts were under renovation and out of service during 2015.

(3) Room Reservations are calculated as a Maintenance Facility Schedule Total Records in Range Minus Tennis Reservations total

City of Falls Church, Virginia
Capital Asset Statistics by Function
 Last Ten Fiscal Years
 (unaudited)

Table 16

Function/Program	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
General Government										
City Hall	1	1	1	1	1	1	1	1	1	1
Gage House	1	1	1	1	1	1	1	1	1	1
Judicial Administration (1)										
Court Services										
Aurora House (Facility)	1	1	1	1	1	1	1	1	1	1
Aurora House Passenger Van	2	2	2	2	2	2	2	2	2	2
Public safety (2)										
Fire Stations (3)	1	1	1	1	1	1	1	1	1	1
Public works										
Streets-Miles/Lane Miles	84	84	84	84	84	84	84	84	84	73
Traffic signals	30	30	30	28	28	28	28	28	28	28
Streetlights	273	273	273	273	226	226	226	226	226	191
Education										
School Buildings	5	5	5	5	5	5	5	5	5	5
Parks, Recreational and Cultural										
Recreation & Parks:										
Community Center	1	1	1	1	1	1	1	1	1	1
Cherry Hill Farmhouse & Barn	1	1	1	1	1	1	1	1	1	1
Neighborhood Parks	14	14	14	14	14	14	14	14	14	13
Tennis courts	12	12	10	10	10	10	10	10	10	10
Basketball courts	4	4	4	4	4	4	4	4	4	5
Vehicles	3	3	5	5	5	5	5	5	5	7
Library:										
Library (Facility)	1	1	1	1	1	1	1	1	1	1
Community development:										
Urban Forestry										
Vehicles	3	3	3	3	4	4	4	4	4	4
Sewer										
Sanitary Sewer Mains (Miles)	49	49	49	49	47	47	47	47	47	43
Sanitary Sewer Manholes	1,331	1,331	1,331	1,331	1,280	1,280	1,280	1,280	1,280	1,013
Stormwater										
Storm Sewer Mains (Miles)	33	33	33	33	31	31	31	31	31	27
Storm Sewer Structures	1,942	1,942	1,942	1,942	1,866	1,864	1,864	1,864	1,860	1,400

Notes

NA-Not Available

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

(2) The police station is located in City Hall

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

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Compliance Section



Independent Auditor’s 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*

To the Honorable Members of City Council
City of Falls Church, 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; the *Specifications for Audits of Counties, Cities, and Towns*; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Falls Church, Virginia (the “City”), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated December 11, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City’s internal control over financial reporting (internal control) as a basis for designing the 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’s internal control. Accordingly, we do not express an opinion on the effectiveness of the City’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 or significant deficiencies may exist that have not been identified.**

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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 included an instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings and Responses as item 2025-001.**

City's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the finding identified in our audit and described in the accompanying Schedule of Findings and Responses. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

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

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia
December 11, 2025

City of Falls Church, Virginia
Summary of Compliance Matters
June 30, 2025

As more fully described in the Independent Auditor’s 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*, we performed tests of the City’s compliance with certain provisions of the laws, regulations, contracts, and grants shown below.

STATE COMPLIANCE MATTERS

Code of Virginia:

- Budget and Appropriation Laws
- Cash and Investment Laws
- Conflicts of Interest Act
- Local Retirement Systems
- Debt Provisions
- Procurement Laws
- Uniform Disposition of Unclaimed Property Act
- Sheriff Internal Controls

State Agency Requirements

- Education
- Urban Highway Maintenance
- Stormwater Management Program
- Fire Program Aid to Localities
- Opioid Abatement

LOCAL COMPLIANCE MATTERS

- City Charter
- City Code
- Other City Regulations

City of Falls Church, Virginia
Schedule of Findings and Responses
June 30, 2025

A - Findings – Financial Statement Audit

None.

B – Findings – Commonwealth of Virginia

2025-001: Highway Maintenance

Condition Two work orders did not have updated pay rates. One work order was missing location information.

Recommendation We recommend implementing a review process to avoid disagreements between work orders and payroll registers and ensuring that all work orders are entirely filled out.

View of Responsible Officials The City agrees with the recommendation. As part of our ongoing efforts to improve operational efficiency through the use of technology, we are currently reviewing systems and processes, including the work order system. As we assess and refine the work order process, we will incorporate controls and automation to reduce discrepancies and improve overall data accuracy.