

CITY OF FALLS CHURCH, VIRGINIA
ANNUAL COMPREHENSIVE FINANCIAL REPORT
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

Prepared by:
City of Falls Church, Virginia
Finance Department

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INTRODUCTORY SECTION

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CITY OF FALLS CHURCH, VIRGINIA

CITY COUNCIL

P. David Tarter, Mayor
Marybeth Connelly, Vice Mayor

Debbie Hiscott
Ross Litkenhous
David F. Snyder

Phil Duncan
Letty Hardi

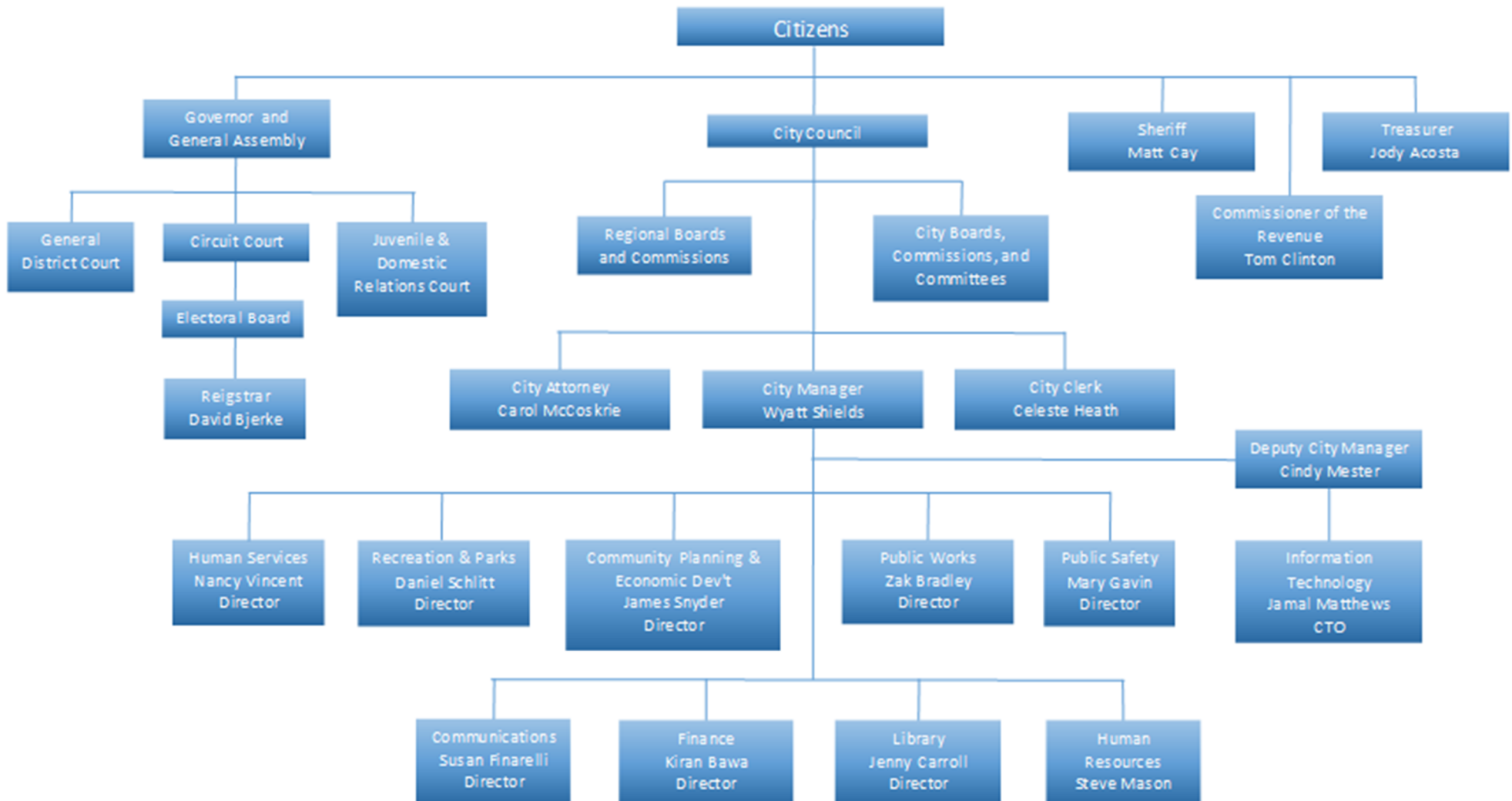
OFFICIALS

F. Wyatt Shields, City Manager
Cindy L. Mester, Assistant City Manager
Kirandeep Bawa, Chief Financial Officer
Carol W. McCoskrie, City Attorney
Celeste Heath, City Clerk
Jody Acosta, City Treasurer
Thomas D. Clinton, Commissioner of Revenue
Matt Cay, Sheriff
Dr. Peter Noonan, Superintendent of Schools

CITY OF FALLS CHURCH, VIRGINIA

ORGANIZATIONAL CHART

AS OF JUNE 30, 2021





CITY OF FALLS CHURCH

December 9, 2021

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

We are pleased to submit to you the Annual Comprehensive Financial Report (AFCR) of the City of Falls Church, Virginia (the City) for the fiscal year ended June 30, 2021, 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, 2021, 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 AFCR 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.

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, 2021 are free of material misstatement. The independent auditor's report is presented as the first component of the financial section of this report.

Our AFCR 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 Local Economy

As with the rest of the world, the City has had to grapple in the last few months with the novel coronavirus or COVID-19, with its impact on operations, its residents' way of life, and the economy. In March 2021, the Virginia Governor Ralph S. Northam declared a state of emergency and a public health emergency for the Commonwealth of Virginia in response to the continued spread of novel coronavirus or COVID-19. Social distancing was enforced limiting public gatherings in restaurants, fitness centers, theaters and other venues and a stay at home order was put in place. Local revenues derived from such businesses including meals tax and transient occupancy tax were adversely affected while at the same time, the needs of the City's constituents for economic assistance increased. With assistance from the federal government through the CARES Act as well as prudent fiscal management even prior to the pandemic, the City was able to mitigate the economic impact of COVID-19 in fiscal year 2021. In FY2021, the City saw some recovery in certain revenues although still not to pre-pandemic levels.

For FY2022 the City adopted a balanced budget that was \$1.7 million lower than the FY2020 original budget. Fund balance was not used to balance the budget, except again, for debt service as part of a previous capital plan. Vacancies were frozen and reductions were made to departmental budgets including a reduction of support to the schools. FY2021 results will be closely monitored as the impact of COVID-19 continues to endure.

The City of Falls Church has been fortunate during the last 16+ years to have benefitted from many types of new development, large and small. The City's exceptionally convenient location and a strong regional economy have led developers to invest in eight projects which altogether resulted in \$567.6 million in real estate value. Developers also voluntarily contributed over \$7 million in cash to the public school capital fund, and have provided 69 affordable dwelling units, as well as nine workforce units in obtaining land entitlement approvals for the projects.

The eight post-2005 mixed use projects have delivered 370,000 square feet (SF) of new commercial space, or the equivalent of 8.5 acres of space for office and retail uses, representing a commercial building FAR of 0.46 on commercially zoned sites that were previously vacant or had FAR levels of 0.10 or less. These new buildings have added grocery and retail stores, a new hotel, and a senior/assisted living care facility.

In addition to these eight projects that continue to strongly benefit the City's budget, one new project, Founders Row 1 by Mill Creek Residential is nearing completion at the end of 2021 and has begun leasing. This project sits on 4.3 acres and includes 550,000 SF of new development with 322 multifamily units, 72 age-restricted rental units, 68,000 SF of retail space (including at least 25,000 SF of restaurant space) and a new movie theater.

Additionally, three more large mixed use projects are either nearing the start of construction or are in some stage of review by the City Council. The Insight or Broad and Washington project is set to begin construction in 2022 while two other projects, One City Center by Atlantic Realty and Founders Row 2 by Mill Creek are both making steady progress towards receiving their entitlements.

Despite the effects of COVID since the spring of 2020, there continues to be significant development interest in the City. Inquiries for additional possible projects on sites throughout the City continue at as high a level as in the previous 10 years or more. City staff continues to encourage and facilitate discussions with developers, to encourage proposals that make sense for both the developer and the City, as we continue to focus on new development with the right mix of uses to strengthen, broaden and balance our tax base. The multi-family residential market continues to show strength and the market for age-restricted, active senior rental apartments also appears to be gaining market strength. Other prospective developers have shown an interest in building

various types of senior housing, including more independent rental units or projects that offer more of a continuum of care offering a combination of independent and assisted/memory living care units. City staff also works hard to promote office, retail and hospitality opportunities in the City.

Office Trends

The vacancy rate for office space in the City is low as compared to neighboring jurisdictions and is trending only slightly higher since last year. The slight increase in the office vacancy rate appears to be caused by continued strong Northern Virginia market competition for tenants, COVID-19 affects, lack of available new Class A office space in the City and the general lack of City office locations with preferred proximity to Metro.

Retail Trends

With the exception of the new Founders Row 1 retail spaces (as compared to most of the rest of the existing retail space in the City), which will have high lease rates, require expensive first time build outs and will have high triple net charges, the retail vacancy rate in the City is very low and COVID 19 so far seems not to have dramatically affected the City's retail vacancy rate.

Employment, Education and Household Income Trends

Because of its proximity to Washington D.C., the City's unemployment had been relatively low although the COVID-19 pandemic certainly impacted it. In September 2021, the Virginia Employment Commission reported that the City of Falls Church had a 2 percent unemployment rate, down from 3.6 percent in September 2020. These rates compare favorably to a state-wide Virginia rate of 3.2 percent and a nationwide rate of 4.6 percent.

According to the United States Census Bureau, in 2019 median household income within the City was \$127,610. This is significantly higher than the state-wide median household income of \$76,456. It also reports that the City's educational attainment of bachelor's or graduate/professional degrees was 77.6 percent. According to the recently completed decennial census, the City's population is estimated at 14,658 as of July 1, 2020.

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 staff from the City Manager's office. We would like to express our appreciation to all members of the departments who assisted and contributed to the preparation of this report. In addition, we acknowledge the cooperation and assistance of each City department throughout the year in the efficient administration of the City's financial operations.

This AFCR 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



Kiran Bawa
Director of Finance

FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Falls Church, Virginia (the "City"), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the 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, 2021, 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.

Change in Accounting Principle

As described in Note 24 to the financial statements, in 2021, the City adopted new accounting guidance, GASB Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

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

The other supplementary information as listed in the Table of Contents and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2021 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 9, 2021

CITY OF FALLS CHURCH, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2021

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, 2021.

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, and the Affordable Housing Fund.
- "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.

- The total reporting entity has a total net position of \$122.3 million at June 30, 2021. Of this balance, \$153.2 million is the Primary Government's and negative \$30.9 million is the component units. The negative net position for the component unit is due to the recognition of net pension and other post-employment benefits (OPEB) liability as a result of the School Board's participation in the Virginia Retirement System pension plan and other post-employment benefits.
- For FY2021, taxes and other revenues of the City's governmental activities amounted to \$91.6 million and expenses and transfers amounted to \$91.7 million, which resulted in a decrease in net position for the City's governmental activities of \$0.1 million.
- Revenues of the City's business-type activities were \$6.5 million, and expenses and transfers were \$5.0 million, which resulted in an increase in net position for the City's business-type activities of approximately \$1.5 million.
- In FY2021, the City substantially completed the construction of the new high school and the renovation and expansion of the library. Debt for these capital activities were issued in FY2020.
- The City was in receipt of \$9.0 million Coronavirus State and Local Fiscal Recovery Funds (CSLFRF) included in the American Rescue Plan Act (ARPA). This is the first installment of a total \$18.0 million allocation. None of these funds were expended in FY2021.

CITY OF FALLS CHURCH, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2021

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, and the Affordable Housing 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.

In January 2020, the World Health Organization announced a global health emergency because of a new strain of coronavirus ("COVID-19") outbreak. This was later classified to a pandemic in March 2020. The City began to see impacts to its revenues beginning in March 2020, specifically, reductions in meals and transient occupancy taxes, and parks and recreation charges for services. On the other hand, sales tax, boosted by grocery sales and internet sales, came in above budget. The City continued to see the revenue impacts in FY2021 although some revenue sources were coming back to normal.

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

- In total, the City's governmental funds reported expenditures and other financing uses in excess of revenues and other financing sources of \$59.1 million primarily as a result of expenditures incurred for the construction of the new high school using proceeds from debt issued in FY2020.
- In the General Fund, the unassigned fund balance as of June 30, 2021 of \$20.4 million was 21.5% of expenditures. Committed fund balance as of June 30, 2021 was \$5.9 million. Of this, \$3.9 million is for future capital projects and debt service. Assigned fund balance as of June 30, 2021 was \$2.7 million. Nonspendable and restricted fund balance as of June 30, 2021 was \$1.5 million.
- The City's Capital Projects Fund reported a decrease in fund balance of \$57.2 million, resulting in a balance of \$10.2 million at June 30, 2021. This decrease is due to the expenditures incurred for the construction of the new high school and renovation of the library. This construction is funded with proceeds from debt issued in 2019.
- The City's Special Transportation Fund reported an increase in fund balance of \$897 thousand, mainly due to the receipt of restricted revenues which are not yet fully expended.

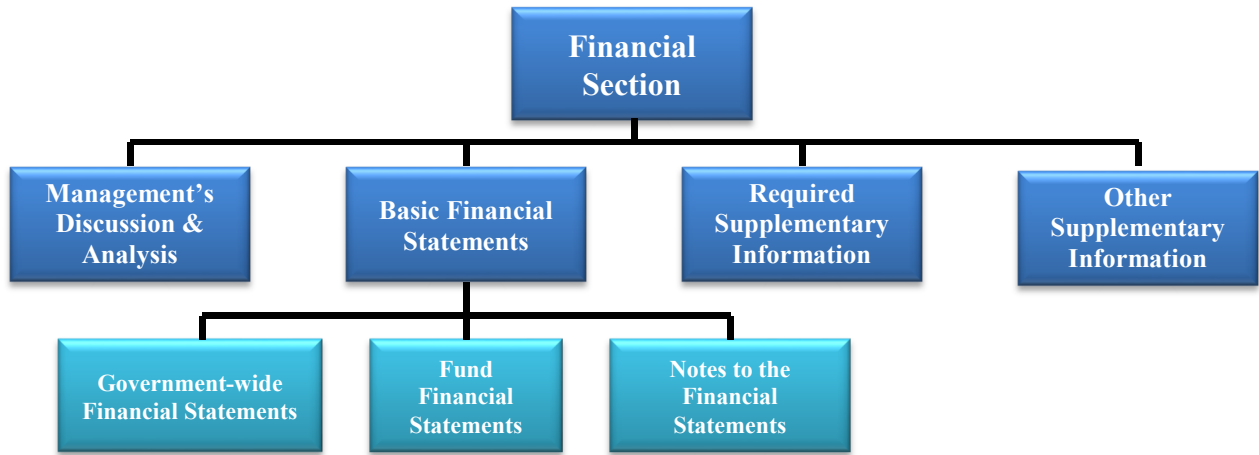
The following are highlights of the City's proprietary funds:

- The City's Sewer fund reported an increase in net position of \$828 thousand.
- The Storm Water Fund generated an increase in net position of \$681 thousand largely due to a transfer of stormwater infrastructure from governmental activities.

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.

CITY OF FALLS CHURCH, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2021



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, 2021

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 five governmental funds: (1) the General Fund, (2) the Capital Projects Fund, (3) the Special Transportation Fund, and (4) the Affordable Housing Fund, and (5) the FCCTV 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.

CITY OF FALLS CHURCH, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2021

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. A reconciliation of the governmental funds' financial statements to the government-wide financial statements are also presented in Exhibits 4 and 6.

Appropriations for the General Fund, FCCTV Fund, and the Affordable Housing Fund are annual appropriations and expire at the end of the given year. Appropriations for the Capital Projects Fund and the Special Transportation Funds are also done annually but carry on to future years until the project or program is completed. No appropriations of expenditures were adopted in FY2021 for the Affordable Housing Fund. Budgetary comparisons using the legal level of authority have been provided for the General Fund in Schedule 1 to demonstrate compliance with the budget.

The Schools' governmental funds' financial statements and budgetary schedules can be found in Schedules 8 through 14.

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 and 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, 2021

STATEMENT OF NET POSITION

The following table represents a summary of the net position of the primary government as of June 30, 2021 and 2020.

Table 4-1
Summary of Statement of Net Position
As of June 30, 2021 and 2020
(\$ In Millions)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2021	2020*	2021	2020*	2021	2020
Assets:						
Current and other assets*	\$ 110.5	\$ 170.6	\$ 15.8	\$ 16.3	\$ 126.3	\$ 186.9
Capital assets, net*	236.2	187.5	32.6	32.0	268.8	219.5
Total assets	346.7	358.1	48.4	48.3	395.1	406.4
Deferred Outflows of Resources	4.4	1.8	0.3	0.2	4.7	2.0
Liabilities:						
Current liabilities	51.9	46.3	0.8	1.3	52.7	47.6
Noncurrent liabilities	178.3	186.3	12.6	13.1	190.9	199.4
Total liabilities	230.2	232.6	13.4	14.4	243.6	247.0
Deferred Inflows of Resources	2.9	9.3	0.1	0.3	3.0	9.6
Net Position:						
Net investment in capital assets	65.3	67.1	21.2	19.6	86.5	86.7
Restricted	20.3	18.0	0.6	0.6	20.9	18.6
Unrestricted*	32.4	33.0	13.4	13.5	45.8	46.5
Total net position*	\$ 118.0	\$ 118.1	\$ 35.2	\$ 33.7	\$ 153.2	\$ 151.8
<i>Italicized FY2020 amounts reflect restatement of prior period balances. See Note 24.</i>						
<i>Note: Totals may not add due to rounding.</i>						

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, 2021, the City's primary government's net position was \$153.2 million, an increase of \$1.4 million over the prior year.

The City's net position for its governmental activities decreased by \$0.1 million, mainly as a result of capital losses recognized from the disposition of the old high school building. The net position of the City's business-type activities increased by \$1.5 million as a result of continued investments in capital assets.

Current and other assets for governmental activities decreased by \$60.1 million due primarily to the use of proceeds from debt issued in FY2020 primarily for the construction of the new high school and renovation and expansion of the library.

Current and other assets for the business-type activities decreased by \$0.5 million also primarily due to the use of prior year bond proceeds for capital projects.

CITY OF FALLS CHURCH, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2021

Net capital assets for governmental activities increased by \$48.7 million, primarily due to the construction of the new high school and the expansion and renovation of the library. The old high school was placed out of service in January 2021.

Net capital assets for business-type activities increased by \$0.6 million as the City continues to make improvements in its sanitary sewer including capital improvements to sanitary sewer treatments plants of our partner jurisdictions Arlington County and Fairfax County. The City also invested in new stormwater infrastructure at the Big Chimney Park and new stormwater pipes on Ellison Street and culvert at West Columbia Street and Trammel Branch.

The increase in current liabilities for governmental activities of \$5.6 million is primarily from unearned revenues of CSLFRF installment of \$9.0 million, of which none have been expended. An additional component of unearned revenues is a receipt of \$6.5 million in FY2020 of advanced payment from a developer for the purchase and lease of city land for which closing is expected to occur in FY2022.

Non-current liabilities for governmental activities decreased by \$8.0 million and for business activities by \$0.5 million due mostly to the payment of principal on general obligation debts.

Deferred outflows for the City's governmental activities and business-type activities increased by \$2.6 million and \$0.1 million, respectively, while deferred inflows decreased by \$6.1 million and \$0.2 million, respectively. These deferred outflows and inflows stem from the City's post-retirement benefit plans.

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, decreased for the City's governmental activities by \$1.8 million mainly due to the abandonment of the old high school building. It increased for the business-type activities by \$1.6 million due to continued investments in capital assets as well as the repayment of associated debt.

STATEMENT OF ACTIVITIES

The following table summarizes the changes in net position for the primary government for the years ended June 30, 2021 and 2020:

CITY OF FALLS CHURCH, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2021

Table 4-2
Summary of Changes in Net Position
For the Years Ended June 30, 2021 and 2020
(\$ In Millions)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charges for services	\$ 3.3	\$ 4.9	\$ 5.8	\$ 7.2	\$ 9.1	\$ 12.1
Operating grants & contributions	2.9	3.3	-	-	2.9	3.3
Capital grants & contributions	5.5	4.8	-	1.3	5.5	6.1
General revenues:					-	-
General property taxes	65.7	63.8	-	-	65.7	63.8
Business license taxes	4.4	4.2	-	-	4.4	4.2
Local sales & use taxes	6.0	5.6	-	-	6.0	5.6
Consumer's utility taxes	2.0	2.0	-	-	2.0	2.0
Motor vehicle decals	0.3	0.3	-	-	0.3	0.3
Recordation	0.8	0.5	-	-	0.8	0.5
Occupancy, tobacco, & other taxes	4.1	5.0	-	-	4.1	5.0
Intergovernmental, non-categorical aid	4.2	2.4	-	-	4.2	2.4
Revenue from use of money and property, unrestricted	0.3	1.0	-	0.4	0.3	1.4
Revenue from use of money and property, restricted	0.1	1.1	-	-	0.1	1.1
Other	-	0.1	-	-	-	0.1
Special item - gain/(loss) on disposal of capital assets	(7.4)	-	-	-	(7.4)	-
Total revenues	92.2	99.0	5.8	8.9	98.0	107.9
Expenses:						
General government administration	7.3	6.5	-	-	7.3	6.5
Judicial administration	1.8	1.9	-	-	1.8	1.9
Public safety	9.5	10.0	-	-	9.5	10.0
Public works	7.2	6.4	4.6	4.7	11.8	11.1
Health and welfare	3.4	2.5	-	-	3.4	2.5
Education and payments to schools	47.0	45.6	-	-	47.0	45.6
Parks, recreation, and cultural	4.6	4.4	-	-	4.6	4.4
Community development	4.6	4.9	-	-	4.6	4.9
Economic development	0.9	0.5	-	-	0.9	0.5
Interest expense	5.4	5.0	0.3	0.3	5.7	5.3
Total expenses	91.7	87.7	4.9	5.0	96.6	92.7
Excess/(deficiency) before transfers	0.5	11.3	0.9	3.9	1.4	15.2
Transfers	(0.6)	-	0.6	-	-	-
Change in net assets	(0.1)	11.3	1.5	3.9	1.4	15.2
Net position, beginning of year	118.1	106.8	33.7	29.8	151.8	136.6
Net position, end of year	\$ 118.0	\$ 118.1	\$ 35.2	\$ 33.7	\$ 153.2	\$ 151.8
<i>Italicized FY2020 amounts reflect restatement of prior period balances. See Note 24.</i>						
<i>Note: Totals may not add due to rounding.</i>						

**CITY OF FALLS CHURCH, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2021**

Governmental Activities

Revenues and transfers for the City's governmental activities were \$91.6 million for FY2021 and \$99.0 million for FY2020.

General Property taxes constitute the largest source of City revenues, representing approximately 66% and 64% of total revenues before loss on disposal of assets and transfers in FY2021 and FY2020, respectively. The increase of \$1.9 million in general property taxes is due in large part to a 3.9% increase in real property assessments for calendar year 2020 over calendar year 2019.

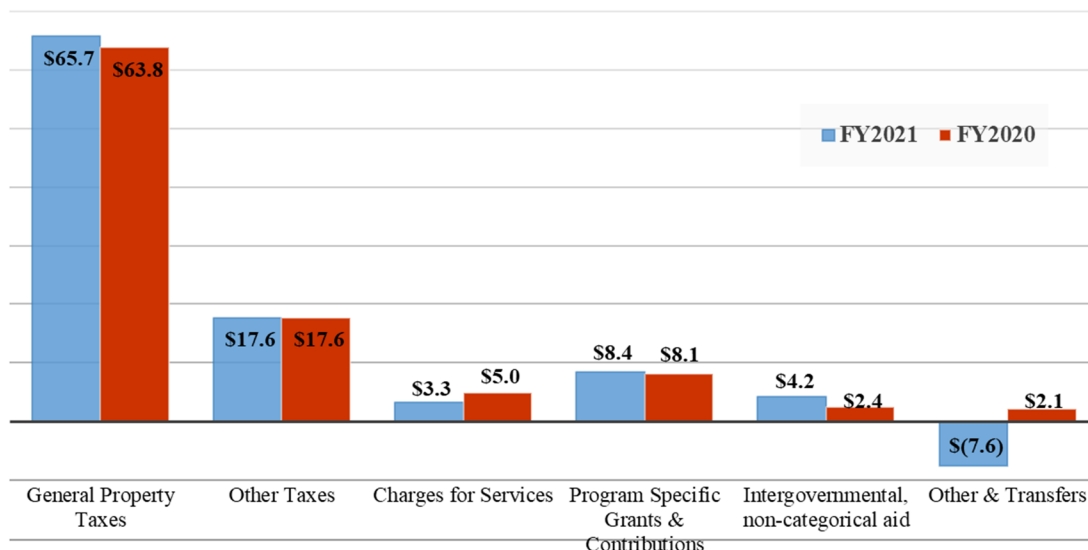
Other local taxes include sales taxes, meals taxes, utility taxes, real estate recordation taxes, transient occupancy taxes, business professional and occupational license taxes. While the economic impact of the COVID-19 pandemic continued to manifest in FY2021, FY2021 shows a slight increase over FY2020. Charges for services decreased further in FY2021 as the impact of the pandemic affected all FY2021 recreation fees for the full fiscal year.

Intergovernmental and non-categorical aid increased by \$1.8 million largely from the use of CARES Act funding.

In FY2021, the City recognized a loss of \$7.4 million from the old high school as various improvements over the last two decades were abandoned.

The following chart provides sources of governmental activities revenue for FY2021 and 2020:

**Chart 4-1
Sources of Revenues of Governmental Activities
For the Fiscal Years Ended June 30, 2021 and 2020
(\$ In Millions)**

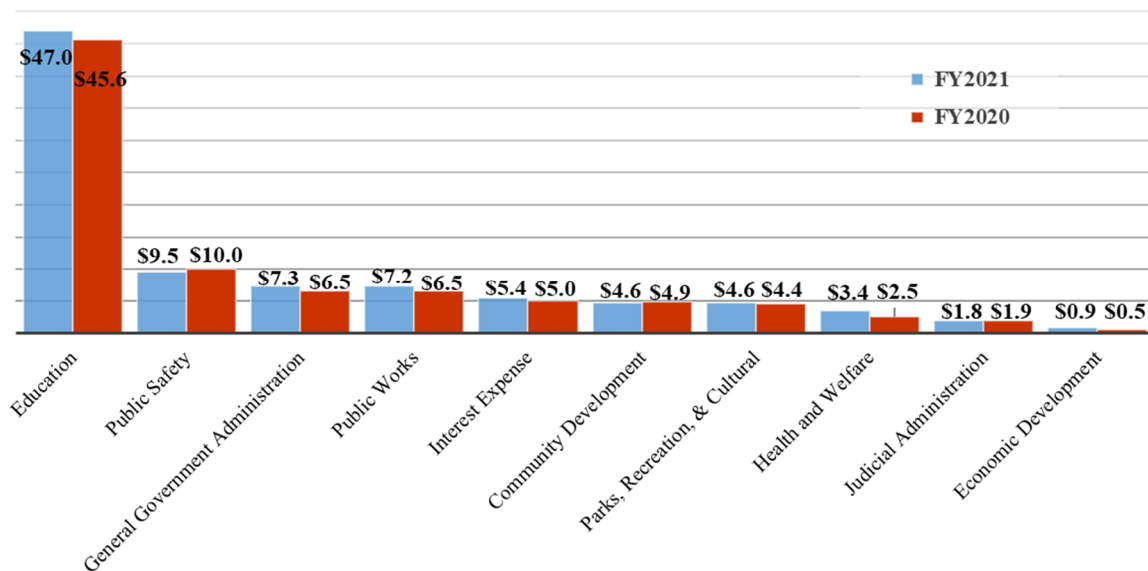


**CITY OF FALLS CHURCH, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2021**

Expenses for the City's governmental activities totaled \$91.7 million in FY2021 and \$87.7 million in FY2020, an increase of \$4.0 million.

Education expenses, representing approximately 51% of total expenses, increased by \$1.3 million primarily because of depreciation on the new high school building. Interest expense increased by \$0.4 million due to the issuance of \$118.4 million of debt in 2019. Health and welfare and economic development costs increased in response to the COVID-19 pandemic as aid were provided to residents and businesses. Education was the City's largest program in both fiscal years 2021 and 2020.

**Chart 4-2
Expenses of Governmental Activities
For the Fiscal Years Ended June 30, 2021 and 2020
(\$ In Millions)**



Some of the cost of governmental activities was paid by those who directly benefited from the programs (\$3.3 million in FY2021 and \$4.9 million in FY2020) and other governments and organizations that subsidized certain programs with grants and contributions (\$8.4 million in FY2021 and \$8.1 million in FY2020). The remaining net cost services of the \$80.0 million in FY2021 and \$74.7 million in FY2020 was subsidized by the taxpayers.

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

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).

CITY OF FALLS CHURCH, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2021

Table 4-3
Net Cost of Governmental Activities
For the Fiscal Years Ended June 30, 2021 and 2020
(\$ In Millions)

Functions/Programs	2021		2020	
	Total Cost	Net Cost	Total Cost	Net Cost
Education and payments to schools	\$ 47.0	\$ 47.0	\$ 45.6	\$ 45.5
Public safety	9.5	7.8	10.0	7.6
General government administration	7.3	6.9	6.5	6.2
Public works*	7.2	0.3	6.4	(2.2)
Interest	5.4	5.2	5.0	4.9
Community development	4.6	4.2	4.9	3.8
Parks, recreation, and cultural	4.6	3.3	4.4	3.3
Other	6.1	5.3	4.9	3.4
Total	\$ 91.7	\$ 80.0	\$ 87.7	\$ 72.5

Italicized FY2020 amounts reflect restatement of prior period balances. See Note 24.

Business-type Activities

Business-type activities increased the City's net position by \$1.5 million. Revenues in FY2020 exceeded FY2021 revenues by \$3.1 million primarily due to the receipt of capital contributions from a developer for the sanitary sewer utility in FY2020. Expenses remained stable between FY2021 and FY2020.

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 AFCR 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.

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 classification based upon constraints placed on the use of resources. Note 25 provides additional information on the fund balance categories.

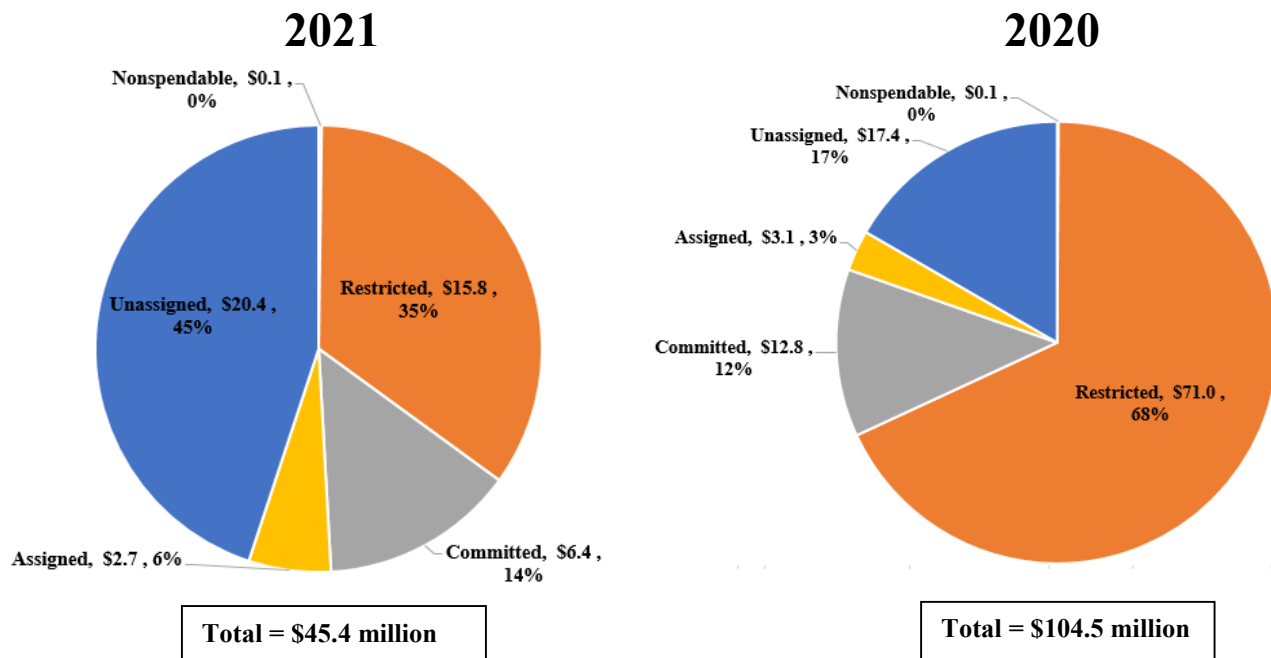
Overall, the fund balance for all governmental funds decreased by approximately \$59.1 million in FY2021 (\$100.3 million in revenues and \$15.4 million in other financing sources less total expenditures of \$159.4

**CITY OF FALLS CHURCH, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2021**

million and other financing uses of \$15.4 million). The decrease was mostly due to the expenditure of restricted debt proceeds issued in FY2020 for the new high school and the library.

Governmental fund balance is categorized into the following categories:

**Chart 4-3
Governmental Funds – Fund Balances
As of June 30, 2021 and 2020 (\$ in Millions)**



- Unassigned Fund Balance – This fund balance is unencumbered and provides the City with some margin of financial safety to address unforeseen emergencies or declines in revenues.
- Assigned Fund Balance – Assigned fund balance represents amounts that were assigned to capital reserves by the City Manager and funds that are encumbered for various expenditures.
- Committed Fund Balance – Committed fund balance represents amounts committed by the City Council for future capital expenditures (\$3.9 million in FY2021 and \$11.1 in FY2020), for costs associated with future new building inspections (\$2.0 million in FY2021 and \$1.3 in FY2020), and for affordable housing (\$0.5 million in FY2021 and \$0.3 million in FY2020).
- Restricted Fund Balance – Restricted fund balance are bond proceeds and grants which have not yet been spent for their specified purpose. A majority of this amount is from bond proceeds issued to finance capital projects.
- Non-spendable Fund Balance – Non-spendable fund balance includes amounts that are not available for spending such as inventory and prepaid expenses.

CITY OF FALLS CHURCH, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2021

The following shows the fund balances of each of the governmental funds as of June 30, 2021 and 2020:

Table 4-4
Governmental Funds – Fund Balances
As of June 30, 2021 and 2020
(\$ in Millions)

	General Fund		Capital Projects Fund		Special Transportation Fund		Other Governmental Funds		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Non-spendable	\$ 0.1	\$ 0.1	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 0.1	\$ 0.1
Restricted	1.4	1.3	10.2	66.5	4.2	3.3	-	-	15.8	71.1
Committed	5.9	11.6	-	0.9	-	-	0.5	0.3	6.4	12.8
Assigned	2.7	3.1	-	-	-	-	-	-	2.7	3.1
Unassigned	20.4	17.4	-	-	-	-	-	-	20.4	17.4
Total	\$ 30.5	\$ 33.5	\$ 10.2	\$ 67.4	\$ 4.2	\$ 3.3	\$ 0.5	\$ 0.3	\$ 45.4	\$ 104.5

The following shows the changes in the individual fund balances for fiscal years 2021 and 2020:

Table 4-5
Changes in Fund Balances – Governmental Funds
For the Fiscal Years Ended June 30, 2021 and 2020
(\$ in Millions)

	General Fund		Capital Projects Fund		Special Transportation Fund		Other Governmental Funds		Total**	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Revenues and other financing sources	\$ 106.1	\$ 115.2	\$ 3.9	\$ 115.9	\$ 5.6	\$ 7.8	\$ 0.2	\$ -	\$ 110.2	\$ 223.4
Expenditures and other financing uses	109.1	116.0	61.0	70.2	4.7	6.9	0.0	0.0	169.3	177.6
Changes in Fund Balances	(3.0)	(0.8)	(57.2)	45.7	0.9	0.9	0.2	0.0	(59.1)	45.8
Fund balance at beginning of year	33.5	34.3	67.4	21.7	3.3	2.4	0.3	0.3	104.5	58.7
Fund balance at end of year	\$ 30.5	\$ 33.5	\$ 10.2	\$ 67.4	\$ 4.2	\$ 3.3	\$ 0.5	\$ 0.3	\$ 45.4	\$ 104.5

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

FY2020 revenues and other financing sources were higher than in FY2021 by \$113.2 million mainly due to the issuance of \$118.4 million debt in FY2020.

Expenditures and other financing sources remained relatively stable as construction for the new high school and the library was ongoing in both FY2020 and FY2021.

CITY OF FALLS CHURCH, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2021

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 as of June 30, 2021 of \$20.4 million represents 21.5% of General Fund expenditures.

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.

The Sanitary Sewer Fund's net position at the end of FY2021 was \$28.3 million, an increase of \$0.8 million over FY2020. In FY2021, total revenues of the Sewer Fund were \$4.2 million as compared to total costs of \$3.4 million.

The Storm Water Fund's net position increased by \$0.7 million in FY2021 to \$6.9 million. Total revenues in FY2021 were \$1.7 million while expenses were \$1.6 million. The Storm Water Fund also received transfers of capital assets from the City's Capital Project Fund valued at \$0.6 million mainly for stormwater infrastructure at the Big Chimney Park.

GENERAL FUND BUDGETARY HIGHLIGHTS

In FY2021, City Council's original appropriation of expenditures and transfers totaled \$97.0 million funded with revenues, debt issuance and transfers for a total of \$92.2 million, and the use of fund balance of \$4.8 million. Fund balance was appropriated to be used primarily towards debt service as part of the CIP financing plan.

Final amended budget appropriations for the General Fund, which include expenditures and other financing uses, were higher than the original budget by \$15.6 million or 16.1%. \$10.0 million of the increase is an appropriation for the refunding of the 2011 and 2013 general obligation debt; \$0.9 million of the increase is from encumbrances from FY2020 that were carried forward into FY2021. The remaining appropriation was funded with additional grants, other revenues, and use of prior year committed or assigned fund balances for capital programs.

Actual revenues and other financing sources were higher than final budget by \$1.9 million. Actual expenditures and other financing uses were lower than the final budget by \$3.6 million.

Highlights of the comparison of final budget to actual figures for the fiscal year ended June 30, 2021 include the following:

- General property taxes came in under budget by \$0.4 million primarily from personal property taxes.
- Local taxes were budgeted conservatively due to the COVID-19 pandemic, however, sales tax, meals taxes, recordation taxes, and business license taxes came in higher than the conservative projections providing an overall excess of \$3.1 million.
- Charges for services came in under budget by \$0.7 million mostly due to recreation and parks activities.
- Actual departmental expenditures shown in Schedule 1 were less than budgeted amounts by \$3.4 million. \$1.4 million of these have been encumbered for equipment and service contracts. Throughout the departments, vacancy contributed to the underspending. The following are additional items of note:

CITY OF FALLS CHURCH, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2021

- In FY2021, City Council appropriated the use of \$6.6 million fund balance to pay for debt service and other capital projects as part of the capital financing plan for the capital improvement program.

CAPITAL ASSETS AND LONG-TERM DEBT

CAPITAL ASSETS

The City's investment in capital assets, net of accumulated depreciation and amortization as of June 30, 2021 and 2020, amounted to approximately \$268.9 million and \$219.5 million, respectively, as summarized in the following table:

Table 4-6
Capital Assets
As of June 30, 2021 and 2020
(\$ in Millions)

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Nondepreciable						
Land	\$ 14.2	\$ 14.2	\$ -	\$ -	\$ 14.2	\$ 14.2
Land improvements	1.9	-	-	-	1.9	-
Intangibles	0.1	-	-	-	0.1	-
Construction in progress	10.3	73.8	0.4	0.2	10.7	74.0
Subtotal	26.5	88.0	0.4	0.2	26.9	88.2
Depreciable						
Buildings and system	209.6	110.0	16.1	15.8	225.7	125.8
Machinery and equipment	26.8	22.8	1.1	0.9	27.9	23.7
Improvements other than buildings	7.2	7.0	2.3	2.3	9.5	9.3
Purchased capacity	-	-	22.4	21.8	22.4	21.8
Infrastructure	12.5	12.3	8.2	7.3	20.7	19.6
Intangibles	3.7	3.7	-	-	3.7	3.7
Library collections	2.8	2.6	-	-	2.8	2.6
Accumulated depreciation	(52.8)	(58.9)	(17.9)	(16.3)	(70.7)	(75.2)
Subtotal	209.8	99.5	32.2	31.8	242.0	131.3
Total Capital Assets, Net	\$ 236.3	\$ 187.5	\$ 32.6	\$ 32.0	\$ 268.9	\$ 219.5

Italicized FY2020 amounts reflect restatement of prior period balances. See Note 24.

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

- Construction of the new high school was completed in January 2021.
- The renovation and addition to the Mary Riley Styles Public Library was ongoing and was completed shortly after the fiscal year ended.
- Transportation improvements are continuing at West Falls Church in anticipation of major development in the area.

CITY OF FALLS CHURCH, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2021

The City has several ongoing transportation projects which are still largely in the architectural and engineering phase.

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 were \$448.0 million and \$431.3 million as of June 30, 2021 and June 30, 2020, respectively. The City's total long-term debt that is applicable to this limit was \$193.4 million as of June 30, 2021 and \$196.9 million as of June 30, 2020, and is well within the limits set by the Constitution of the Commonwealth of Virginia.

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, 2021 and 2020, total debt outstanding was 4.3% and 4.6%, 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 15% and 10% of General Fund expenditures in FY2021 and FY2020, 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, 2021 was 22.6% and 10-year payout ratio was 41.7%.

As indicated above, the City exceeded its annual debt service ratio and 5-year and 10-year payout ratios. The City financial policies provide that when these ratios are exceeded, available fund balance must be between 20% and 25% of General Fund expenditures. Available fund balance consists of committed, assigned, and unassigned fund balances in the General Fund. As of June 30, 2021, available fund balance is \$29.0 million or 30.5% of General Fund expenditures.

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 capital leases, compensated absences and pension.

CITY OF FALLS CHURCH, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2021

The following table shows a summary of the City's outstanding debt as of June 30, 2021 and 2020:

Table 4-7
Outstanding Long-Term Debts
As of June 30, 2021 and 2020
(\$ in Millions)

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
General obligation bonds:						
Principal	\$ 167.5	\$ 174.4	\$ 9.6	\$ 12.7	\$ 177.1	\$ 187.1
Premiums and discounts, net	7.0	8.4	0.2	0.3	7.2	8.7
General obligation notes	-	-	-	-	-	-
Compensated absences	2.3	2.3	0.1	0.1	2.4	2.4
Total	<u>\$ 176.8</u>	<u>\$ 185.1</u>	<u>\$ 9.9</u>	<u>\$ 13.1</u>	<u>\$ 186.7</u>	<u>\$ 198.2</u>

See Note 10 in the notes to the financial statements for additional information relative to the City's long-term debt.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The economic slowdown brought about by the COVID-19 pandemic is expected to continue its effect on the City's revenues in FY2022 albeit at a lesser degree than in FY2021. With continued restraint in spending, the City reduced the real estate tax rate from \$1.355 to \$1.32.

The following are highlights of the City's General Fund budget for FY2022:

- The City's adopted budget for FY2022 of \$104.7 million represents an increase of \$7.1 million or 7.3% from the FY2021 original budget.
- The City expects to receive the second installment on the West Falls Church Development Project for \$4.5 million as well as \$1.8 million in voluntary concessions from a developer. These funds are included in the budget and have been appropriated to be placed in capital reserves to be used for debt service.
- Taxes are expected to gain a modest increase of 2.1% over the FY2021 budget. Median single family home value as of January 1, 2021 increased to \$896,850 from \$848,400 as of January 1, 2020 and continues to outperform the Washington Metro area and US markets.
- The general government operating budget (excluding debt service and transfer to Schools) will increase by \$0.4 million or 1.1%.
- Debt service is projected to decrease by \$0.5 million or 3.5%. \$4.05 million of debt service will be paid for with capital reserves set aside in prior years as planned.
- The City's transfer to the School Board will increase by \$1.1 million or 2.5%.

Over the last few years, capital needs have dominated the budgetary decisions as the City embarked on the construction of the new George Mason High School estimated to cost \$117.3 million and other capital projects including the expansion of the Mary Riley Styles Public Library, the renovation of the City Hall, and the expansion of Mt. Daniel Elementary School. To defray the fiscal impact of the capital plan, the City worked towards developing an area of 10.3 acres adjacent to the George Mason High School referred to as West Falls

**CITY OF FALLS CHURCH, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2021**

Church Development Project. In November 2019, the City Council approved an interim agreement for a public-private partnership with EYA, PN Hoffman, and Regency Centers to develop that area. The Comprehensive Agreement was executed in May 2020 and closing is expected to occur in FY2022.

Uncertainties stemming from the impact of COVID-19 on the economy still continues to unravel. Balancing the revenue pressures against the necessary expenditures required to maintain a safe and vibrant community will continue to be a priority for management in the coming months.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'K. Bawa', with a stylized flourish at the end.

Kiran Bawa
Director of Finance

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT WIDE FINANCIAL STATEMENTS

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CITY OF FALLS CHURCH, VIRGINIA

STATEMENT OF NET POSITION
June 30, 2021

	Primary Government			Discretely Presented Component Units	
	Governmental Activities	Business-Type Activities	Totals	School Board	Economic Development Authority
ASSETS					
Cash and investments (Note 4)	\$ 65,049,611	\$ 12,518,040	\$ 77,567,651	\$ 5,136,805	\$ 495,808
Receivables, net (Note 5)	8,680,125	969,015	9,649,140	146,688	13,613
Due from pension/OPEB plans (Note 5)	212,867	-	212,867	44,074	-
Due from primary government	-	-	-	6,338,305	250,000
Due from other governments (Note 6)	3,978,516	391,599	4,370,115	455,717	-
Prepays	4,989	-	4,989	41,247	-
Inventories	121,280	18,536	139,816	-	-
Restricted cash and cash equivalents (Note 4)	18,163,612	1,370,830	19,534,442	-	-
Net OPEB asset (Note 20)	1,106,104	48,738	1,154,842	3,014,708	-
Net pension asset (Note 16)	13,177,166	486,971	13,664,137	2,027,649	-
Capital assets: (Note 8)					
Nondepreciable	26,399,701	377,129	26,776,830	1,338,615	685,560
Depreciable, net	209,846,551	32,215,519	242,062,070	2,575,404	238,918
Total assets	346,740,522	48,396,377	395,136,899	21,119,212	1,683,899
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows related to pensions (Note 16)	2,596,511	156,514	2,753,025	12,994,669	-
Deferred outflows related to OPEB (Note 20)	1,830,863	56,146	1,887,009	1,782,379	-
Deferred amount on refunding, net	-	93,736	93,736	-	-
Total deferred outflows of resources	4,427,374	306,396	4,733,770	14,777,048	-
LIABILITIES					
Accounts payable and other liabilities	18,247,470	661,392	18,908,862	5,855,959	250,749
Accrued interest	2,543,441	130,687	2,674,128	-	-
Customer deposits	1,833,616	-	1,833,616	-	-
Unearned revenue (Note 9)	22,514,678	10,838	22,525,516	-	-
Due to other governments - custodial funds (Note 6)	10,085	-	10,085	-	-
Due to component unit	6,588,305	-	6,588,305	-	-
Due to other governments (Note 6)	205,678	-	205,678	-	-
Noncurrent liabilities:					
Due within one year (Note 10)	9,966,583	1,344,385	11,310,968	911,208	-
Due in more than one year:					
Net pension liability (Note 16)	-	-	-	47,357,156	-
Net OPEB liability (Note 20)	1,232,011	-	1,232,011	6,573,000	-
Due to other governments (Note 6)	274,915	-	274,915	-	-
Other debt (Note 10)	166,840,736	11,204,405	178,045,141	1,510,404	-
Total liabilities	230,257,518	13,351,707	243,609,225	62,207,727	250,749
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows related to pensions (Note 16)	1,201,252	52,811	1,254,063	3,865,024	-
Deferred inflows related to OPEB (Note 20)	1,557,980	52,450	1,610,430	2,010,409	-
Deferred amount on refunding, net	177,186	-	177,186	-	-
Deferred rent	-	-	-	213,977	-
Total deferred inflows of resources	2,936,418	105,261	3,041,679	6,089,410	-
NET POSITION					
Net investment in capital assets	65,320,324	21,221,376	86,541,700	3,382,356	924,478
Restricted for:					
Pension and OPEB	14,719,401	643,109	15,362,510	-	-
Grants	5,571,005	-	5,571,005	-	-
Unrestricted	32,363,230	13,381,320	45,744,550	(35,783,233)	508,672
Total net position	\$ 117,973,960	\$ 35,245,805	\$ 153,219,765	\$ (32,400,877)	\$ 1,433,150

The Notes to Financial Statements are an integral part of this statement.

EXHIBIT 2

CITY OF FALLS CHURCH, VIRGINIA

STATEMENT OF ACTIVITIES
Year Ended June 30, 2021

Functions	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position				
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units	
					Governmental Activities	Business-Type Activities	Totals	School Board	Economic Development Authority
Primary Government:									
Governmental activities:									
General government	\$ 7,272,925	\$ 54,531	\$ 284,254	\$ -	\$ (6,934,140)		\$ (6,934,140)		
Judicial administration	1,849,656	454,160	153,330	-	(1,242,166)		(1,242,166)		
Public safety	9,510,699	1,111,406	576,946	-	(7,822,347)		(7,822,347)		
Public works	7,228,170	325,270	1,179,990	5,411,932	(310,978)		(310,978)		
Health and welfare	3,364,583	4,140	204,235	-	(3,156,208)		(3,156,208)		
Parks, recreation, and cultural	4,598,173	1,085,435	191,418	61,735	(3,259,585)		(3,259,585)		
Community development	4,621,130	227,991	152,816	699	(4,239,624)		(4,239,624)		
Economic development	877,182	-	-	-	(877,182)		(877,182)		
Education	46,990,686	-	-	-	(46,990,686)		(46,990,686)		
Interest	5,388,538	-	180,690	-	(5,207,848)		(5,207,848)		
Total governmental activities	91,701,742	3,262,933	2,923,679	5,474,366	(80,040,764)		(80,040,764)		
Business-type activities:									
Sewer	3,355,839	4,154,578	-	-		798,739	798,739		
Storm water	1,587,658	1,675,101	-	-		87,443	87,443		
Total business-type activities	4,943,497	5,829,679	-	-		886,182	886,182		
Total primary government	\$ 96,645,239	\$ 9,092,612	\$ 2,923,679	\$ 5,474,366	(80,040,764)	886,182	(79,154,582)		
Discretely Presented Component Units:									
School Board	\$ 53,078,491	\$ 880,297	\$ 9,757,036	\$ -				\$ (42,441,158)	\$ -
Economic Development Authority	353,697	-	-	-				-	(353,697)
Total component units	\$ 53,432,188	\$ 880,297	\$ 9,757,036	\$ -				(42,441,158)	(353,697)
General revenues:									
General property taxes					65,679,216	-	65,679,216	-	-
Other local taxes:									
Business licenses					4,420,054	-	4,420,054	-	-
Local sales and use					6,009,026	-	6,009,026	-	-
Consumer utility					1,981,133	-	1,981,133	-	-
Motor vehicle decals					331,994	-	331,994	-	-
Real estate recordation taxes					801,928	-	801,928	-	-
Occupancy, tobacco, and other					4,100,741	-	4,100,741	-	-
Payments from City					-	-	-	43,185,277	529,100
Intergovernmental, non-categorical aid					4,194,278	-	4,194,278	-	-
Revenue from use of money and property, unrestricted					359,311	35,972	395,283	21,440	22,065
Revenue from use of money and property, restricted					102,604	-	102,604	-	-
Special item: loss on disposal of capital assets					(7,446,927)	-	(7,446,927)	-	-
Miscellaneous					8,366	3,150	11,516	146,685	17,613
Transfers					(584,245)	584,245	-	-	-
Total general revenues and transfers					79,957,479	623,367	80,580,846	43,353,402	568,778
Change in net position					(83,285)	1,509,549	1,426,264	912,244	215,081
NET POSITION AT JULY 1, AS RESTATED (Note 24)					118,057,245	33,736,256	151,793,501	(33,313,121)	1,218,069
NET POSITION AT JUNE 30					\$ 117,973,960	\$ 35,245,805	\$ 153,219,765	\$ (32,400,877)	\$ 1,433,150

The Notes to Financial Statements are an integral part of this statement.

FUND FINANCIAL STATEMENTS

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CITY OF FALLS CHURCH, VIRGINIA

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2021

	General	Capital Projects	Special Transportation	Other Governmental	Total Governmental
ASSETS					
Cash and investments	\$ 55,918,722	\$ 4,745,552	\$ 3,879,273	\$ 506,064	\$ 65,049,611
Receivables, net	8,467,162	-	-	212,963	8,680,125
Due from pension/OPEB plans (Note 7)	212,867	-	-	-	212,867
Due from other governments	1,613,617	747,151	1,617,748	-	3,978,516
Prepays	4,989	-	-	-	4,989
Inventories	121,280	-	-	-	121,280
Restricted cash and cash equivalents	1,427,952	16,735,660	-	-	18,163,612
Total assets	<u>\$ 67,766,589</u>	<u>\$ 22,228,363</u>	<u>\$ 5,497,021</u>	<u>\$ 719,027</u>	<u>\$ 96,211,000</u>
LIABILITIES					
Accounts payable and other liabilities	\$ 4,950,327	\$ 11,957,431	\$ 1,339,712	\$ -	\$ 18,247,470
Customer deposits	1,833,616	-	-	-	1,833,616
Unearned revenue (Note 9)	22,431,928	72,750	10,000	-	22,514,678
Due to other governments - custodial funds	10,085	-	-	-	10,085
Due to component units	6,588,305	-	-	-	6,588,305
Due to other governments	205,678	-	-	-	205,678
Total liabilities	<u>36,019,939</u>	<u>12,030,181</u>	<u>1,349,712</u>	<u>-</u>	<u>49,399,832</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue (Note 9)	1,193,932	-	-	212,963	1,406,895
Total deferred inflows of resources	<u>1,193,932</u>	<u>-</u>	<u>-</u>	<u>212,963</u>	<u>1,406,895</u>
FUND BALANCES					
Fund balances (Note 25):					
Nonspendable	126,269	-	-	-	126,269
Restricted	1,423,696	10,198,182	4,147,309	-	15,769,187
Committed	5,897,636	-	-	506,064	6,403,700
Assigned	2,711,880	-	-	-	2,711,880
Unassigned	20,393,237	-	-	-	20,393,237
Total fund balances	<u>30,552,718</u>	<u>10,198,182</u>	<u>4,147,309</u>	<u>506,064</u>	<u>45,404,273</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 67,766,589</u>	<u>\$ 22,228,363</u>	<u>\$ 5,497,021</u>	<u>\$ 719,027</u>	<u>\$ 96,211,000</u>

CITY OF FALLS CHURCH, VIRGINIA

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2021**

Total Fund Balance		\$ 45,404,273
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources, and, therefore, are not reported in the funds.		
Nondepreciable	\$ 26,399,701	
Depreciable, net	<u>209,846,551</u>	
		236,246,252
Certain receivables are not available to pay for current-period expenditures and therefore are deferred in the funds.		1,406,895
Financial statement elements related to pensions and OPEB are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows related to pensions	2,596,511	
Deferred outflows related to OPEB	1,830,863	
Deferred inflows related to pensions	(1,201,252)	
Deferred inflows related to OPEB	(1,557,980)	
Net pension asset - all plans	13,177,166	
Net OPEB liability - all plans	(1,232,011)	
Net OPEB asset - all plans	<u>1,106,104</u>	
		14,719,401
Long-term payables, such as due to other governments, are not reported in the governmental funds.		(274,915)
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.		
Bonds payable, including unamortized deferred amounts	(167,449,365)	
Premium and discounts, net of accumulated amortization	(7,009,904)	
Deferred amount on refunding, net of accumulated amortization	(177,186)	
Compensated absences	<u>(2,348,050)</u>	
		(176,984,505)
Interest on long-term liabilities is not accrued in governmental funds, but is recognized as an expenditure when due.		<u>(2,543,441)</u>
Total Net Position - Governmental Activities		<u><u>\$ 117,973,960</u></u>

CITY OF FALLS CHURCH, VIRGINIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2021

	General	Capital Projects	Special Transportation	Other Governmental	Total Governmental
REVENUES					
General property taxes	\$ 65,601,444	\$ -	\$ -	\$ -	\$ 65,601,444
Other local taxes	17,644,877	-	-	-	17,644,877
Permits, privilege fees, and regulatory licenses	1,087,162	-	-	-	1,087,162
Fines and forfeitures	203,980	-	-	-	203,980
Use of money and property	461,915	-	624	-	462,539
Charges for services	2,402,545	-	-	91,444	2,493,989
Miscellaneous	8,362	-	-	-	8,362
Gifts and contributions	74,001	62,995	48,004	-	185,000
Voluntary concessions	-	-	-	-	-
Recovered costs	182,840	-	-	-	182,840
Intergovernmental					
Commonwealth	4,402,885	235,922	3,256,254	-	7,895,061
Federal	2,682,143	943,377	886,119	-	4,511,639
Total revenues	<u>94,752,154</u>	<u>1,242,294</u>	<u>4,191,001</u>	<u>91,444</u>	<u>100,276,893</u>
EXPENDITURES					
Current:					
General government	6,930,260	-	-	-	6,930,260
Judicial administration	1,838,522	-	-	-	1,838,522
Public safety	10,134,571	-	-	-	10,134,571
Public works	5,626,721	-	-	-	5,626,721
Health and welfare	3,362,628	-	-	-	3,362,628
Parks, recreation, and cultural	4,076,302	-	-	-	4,076,302
Community development	4,527,619	-	-	-	4,527,619
Economic development	888,223	-	-	-	888,223
Education	43,219,249	-	-	-	43,219,249
Capital outlay	-	60,908,322	3,439,577	-	64,347,899
Debt service:					
Principal retirement	7,884,694	-	-	-	7,884,694
Interest and fiscal charges	6,582,150	-	-	-	6,582,150
Total expenditures	<u>95,070,939</u>	<u>60,908,322</u>	<u>3,439,577</u>	<u>-</u>	<u>159,418,838</u>
Excess (deficiency) of revenues over expenditures	<u>(318,785)</u>	<u>(59,666,028)</u>	<u>751,424</u>	<u>91,444</u>	<u>(59,141,945)</u>
OTHER FINANCING SOURCES (USES)					
Issuance of debt	9,942,520	-	-	-	9,942,520
Payment to escrow for refunding debt	(9,861,694)	-	-	-	(9,861,694)
Proceeds from sale of capital assets	10,056	-	-	-	10,056
Transfers in	1,373,692	2,615,000	1,404,700	100,000	5,493,392
Transfers out	(4,119,700)	(114,692)	(1,259,000)	-	(5,493,392)
Total other financing sources (uses)	<u>(2,655,126)</u>	<u>2,500,308</u>	<u>145,700</u>	<u>100,000</u>	<u>90,882</u>
Net change in fund balance	(2,973,911)	(57,165,720)	897,124	191,444	(59,051,063)
FUND BALANCES AT JULY 1	<u>33,526,629</u>	<u>67,363,902</u>	<u>3,250,185</u>	<u>314,620</u>	<u>104,455,336</u>
FUND BALANCES AT JUNE 30	<u>\$ 30,552,718</u>	<u>\$ 10,198,182</u>	<u>\$ 4,147,309</u>	<u>\$ 506,064</u>	<u>\$ 45,404,273</u>

CITY OF FALLS CHURCH, VIRGINIA

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2021**

Net Change in Fund Balance - Governmental Funds \$ (59,051,063)

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 expense.

Capital outlays	\$ 62,856,740	
Depreciation expense	(6,691,977)	
		56,164,763

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.

(7,456,983)

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

Debt proceeds	(9,942,520)	
Change in deferred inflow of resources	119,486	
		(9,823,034)

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

(70,037)

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	235,925	
Employer OPEB contributions	598,647	
Pension expense	112,129	
OPEB expense	340,527	
		1,287,228

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.

7,884,694

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		(74,159)
--------------------------------	--	----------

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	410,408	
Amortization of deferred amount from refundings	(18,477)	
Payments to bond escrow agent	9,861,694	
Change in accrued interest payable	801,681	
		11,055,306

Change in Net Position - Governmental Activities \$ (83,285)

CITY OF FALLS CHURCH, VIRGINIA

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2021**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	\$ 65,312,400	\$ 65,312,400	\$ 65,601,444	\$ 289,044
Other local taxes	14,499,050	14,499,050	17,644,877	3,145,827
Permits, privilege fees, and regulatory licenses	1,256,200	1,256,200	1,087,162	(169,038)
Fines and forfeitures	504,000	504,000	203,980	(300,020)
Use of money and property	587,000	587,000	461,608	(125,392)
Charges for services	3,120,217	3,120,217	2,402,545	(717,672)
Miscellaneous	59,800	59,800	8,362	(51,438)
Gifts and contributions	4,100	78,172	74,001	(4,171)
Recovered costs	293,000	293,000	182,840	(110,160)
Intergovernmental				
Commonwealth	4,536,835	4,611,364	4,402,885	(208,479)
Federal	389,595	2,491,148	2,682,143	190,995
Total revenues	<u>90,562,197</u>	<u>92,812,351</u>	<u>94,751,847</u>	<u>1,939,496</u>
EXPENDITURES				
Current:				
General government	7,020,027	7,253,012	6,766,069	486,943
Judicial administration	2,157,581	2,077,996	1,838,522	239,474
Public safety	11,302,256	11,409,896	10,134,571	1,275,325
Public works	5,245,942	6,418,185	5,626,721	791,464
Health and welfare	2,639,846	3,363,193	3,362,628	565
Parks, recreation, and cultural	4,609,976	4,561,368	4,076,302	485,066
Community development	4,550,137	4,550,714	4,527,619	23,095
Economic development	369,471	960,164	888,223	71,941
Education	42,897,249	43,219,249	43,219,249	-
Debt service:				
Principal retirement	7,924,694	7,924,694	7,884,694	40,000
Interest and fiscal charges	6,801,838	6,661,838	6,582,150	79,688
Total expenditures	<u>95,519,017</u>	<u>98,400,309</u>	<u>94,906,748</u>	<u>3,493,561</u>
Excess (deficiency) of revenues over expenditures	<u>(4,956,820)</u>	<u>(5,587,958)</u>	<u>(154,901)</u>	<u>5,433,057</u>
OTHER FINANCING SOURCES (USES)				
Issuance of debt	359,000	10,084,820	9,942,520	(142,300)
Payment to escrow for refunding debt	-	(9,867,520)	(9,861,694)	5,826
Proceeds from sale of capital assets	-	-	10,056	10,056
Transfers in	1,259,000	1,259,000	1,373,692	114,692
Transfers out	(1,467,480)	(4,307,480)	(4,249,770)	57,710
Total other financing sources (uses)	<u>150,520</u>	<u>(2,831,180)</u>	<u>(2,785,196)</u>	<u>45,984</u>
Net change in fund balance	<u>\$ (4,806,300)</u>	<u>\$ (8,419,138)</u>	<u>\$ (2,940,097)</u>	<u>\$ 5,479,041</u>

The Notes to Financial Statements are an integral part of this statement.

CITY OF FALLS CHURCH, VIRGINIA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2021

	Business-Type Activities – Enterprise Funds		
	Sanitary Sewer	Storm Water	Totals
ASSETS			
Current assets:			
Cash and investments	\$ 10,029,476	\$ 2,488,564	\$ 12,518,040
Receivables, net	918,881	50,134	969,015
Due from other governments	391,599	-	391,599
Inventories	12,469	6,067	18,536
Restricted cash and cash equivalents	492,034	878,796	1,370,830
Total current assets	11,844,459	3,423,561	15,268,020
Noncurrent assets:			
Net OPEB asset	26,889	21,849	48,738
Net pension asset	243,063	243,908	486,971
Capital assets, net	26,403,097	6,189,551	32,592,648
Total noncurrent assets	26,673,049	6,455,308	33,128,357
Total assets	38,517,508	9,878,869	48,396,377
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	72,870	83,644	156,514
Deferred outflows related to OPEB	30,186	25,960	56,146
Deferred amount on refunding, net	93,736	-	93,736
Total deferred outflows of resources	196,792	109,604	306,396
LIABILITIES			
Current liabilities:			
Accounts payable and other liabilities	418,008	243,384	661,392
Accrued interest	94,150	36,537	130,687
Unearned revenue	10,838	-	10,838
Compensated absences, current	29,920	30,966	60,886
Debt, current	1,113,722	169,777	1,283,499
Total current liabilities	1,666,638	480,664	2,147,302
Noncurrent liabilities:			
Compensated absences	19,005	24,542	43,547
Debt	8,664,578	2,496,280	11,160,858
Total noncurrent liabilities	8,683,583	2,520,822	11,204,405
Total liabilities	10,350,221	3,001,486	13,351,707
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	30,959	21,852	52,811
Deferred inflows related to OPEB	28,937	23,513	52,450
Total deferred inflows of resources	59,896	45,365	105,261
NET POSITION			
Net investment in capital assets	16,980,176	4,241,200	21,221,376
Restricted for pension and OPEB	313,113	329,996	643,109
Unrestricted	11,010,894	2,370,426	13,381,320
Total net position	\$ 28,304,183	\$ 6,941,622	\$ 35,245,805

The Notes to Financial Statements are an integral part of this statement.

CITY OF FALLS CHURCH, VIRGINIA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2021

	Business-Type Activities – Enterprise Funds		
	Sanitary Sewer	Storm Water	Totals
OPERATING REVENUES			
Charges for fees and services	\$ 4,064,818	\$ 1,675,101	\$ 5,739,919
Total operating revenues	4,064,818	1,675,101	5,739,919
OPERATING EXPENSES			
Collection, conveyance, and disposal	1,413,159	603,669	2,016,828
Administration	472,776	571,454	1,044,230
Depreciation and amortization	1,233,405	330,350	1,563,755
Total operating expenses	3,119,340	1,505,473	4,624,813
Operating income	945,478	169,628	1,115,106
NONOPERATING REVENUES (EXPENSES)			
Availability fees	89,760	-	89,760
Utility Relief funding	3,150	-	3,150
Interest and investment revenue	26,241	9,731	35,972
Interest expense	(236,499)	(82,185)	(318,684)
Net nonoperating revenues (expenses)	(117,348)	(72,454)	(189,802)
CAPITAL CONTRIBUTIONS			
Change in net position	-	584,245	584,245
NET POSITION AT JULY 1, AS RESTATED (Note 24)	27,476,053	6,260,203	33,736,256
NET POSITION AT JUNE 30	\$ 28,304,183	\$ 6,941,622	\$ 35,245,805

The Notes to Financial Statements are an integral part of this statement.

CITY OF FALLS CHURCH, VIRGINIA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2021

	Business-type Activities – Enterprise Funds		
	Sanitary Sewer	Storm water	Totals
OPERATING ACTIVITIES			
Receipts from customers	\$ 3,978,730	\$ 1,811,989	\$ 5,790,719
Receipts from other sources	13,988	-	13,988
Interfund reimbursements	(128,558)	(150,009)	(278,567)
Payments to suppliers	(1,114,849)	(319,143)	(1,433,992)
Payments to employees	(613,136)	(687,584)	(1,300,720)
Net cash provided by operating activities	2,136,175	655,253	2,791,428
NONCAPITAL FINANCING ACTIVITIES			
Interfund borrowing	(178,022)	(68,591)	(246,613)
Net cash provided by (used in) noncapital financing activities	(178,022)	(68,591)	(246,613)
CAPITAL AND RELATED FINANCING ACTIVITIES			
Availability fees	89,760	-	89,760
Purchases of capital assets	(1,762,572)	(362,132)	(2,124,704)
Proceeds from long-term debt	762,616	852,274	1,614,890
Principal paid on capital debt	(1,526,333)	(537,478)	(2,063,811)
Interest paid on capital debt	(300,703)	(137,641)	(438,344)
Net cash used in capital and related financing activities	(2,737,232)	(184,977)	(2,922,209)
INVESTING ACTIVITIES			
Interest and investment revenue	26,241	9,731	35,972
Net increase (decrease) in cash and cash equivalents	(752,838)	411,416	(341,422)
CASH AND CASH EQUIVALENTS JULY 1	11,274,348	2,955,944	14,230,292
CASH AND CASH EQUIVALENTS JUNE 30	<u>\$ 10,521,510</u>	<u>\$ 3,367,360</u>	<u>\$ 13,888,870</u>
RECONCILIATION TO EXHIBIT 8			
Cash and investments	\$ 10,029,476	\$ 2,488,564	\$ 12,518,040
Restricted cash and cash equivalents	492,034	878,796	1,370,830
Total	<u>\$ 10,521,510</u>	<u>\$ 3,367,360</u>	<u>\$ 13,888,870</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income	\$ 945,478	\$ 169,628	\$ 1,115,106
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	1,233,405	330,350	1,563,755
Pension expense net of employer contributions	(25,434)	2,060	(23,374)
OPEB expense net of employer contributions	(22,635)	(19,970)	(42,605)
Change in assets and liabilities:			
(Increase) decrease in:			
Receivables, net	(86,088)	136,888	50,800
Increase (decrease) in:			
Accounts payable and other liabilities	90,993	25,911	116,904
Compensated absences	456	10,386	10,842
Net cash provided by operating activities	<u>\$ 2,136,175</u>	<u>\$ 655,253</u>	<u>\$ 2,791,428</u>
NONCASH INVESTING AND FINANCING ACTIVITIES:			
Capital asset purchases included in accounts payable	\$ 176,897	\$ 147,548	\$ 324,444
Contributions of capital assets	-	584,245	584,245
Total noncash investing and financing activities	<u>\$ 176,897</u>	<u>\$ 731,793</u>	<u>\$ 908,689</u>

The Notes to Financial Statements are an integral part of this statement.

CITY OF FALLS CHURCH, VIRGINIA

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2021

	Post Employment Trust Funds	Custodial Fund
ASSETS		
Cash and cash equivalents	\$ 4,240,704	\$ 5,542,699
Investments:		
Domestic equity securities	107,963,925	-
Domestic fixed income securities	27,288,786	-
International equity securities	39,616,771	-
Real estate Securities	13,645,286	-
Infrastructure	9,419,209	-
Contributions receivable	74,487	-
Due from other governments	-	773,096
Due from general fund (Note 7)	73,512	10,085
Interest and dividends receivable	252,808	-
Total assets	<u>202,575,488</u>	<u>6,325,880</u>
LIABILITIES		
Accounts payable and other liabilities	110,312	243,793
Due to City (Note 7)	330,453	-
Total liabilities	<u>440,765</u>	<u>243,793</u>
NET POSITION		
Restricted for:		
Pension benefits	182,756,026	-
Other post-employment benefits	19,378,697	-
Individuals, organizations, and other governments	-	6,082,087
Total net position	<u>\$ 202,134,723</u>	<u>\$ 6,082,087</u>

The Notes to Financial Statements are an integral part of this statement.

CITY OF FALLS CHURCH, VIRGINIA

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
Year Ended June 30, 2021

	Post Employment Trust Funds	Custodial Fund
ADDITIONS		
Employer contributions	\$ 537,108	\$ -
Employee contributions	999,435	-
Investment earnings:		
Interest	32,323	-
Dividends	2,251,812	-
Net increase in fair value of investments	43,963,700	-
Total investment earnings	46,247,835	-
Less investment expenses	(466,527)	-
Net investment earnings	45,781,308	-
Charges for Services	-	3,113,937
Grants and contributions	-	652,595
Debt service assessments	-	814,454
Miscellaneous	-	319,618
 Total additions	 47,317,851	 4,900,604
 DEDUCTIONS		
Benefits	7,396,591	-
Administration	109,720	-
Personnel services and benefits	-	1,859,077
Purchased services	-	1,043,892
Miscellaneous	-	1,383,187
 Total deductions	 7,506,311	 4,286,156
 Change in net position	 39,811,540	 614,448
 NET POSITION AT JULY 1, AS RESTATED	 162,323,183	 5,467,639
 NET POSITION AT JUNE 30	 \$ 202,134,723	 \$ 6,082,087

The Notes to Financial Statements are an integral part of this statement.

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

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.

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 1. Summary of Significant Accounting Policies (Continued)

Government-Wide and Fund Financial Statements (Continued)

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 Transportation and expenditures and other uses related to these funds.

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

Non-Major Special Revenue Fund: The City has one non-major special revenue fund, the Affordable Housing Unit Fund. The Affordable Housing Unit 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.

The City also reports the following fiduciary funds:

Post-Employment Trust Funds: These funds are used to account for the activities of the City's two defined benefit pension plans, the Basic Pension Plan and the Police Pension Plan, which cover all regular and police employees of the City, respectively, as well as the City's 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.

(Continued)

CITY OF FALLS CHURCH, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Note 1. Summary of Significant Accounting Policies (Continued)

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 storm water 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.

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 storm water 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.

(Continued)

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 1. Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

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 capital leases 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. 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 storm water 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.

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

(Continued)

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 1. Summary of Significant Accounting Policies (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity (Continued)

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 2021 was \$1.355, 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 2021 was \$5.00 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 generally accepted accounting principles 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, and infrastructure assets (e.g., roads, bridges, and similar items), 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.

(Continued)

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 1. Summary of Significant Accounting Policies (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity (Continued)

Capital Assets (Continued)

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

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

	<u>Years</u>
Infrastructure	20-50
Sanitary sewer system	20-50
Purchased capacity	20-40
Buildings	50
Improvements other than buildings	10-20
Machinery and equipment	5-20
Library collections	5
Intangibles (software)	3

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 position 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 position 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 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.

(Continued)

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 1. Summary of Significant Accounting Policies (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity (Continued)

Deferred Outflows/Inflows of Resources (Continued)

- 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.

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 other post-employment benefit 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 40 hours for certain employees or 100 hours for other employees. School Board employees are paid up to 40 days of their annual leave and all sick leave at the rate of \$3.75 per hour.

(Continued)

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 1. Summary of Significant Accounting Policies (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity (Continued)

Compensated Absences (Continued)

All compensated absences currently payable are accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. 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 \$591,000 as of June 30. This liability is liquidated by the School Operating Fund.

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.

(Continued)

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 1. Summary of Significant Accounting Policies (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity (Continued)

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.

(Continued)

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 1. Summary of Significant Accounting Policies (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity (Continued)

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 \$1,400,000 in the general fund.

Net Position

Net investment in capital assets, consists of capital assets, net of accumulated depreciation and amortization, reduced by the outstanding balances of any borrowings 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 2021, the City paid the CSB approximately \$1 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 2021, the City paid approximately \$256,000 for these services.

The City uses Fairfax’s landfills for waste disposal and charges are based on tipping fees. During 2021, the City paid approximately \$158,000 for these services.

(Continued)

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 2. Intergovernmental Agreements (Continued)

County of Fairfax (Continued)

The City has an agreement with Fairfax to share in the cost of its sewage treatment facilities. During 2021, the City paid approximately \$748,000 for sewage treatment costs. In 2008, another upgrade was commenced at the Alexandria Sanitation Treatment Plant. The City paid approximately \$647,000 in 2021 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.

During 2021, the City entered into an agreement with Fairfax County to make improvements to the North West and Great Falls intersection. During the year, the City incurred \$348,000 in capital costs.

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 2021, the City paid Arlington approximately \$2.3 million for fire and rescue services, \$226,000 for jail services, and \$709,000 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 2021 amounted to approximately \$549,000.

The City has an agreement with Arlington to share in the cost of its sewage treatment facilities. During 2021, the City paid Arlington approximately \$308,000 for operating costs.

Fairfax Water

Fairfax Water performs sanitary sewer billing and collection services. During 2021, Fairfax Water billed \$3.75 million in sanitary sewer fees and remitted \$3.75 million to the City. The City paid Fairfax Water \$112,000 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 2021, the City paid \$13,000 in maintenance costs; however, no amounts were received as refund for the contribution.

(Continued)

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 2. Intergovernmental Agreements (Continued)

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 2021, the City paid NVCJA approximately \$48,000 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 2021, the City received approximately \$1.12 million of these taxes. Complete financial statements of NVTa may be obtained by visiting the Authority's website at thenovaauthority.org/media/annual-reports.

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 2021, the City's required contributions amounted to approximately \$3.9 million. The City received \$1.4 million from the Virginia Department of Rail and Public Transportation to pay for this obligation. The remaining \$2.5 million came from tax revenue and other sources. Complete financial statements of WMATA may be obtained at 600 5th Street, NW, Washington, DC 20001.

(Continued)

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

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 \$3.6 million in the general fund.

Abiding by GASB 54, the City's FCCTV 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.

(Continued)

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 3. Stewardship, Compliance, and Accountability (Continued)

Budgetary Information (Continued)

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)	\$ (2,940,097)
Add: Net change in fund balance for FCCTV Fund	<u>(33,814)</u>
Net change in fund balance (GAAP basis)	<u><u>\$ (2,973,911)</u></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.

(Continued)

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 4. Deposits and Investments (Continued)

Investments (Continued)

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 Investors Service, 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 “A-1” by Standard & Poor’s and “P-1” by Moody’s Investors Service.

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

As of June 30, 40% of the portfolio was invested in SNAP and 60% in the Virginia Municipal League Investment Pool (VML).

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 Storm Water 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.

(Continued)

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 4. Deposits and Investments (Continued)

Investments (Continued)

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:		
SNAP	\$ 19,534,442	AAAm
VML	29,916,152	AAAm
Primary government investments	<u>49,450,594</u>	
Component Unit – School Board:		
LGIP	4,666,592	AAAm
Component Unit – EDA:		
LGIP	472,043	AAAm
Component unit investments	<u>5,138,635</u>	
Total investments	<u>\$ 54,589,229</u>	

Cash and investments consist of the following:

	<u>Component Units</u>		
	<u>Primary Government</u>	<u>School Board</u>	<u>Economic Development Authority</u>
Deposits and investments:			
Demand deposits	\$ 47,651,499	\$ 470,213	\$ 23,765
LGIP	-	4,666,592	472,043
SNAP	19,534,442	-	-
VML	29,916,152	-	-
	<u>\$ 97,102,093</u>	<u>\$ 5,136,805</u>	<u>\$ 495,808</u>

(Continued)

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 4. Deposits and Investments (Continued)

Investments (Continued)

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

	<u>Primary Government</u>	<u>School Board</u>	<u>Economic Development Authority</u>
Statement of net position:			
Cash and investments	\$ 77,567,651	\$ 5,136,805	\$ 495,808
Restricted cash and cash equivalents	<u>19,534,442</u>	<u>-</u>	<u>-</u>
	<u><u>\$ 97,102,093</u></u>	<u><u>\$ 5,136,805</u></u>	<u><u>\$ 495,808</u></u>

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:

<u>Investment Type</u>	<u>Fair Value</u>
Money market funds	\$ 4,240,704
Domestic equities	107,963,925
Domestic fixed income	27,288,786
International equities	39,616,771
Real estate securities	13,645,286
Infrastructure	<u>9,419,209</u>
Total cash, cash equivalents, and investments	<u><u>\$ 202,174,681</u></u>

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

(Continued)

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 4. Deposits and Investments (Continued)

Post-Employment Trust Funds (Continued)

Pension Funds (Continued)

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	45.0%	59.0%	53.9%
International equities	15.0%	23.0%	20.1%
Domestic fixed income	12.0%	20.0%	13.1%
Real Estate	6.5%	10.0%	7.6%
Infrastructure	3.0%	7.0%	5.3%

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.

(Continued)

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 4. Deposits and Investments (Continued)

Post-Employment Trust Funds (Continued)

Other Post-Employment Benefits (OPEB) Fund (Continued)

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	49.0%	63.0%	60.8%
Domestic fixed income	18.0%	26.0%	20.3%
International equities	15.0%	23.0%	18.9%

Market Risk:

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

(Continued)

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 4. Deposits and Investments (Continued)

Fair Value:

The City and Schools categorize its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The City and Schools have the following recurring fair value measurements as of June 30, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common stocks/equity securities:				
Healthcare	\$ 2,587,364	\$ -	\$ -	\$ 2,587,364
Financial Services	1,230,198	-	-	1,230,198
Industrial Goods	3,159,847	-	-	3,159,847
Infrastructure	-	9,419,209	8,625,116	18,044,325
Information Technology	4,557,269	-	-	4,557,269
Consumer Goods	326,561	-	-	326,561
Consumer Cyclical	879,589	-	-	879,589
Consumer Defensive	1,235,674	-	-	1,235,674
Real Estate	5,020,169	-	-	5,020,169
International (MFS)	21,096,547	13,863,056	-	34,959,603
Fixed Income	-	-	1,204,922	1,204,922
Money Market	2,631,753	-	-	2,631,753
Mutual funds	102,567,222	-	-	102,567,222
	<u>\$ 145,292,193</u>	<u>\$ 23,282,265</u>	<u>\$ 9,830,038</u>	<u>\$ 178,404,496</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.

(Continued)

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 4. Deposits and Investments (Continued)

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:

Investment	Fair Value	Redemption Frequency	Redemption Notice Period
Northern Trust Collective Investments	\$ 22,161,233	Quarterly	30-60 days
MMLIC	1,608,952	N/A	N/A

Note 5. Receivables

	Governmental Activities	Business-type Activities	Total
Receivables:			
Accounts-Billed	\$ 614,830	\$ 294,015	\$ 908,845
Accounts-Unbilled	-	681,000	681,000
Other	931,454	-	931,454
Property taxes:			
Delinquent	1,599,901	-	1,599,901
Not yet due	5,970,341	-	5,970,341
Total receivables	9,116,526	975,015	10,091,541
Allowances for uncollectibles:			
Accounts receivable	(121,901)	(6,000)	(127,901)
Property taxes:			
Delinquent	(255,200)	-	(255,200)
Not yet due	(59,300)	-	(59,300)
Total allowances for uncollectibles	(436,401)	(6,000)	(442,401)
Total net receivables	\$ 8,680,125	\$ 969,015	\$ 9,649,140

(Continued)

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

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	\$ -	\$ -	\$ 425,693
Local sales tax	569,173	-	-
Communication tax	47,054	-	-
Transportation funds	344,148	-	-
Grants for capital projects	949,874	-	-
Total	<u>1,910,249</u>	<u>-</u>	<u>425,693</u>
Federal			
Grants for capital projects	563,128	-	-
Other federal funds	681,618	-	30,024
Total	<u>1,244,746</u>	<u>-</u>	<u>30,024</u>
Other governments			
Fairfax County	-	391,599	-
Arlington County:			
Aurora House	274,507	-	-
EMS	77,098	-	-
Other	471,915	-	-
Total	<u>823,520</u>	<u>391,599</u>	<u>-</u>
Total due from other governments	<u><u>\$ 3,978,516</u></u>	<u><u>\$ 391,599</u></u>	<u><u>\$ 455,717</u></u>

Amounts due to other governments of \$205,678 in governmental activities consist of amounts owed to Arlington, the Department of Motor Vehicles and other governments. Long-term payables that are due to Arlington for various services, which are not reported in the general fund were \$274,915.

In addition, due to a custodial relationship between the City and NVCJTA, the City shows \$10,085 as due to other governments – custodial funds in the Statement of Net Position for payments owed related to the OPEB plan

(Continued)

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

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, 2021, the City had a due to balance to the School Board of \$6,338,305 as a result of accounts payable balances to be refunded. Additionally, the City had a due to balance to the Economic Development Authority of \$250,000 at year end.

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

	<u>Due (to) from</u>
Major Fund:	
General	\$ 212,867
Fiduciary Funds:	
Pension Benefits	(286,379)
OPEB Benefits	73,512
	<u>\$ -</u>

Transfers consisted of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
General fund	\$ 1,373,692	\$ 4,119,700
Capital projects	2,615,000	114,692
Special transportation	1,404,700	1,259,000
Non-Major funds	100,000	-
	<u>\$ 5,493,392</u>	<u>\$ 5,493,392</u>

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

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 8. Capital Assets

Capital asset activity was as follows:

Primary Government

	Beginning Balance As Restated*	Increases	Decreases	Ending Balance
<u>Governmental Activities:</u>				
Capital asset, non-depreciable:				
Land	\$ 14,179,407	\$ -	\$ -	\$ 14,179,407
Land improvements	-	1,862,000	-	1,862,000
Intangibles	24,516	55,586	-	80,102
Construction in progress	73,835,805	2,649,062	(66,206,675)	10,278,192
Total capital assets, non-depreciable	88,039,728	4,566,648	(66,206,675)	26,399,701
Capital assets, being depreciated:				
Buildings and systems	110,028,534	117,860,068	(18,254,831)	209,633,771
Machinery and equipment	22,804,157	4,762,137	(794,283)	26,772,011
Improvements other than buildings	7,020,248	1,111,158	(926,344)	7,205,062
Infrastructure	12,300,083	316,092	(82,253)	12,533,922
Intangibles	3,638,967	89,579	-	3,728,546
Library collections	2,605,360	357,733	(182,928)	2,780,165
Total capital assets, depreciable	158,397,349	124,496,767	(20,240,639)	262,653,477
Less accumulated depreciation for:				
Buildings and systems	(34,583,206)	(4,290,563)	11,035,196	(27,838,573)
Machinery and equipment	(12,960,377)	(1,286,724)	633,480	(13,613,621)
Improvements other than buildings	(3,810,588)	(325,811)	858,492	(3,277,907)
Infrastructure	(4,242,931)	(285,916)	73,560	(4,455,287)
Intangibles	(1,520,228)	(188,652)	-	(1,708,880)
Library collections	(1,781,275)	(314,311)	182,928	(1,912,658)
Total accumulated depreciation	(58,898,605)	(6,691,977)	12,783,656	(52,806,926)
Total capital assets, depreciable, net	99,498,744	117,804,790	(7,456,983)	209,846,551
Capital assets, net	\$ 187,538,472	\$ 122,371,438	\$ (73,663,658)	\$ 236,246,252

*See Note 24

A loss on disposal of capital assets in the amount of \$7,446,927 is reported in the Statement of Activities. This is related to the abandonment of the old high school including recent improvements after the new high school was put into service.

(Continued)

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 8. Capital Assets (Continued)

Primary Government (Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Business-Type Activities:</u>				
<u>Sanitary Sewer fund:</u>				
Capital assets, non-depreciable:				
Construction in progress	\$ 145,270	\$ 55,332	\$ -	\$ 200,602
Total capital assets, non-depreciable	145,270	55,332	-	200,602
Capital assets, depreciable:				
Building and systems	15,737,528	213,427	-	15,950,955
Machinery and equipment	430,230	118,277	-	548,507
Purchased capacity	21,764,723	646,911	-	22,411,634
Intangibles	9,900	-	-	9,900
Total capital assets, depreciable	37,942,381	978,615	-	38,920,996
Less accumulated depreciation for:				
Building and systems	(3,011,535)	(299,393)	-	(3,310,928)
Machinery and equipment	(161,069)	(40,954)	-	(202,023)
Purchased capacity	(8,302,592)	(893,058)	-	(9,195,650)
Intangibles	(9,900)	-	-	(9,900)
Total accumulated depreciation	(11,485,096)	(1,233,405)	-	(12,718,501)
Total capital assets depreciable, net	26,457,285	(254,790)	-	26,202,495
Capital assets, net	\$ 26,602,555	\$ (199,458)	\$ -	\$ 26,403,097

(Continued)

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 8. Capital Assets (Continued)

Primary Government (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Business-Type Activities:</u>				
<u>Storm Water fund:</u>				
Capital asset, non-depreciable:				
Construction in progress	\$ 112,632	\$ 276,928	\$ (213,033)	\$ 176,527
Total capital assets, non-depreciable	112,632	276,928	(213,033)	176,527
Capital assets, depreciable:				
Building and systems	86,499	-	-	86,499
Machinery and equipment	536,980	11,493	-	548,473
Improvements other than buildings	2,285,230	51,205	-	2,336,435
Infrastructure	7,251,594	961,947	-	8,213,541
Intangible	7,244	-	-	7,244
Total capital assets, depreciable	10,167,547	1,024,645	-	11,192,192
Less accumulated depreciation for:				
Building and systems	(13,848)	(3,460)	-	(17,308)
Machinery and equipment	(238,367)	(44,273)	-	(282,640)
Improvements other than buildings	(522,349)	(123,522)	-	(645,871)
Infrastructure	(4,071,356)	(157,646)	-	(4,229,002)
Intangible	(2,898)	(1,449)	-	(4,347)
Total accumulated depreciation	(4,848,818)	(330,350)	-	(5,179,168)
Total capital assets depreciable, net	5,318,729	694,295	-	6,013,024
Capital assets, net	5,431,361	971,223	(213,033)	6,189,551
Business-type capital assets, net	\$ 32,033,916	\$ 771,765	\$ (213,033)	\$ 32,592,648

(Continued)

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 8. Capital Assets (Continued)

Component Unit – School Board:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital asset, non-depreciable:				
Land	\$ 1,338,615	\$ -	\$ -	\$ 1,338,615
Construction in progress	136,730	-	(136,730)	-
Total capital assets, non-depreciable	<u>1,475,345</u>	<u>-</u>	<u>(136,730)</u>	<u>1,338,615</u>
Capital assets, depreciable:				
Buildings and systems	379,052	-	(116,216)	262,836
Machinery and equipment	4,960,076	288,038	(464,173)	4,783,941
Improvements other than buildings	276,196	-	-	276,196
Library collections	407,547	70,251	-	477,798
Intangibles	31,265	-	(5,113)	26,152
Total capital assets, depreciable	<u>6,054,136</u>	<u>358,289</u>	<u>(585,502)</u>	<u>5,826,923</u>
Less accumulated depreciation for:				
Buildings and systems	(203,965)	(16,791)	116,216	(104,540)
Machinery and equipment	(2,577,496)	(493,694)	398,259	(2,672,931)
Improvements other than buildings	(95,239)	(17,063)	-	(112,302)
Library collections	(310,846)	(28,781)	-	(339,627)
Intangibles	(18,962)	(6,650)	3,493	(22,119)
Total accumulated depreciation	<u>(3,206,508)</u>	<u>(562,979)</u>	<u>517,968</u>	<u>(3,251,519)</u>
Total capital assets, depreciable, net	<u>2,847,628</u>	<u>(204,690)</u>	<u>67,534</u>	<u>2,575,404</u>
Capital assets, net	<u>\$ 4,322,973</u>	<u>\$ (204,690)</u>	<u>\$ 204,264</u>	<u>\$ 3,914,019</u>

(Continued)

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 8. Capital Assets (Continued)

Component Unit – Economic Development Authority:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital asset, non-depreciable:				
Land	\$ -	\$ 685,560	\$ -	\$ 685,560
Total capital assets, non-depreciable	-	685,560	-	685,560
Capital assets, depreciable:				
Buildings and systems	-	242,967	-	242,967
Total capital assets, depreciable	-	242,967	-	242,967
Less accumulated depreciation for:				
Buildings and systems	-	(4,049)	-	(4,049)
Total accumulated depreciation	-	(4,049)	-	(4,049)
Total capital assets, depreciable, net	-	(238,918)	-	238,918
Capital assets, net	<u>\$ -</u>	<u>\$ 924,478</u>	<u>\$ -</u>	<u>\$ 924,478</u>

An EDA Board member had an interest in the property and land purchased during FY2021. The Board member abstained from all discussions of and voting on the purchase. The EDA purchased the land at fair market value.

(Continued)

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 8. Capital Assets (Continued)

Depreciation expense was charged to functions/programs as follows:

Primary Government - Governmental activities:	
General government	\$ 1,005,678
Judicial administration	77,418
Public safety	460,847
Public works	666,930
Education	3,546,261
Parks, recreation, and cultural	797,283
Community development	137,560
Total governmental activities	<u>\$ 6,691,977</u>
Primary Government – Business-type activities:	
Sanitary Sewer	\$ 1,233,405
Storm Water	330,350
Total business-type activities	<u>\$ 1,563,755</u>
Component Unit – School Board:	
Education	<u>\$ 562,979</u>
Component Unit – EDA:	
Economic Development	<u>\$ 4,049</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:

	<u>Governmental Activities</u>	<u>Governmental Funds</u>
Unavailable		
Delinquent property taxes	\$ -	\$ 990,106
Affordable housing	-	212,963
Other	-	203,826
Total unavailable revenue	<u>\$ -</u>	<u>\$ 1,406,895</u>
Unearned		
Property taxes not yet due	5,911,041	5,911,041
ARPA funding	9,002,281	9,002,281
Comprehensive agreement	6,534,114	6,534,114
Other	1,067,242	1,067,242
Total unearned revenue	<u>\$ 22,514,678</u>	<u>\$ 22,514,678</u>

(Continued)

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 9. Unavailable/Unearned Revenue (Continued)

The comprehensive agreement includes funds paid in advance for a future construction project expected to be realized in fiscal year 2022.

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

<u>Governmental Activities:</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
General obligation bonds	\$ 174,431,539	\$ 9,942,520	\$ 16,924,694	\$ 167,449,365	\$ 8,607,425
Bond premiums and discounts, net	8,388,479	-	1,378,575	7,009,904	-
Compensated absences	<u>2,273,891</u>	<u>1,794,631</u>	<u>1,720,472</u>	<u>2,348,050</u>	<u>1,359,158</u>
Total long-term liabilities	<u>\$ 185,093,909</u>	<u>\$ 11,737,151</u>	<u>\$ 20,023,741</u>	<u>\$ 176,807,319</u>	<u>\$ 9,966,583</u>

Business-type Activities:

Sanitary Sewer fund:

General obligation bonds	\$ 10,388,872	\$ 762,616	\$ 1,526,333	\$ 9,625,155	\$ 1,113,722
Bond premiums and discounts, net	216,941	-	63,796	153,145	-
Compensated absences	<u>48,469</u>	<u>55,140</u>	<u>54,684</u>	<u>48,925</u>	<u>29,920</u>
	<u>\$ 10,654,282</u>	<u>\$ 817,756</u>	<u>\$ 1,644,813</u>	<u>\$ 9,827,225</u>	<u>\$ 1,143,642</u>

Storm water fund:

General obligation bonds	\$ 2,257,160	\$ 852,274	\$ 537,478	\$ 2,571,956	\$ 169,777
Bond premiums and discounts, net	142,677	-	48,576	94,101	-
Compensated absences	<u>45,122</u>	<u>66,959</u>	<u>56,573</u>	<u>55,508</u>	<u>30,966</u>
	<u>\$ 2,444,959</u>	<u>\$ 919,233</u>	<u>\$ 642,627</u>	<u>\$ 2,721,565</u>	<u>\$ 200,743</u>

Total long-term liabilities	<u>\$ 13,099,241</u>	<u>\$ 1,736,989</u>	<u>\$ 2,287,440</u>	<u>\$ 12,548,790</u>	<u>\$ 1,344,385</u>
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(Continued)

CITY OF FALLS CHURCH, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Note 10. Long-Term Liabilities (Continued)

Component Unit- School Board:	Beginning Balance	Increases	Decreases	Ending Balance	Due within One Year
Termination benefits	\$ 856,000	\$ 3,000	\$ 268,000	\$ 591,000	\$ 191,000
Compensated absences	1,356,036	615,494	672,581	1,298,949	537,926
Other long-term obligations	330,009	-	330,009	-	-
Capital leases	705,948	-	174,285	531,663	182,282
Total long-term liabilities	<u>\$ 3,247,993</u>	<u>\$ 618,495</u>	<u>\$ 1,444,874</u>	<u>\$ 2,421,612</u>	<u>\$ 911,208</u>

Annual debt service requirements to maturity are as follows:

	Governmental Activities		Business-type Activities	
	General Obligation Bonds		General Obligation Bonds	
	Principal	Interest	Principal	Interest
2022	\$ 8,607,425	\$ 5,406,530	\$ 1,283,499	\$ 283,519
2023	7,723,281	5,081,816	1,300,686	250,218
2024	7,810,070	4,765,018	1,309,034	218,867
2025	7,676,574	4,467,582	1,321,213	188,445
2026	6,099,440	4,200,390	930,629	162,342
2027-2031	31,867,276	17,382,601	3,837,238	495,064
2032-2036	30,460,299	12,295,859	1,775,227	154,852
2037-2041	25,480,000	8,145,081	439,585	24,887
2042-2046	25,080,000	4,480,574	-	-
2047-2049	16,645,000	763,495	-	-
	<u>\$ 167,449,365</u>	<u>\$ 66,988,946</u>	<u>\$ 12,197,111</u>	<u>\$ 1,778,194</u>

(Continued)

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 10. Long-Term Liabilities (Continued)

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	4.00%	03/08/2007	08/01/2021	\$ 6,260,000	\$ 715,000	\$ -
General obligation	2.00-4.00%	03/06/2012	08/01/2024	\$ 15,300,000	6,545,000	-
General obligation	2.00-5.00%	12/18/2013	07/01/2033	\$ 17,620,000	2,775,000	270,000
General obligation	2.00-5.00%	12/23/2014	07/15/2030	\$ 11,740,000	7,280,000	920,000
General obligation	2.31%	08/31/2015	07/15/2035	\$ 5,360,000	2,576,845	1,383,155
General obligation 2016A	1.24%	11/16/2016	7/15/2021	\$ 607,000	125,000	-
General obligation 2016B	1.41%	11/16/2016	7/15/2026	\$ 4,071,000	94,000	2,068,000
General obligation 2016C	1.79%	11/16/2016	7/15/2031	\$ 2,511,000	191,000	2,116,000
General obligation	2.02-3.35%	06/06/2018	01/15/2048	\$ 22,305,000	18,515,000	505,000
VRA bond	2.13-5.13%	10/01/2011	10/01/2031	\$ 3,125,000	-	145,000
VRA line of credit	3.35%	05/13/2009	09/01/2029	\$ 4,100,000	-	2,080,066
VPSA bond	4.10-5.10%	05/11/2006	07/15/2026	\$ 1,935,000	570,000	-
VPSA bond	4.25%	12/15/2011	12/01/2030	\$ 3,000,000	1,740,000	-
General obligation 2019B	3.00-5.00%	11/07/2019	7/15/2048	\$ 119,111,000	116,380,000	1,095,000
General obligation 2020A	2.24%	11/09/2020	7/01/2040	\$ 658,342	-	658,343
General obligation 2020B	1.351%	11/09/2020	7/01/2032	\$ 2,652,372	2,652,372	-
General obligation 2020C	1.88%	11/09/2020	7/01/2033	\$ 8,246,695	7,290,148	956,547
					<u>\$ 167,449,365</u>	<u>\$ 12,197,111</u>

Defeasance of Debt

During 2014, the City used existing cash and proceeds from the sale of the water utility system to advance refund approximately \$15,780,000 in outstanding bonds. The proceeds were placed in irrevocable trust with an escrow agent to fund future debt service payments. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the City's long-term debt. The amount still outstanding as of June 30, 2021 was \$110,000.

In 2016, the City issued new debt to advance refund debt issued through the Virginia Resource Authority of approximately \$1,940,000. The entire amount is still outstanding and will be paid in November 2021.

In 2021, the City issued the 2020B bonds to refund the outstanding principal amount of the series 2011 bonds. Additionally, the 2020C bonds were used to refund outstanding principal on the series 2013 bonds. This refunding was undertaken to reduce total debt service payments by \$644,596 resulting in an economic gain of \$571,210. The amount outstanding as of June 30, 2021 was \$7,285,000.

(Continued)

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 10. Long-Term Liabilities (Continued)

Obligations Under Capital Leases

The School Board leased equipment, vehicles, and buses under various capital leases expiring at various dates through 2024. The assets acquired have a cost of \$1,133,620 and accumulated depreciation of \$516,612, resulting in a net book value of \$617,008. The present value of minimum lease payments is \$531,663.

Annual lease requirements to maturity are as follows:

	Component Unit	
	School Board	
	Principal	Interest
2022	\$ 182,282	\$ 21,146
2023	190,647	12,781
2024	105,451	4,957
2025	53,283	704
Total	<u>\$ 531,663</u>	<u>\$ 39,588</u>

Note 11. Commitments and Contingent Liabilities

Contingent Liabilities: Federal programs in which the City participates were audited in accordance with provisions of U.S. Office of Management and Budget and the Uniform Guidance. Pursuant to the provisions of this document, all major programs were tested for compliance with applicable grant requirements. While no matters of material noncompliance were disclosed by the audit, the Federal government may subject grant programs to additional compliance tests, which may result in disallowed expenditures. In the opinion of management, future disallowances of current grant program expenditures, if any, would be immaterial.

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.

(Continued)

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 11. Commitments and Contingent Liabilities (Continued)

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

<u>Project</u>	<u>Amount Spent-to-Date</u>	<u>Remaining Commitment</u>
Governmental Activities:		
North West & Great Falls Intersection Improvements	\$ 510,323	\$ 67,817
South Washington Street Multimodal Improvements	1,351,663	3,829,056
Washington & Old Dominion Dual Trails Improvement	1,621,385	1,608,615
West Falls Church Transportation Improvements	3,205,711	11,794,289
Neighborhood Traffic Calming	-	87,425
General Government Telecommunications Improvements	136,524	39,133
Meridian High School Construction	104,292,334	4,048,639
Mary Riley Styles Public Library Improvements	7,636,232	583,637
	<u>\$ 118,754,172</u>	<u>\$ 22,058,611</u>
Storm Water Fund:		
Poplar Drive Pipe Replacement	<u>\$ 6,245</u>	<u>\$ 131,356</u>

(Continued)

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 11. Commitments and Contingent Liabilities (Continued)

Operating Lease Commitments

The School Board leases office facilities under a long-term lease agreements. Total costs for such lease was approximately \$2.3 million to the School Board. The future minimum lease payments for the School Board leases are shown below:

	Component Unit
	School Board
2022	\$ 207,702
2023	213,413
2024	219,282
2025	225,312
2026	231,508
2027-2030	991,475
Total	<u><u>\$ 2,088,692</u></u>

Note 12. Basic and Police Pension Plans

The City administers two pension plans. Fiduciary information for these plans as of June 30, 2021 is provided in Note 17. The net pension liability is based on a measurement date of June 30, 2020 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.

(Continued)

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 12. Basic and Police Pension Plans (Continued)

Plan Description (Continued)

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 were 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, 2020 were as follows:

	<u>Basic</u>	<u>Police</u>
Retirees and beneficiaries	264	32
Terminated vested members	100	10
Active members	<u>274</u>	<u>32</u>
Total	<u><u>638</u></u>	<u><u>74</u></u>

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 2021 and 2020, the total contributions rate was 2.13% and 1.65% 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 2.91% and 7.33% for 2021 and 2020, 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, 2021 and 2020 amounted to \$343,629 and \$273,762, 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. Contributions made by the City represent 2.13% and 1.65% of covered payroll for the years 2021 and 2020, respectively.

(Continued)

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 12. Basic and Police Pension Plans (Continued)

Contributions (Continued)

Total employer contributions to the Police Pension Plan for the years ended June 30, 2021 and 2020 amounted to \$78,835 and \$196,880, 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. Contributions made by the City represent 2.91% and 7.33% of covered payroll for the years 2021 and 2020, respectively.

Investments

For the year ended June 30, 2020, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 2.69% for the basic plan and 2.82% 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, 2020 actuarial valuation, the return on the actuarial value of assets was 8.11% and 8.15% for the Basic and Police Plans, respectively.

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2020, using the following relevant actuarial information:

	Basic	Police
Actuarial valuation date	June 30, 2020	June 30, 2020
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
Actuarial assumptions:		
Investment rate of return	6.50%	6.50%
Projected salary increases	3.00%	3.00%
Inflation	2.25%	2.25%
Cost of living adjustments	1.125%	1.125%

The Basic and Police Pension Plans use the Pub-2010 public sector mortality tables, projected generationally with scale MP-2019.

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

(Continued)

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 12. Basic and Police Pension Plans (Continued)

Actuarial Assumptions (Continued)

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, 2019	\$ 94,843,975	\$ 112,665,236	\$ (17,821,261)
Changes for the year:			
Service cost	1,632,350	-	1,632,350
Interest	6,562,905	-	6,562,905
Differences between expected and actual experience	(275,762)	-	(275,762)
Changes of assumptions	3,270,602	-	3,270,602
Contributions – employer	-	273,869	(273,869)
Contributions – employee	-	826,874	(826,874)
Net investment income	-	3,340,371	(3,340,371)
Benefit payments	(5,441,073)	(5,441,073)	-
Administrative expenses	-	(106,970)	106,970
Net changes	5,749,022	(1,106,929)	6,855,951
Balances at June 30, 2020	\$ 100,592,997	\$ 111,558,307	\$ (10,965,310)

(Continued)

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 12. Basic and Police Pension Plans (Continued)

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, 2019	\$ 29,541,700	\$ 36,172,809	\$ (6,631,109)
Changes for the year:			
Service cost	555,633	-	555,633
Interest	2,059,582	-	2,059,582
Differences between expected and actual experience	174,824	-	174,824
Changes of assumptions	253,554	-	253,554
Contributions – employer	-	196,880	(196,880)
Contributions – employee	-	186,453	(186,453)
Net investment income	-	1,122,116	(1,122,116)
Benefit payments	(1,349,395)	(1,349,395)	-
Administrative expenses	-	(37,179)	37,179
Net changes	1,694,198	118,875	1,575,323
Balances at June 30, 2020	\$ 31,235,898	\$ 36,291,684	\$ (5,055,786)

(Continued)

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 12. Basic and Police Pension Plans (Continued)

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, 2020, calculated using the discount rate of 6.50%, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50%) or 1-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)	\$ 1,150,832	\$ (10,965,310)	\$ (21,048,965)
Plan fiduciary net position as a percentage of the total pension liability (asset)	98.98%	110.90%	123.26%
Police Plan			
Net pension liability (asset)	\$ (1,108,842)	\$ (5,055,786)	\$ (8,342,311)
Plan fiduciary net position as a percentage of the total pension liability (asset)	103.15%	116.19%	129.85%

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

For the year ended June 30, 2021, pension expense (income) was \$(223,968) and \$(409,288) for the Basic and Police Plans, respectively. At June 30, 2021, deferred outflows of resources and deferred inflows of resources related to the Plans arose from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Basic Plan:		
Differences between expected and actual experience	\$ -	\$ 297,835
Change in assumptions	2,288,439	-
Net difference between projected and actual earnings on pension plan investments	-	287,145
Change in proportion during measurement period	254,840	254,840
Employer contributions subsequent to the measurement date	343,629	-
	<u>\$ 2,886,908</u>	<u>\$ 839,820</u>

(Continued)

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 12. Basic and Police Pension Plans (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Police Plan:		
Differences between expected and actual experience	\$ 153,347	\$ 497,883
Change in assumptions	222,405	113,836
Net difference between projected and actual earnings on pension plan investments	-	74,290
Employer contributions subsequent to the measurement date	78,835	-
	<u>\$ 454,587</u>	<u>\$ 686,009</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, 2022. 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 to Pension Expense	
	Basic	Police
2022	\$ (961,459)	\$ (771,863)
2023	545,732	(257,485)
2024	1,241,078	242,695
2025	878,108	311,148
2026	-	52,626
Thereafter	-	112,622

(Continued)

CITY OF FALLS CHURCH, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Note 13. 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 75% and 16% of the total plan, respectively. The Northern Virginia Criminal Justice Training Academy's portion of the Basic Pension Plan of 8%, 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 12.

Membership

Membership in the Basic Pension Plan as of July 1, 2020, was as follows:

	City	Schools
Retirees and beneficiaries	194	49
Terminated vested members	74	18
Active members	202	51
Total	<u>470</u>	<u>118</u>

Contributions

Total contributions to the basic pension plan for the year ended June 30, 2021 amounted to \$165,409 for the City and \$115,035 for the Schools. Contributions made by the City and Schools represent 1.37% and 4.10% 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, 2019	\$ 69,117,455	\$ 82,505,230	\$ (13,387,775)
Changes for the year:			
Service cost	1,226,262	-	1,226,262
Interest	4,930,218	-	4,930,218
Differences between expected and actual experience	(207,159)	-	(207,159)
Changes of assumptions	2,456,958	-	2,456,958
Contributions – employer	-	85,896	(85,896)
Contributions – employee	-	621,168	(621,168)
Net investment income	-	2,469,770	(2,469,770)
Benefit payments, including refunds of employee contributions	(4,087,470)	(4,087,470)	-
Administrative expenses	-	(80,359)	80,359
Net changes	<u>4,318,809</u>	<u>(990,995)</u>	<u>5,309,804</u>
Balances at June 30, 2020	<u>\$ 73,436,264</u>	<u>\$ 81,514,235</u>	<u>\$ (8,077,971)</u>

(Continued)

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 13. Allocation of Basic Pension Plan (Continued)

Changes in Net Pension Liability/(Asset) (Continued)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) – (b)
Basic Plan - Schools			
Balances at June 30, 2019	\$ 17,409,276	\$ 20,348,490	\$ (2,939,214)
Changes for the year:			
Service cost	269,219	-	269,219
Interest	1,082,400	-	1,082,400
Differences between expected and actual experience	(45,481)	-	(45,481)
Changes of assumptions	539,411	-	539,411
Contributions – employer	-	132,005	(132,005)
Contributions – employee	-	136,374	(136,374)
Net investment income	-	683,247	(683,247)
Benefit payments, including refunds of employee contributions	(897,380)	(897,380)	-
Administrative expenses	-	(17,642)	17,642
Net changes	948,169	36,604	911,565
Balances at June 30, 2020	\$ 18,357,445	\$ 20,385,094	\$ (2,027,649)

(Continued)

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 13. Allocation of Basic Pension Plan (Continued)

Sensitivity of the Net Pension Liability (Asset)

The following presents the net pension liability (asset) of the City basic plan as of June 30, 2020, calculated using the discount rate of 6.50%, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50%) or 1-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)	\$ 847,800	\$ (8,077,971)	\$ (15,506,440)
Plan fiduciary net position as a percentage of the total pension liability (asset)	98.98%	110.90%	123.26%
Basic Plan - Schools			
Net pension liability (asset)	\$ 212,806	\$ (2,027,649)	\$ (3,892,267)
Plan fiduciary net position as a percentage of the total pension liability (asset)	98.98%	110.90%	123.26%

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

For the year ended June 30, 2021, the City and Schools recognized pension expense (income) of \$(132,441) and \$(80,514), respectively. At June 30, 2021, 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	\$ -	\$ -	\$ 219,410	\$ 55,074
Change in assumptions	1,685,857	423,166	-	-
Change in proportion	65,992	107,175	136,748	118,092
Net investment differences	-	-	211,536	53,097
Employer contributions subsequent to the measurement date	165,409	115,035	-	-
	<u>\$ 1,917,258</u>	<u>\$ 645,376</u>	<u>\$ 567,694</u>	<u>\$ 226,263</u>

(Continued)

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 13. Allocation of Basic Pension Plan (Continued)

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

Employer contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Increase (Decrease) to Pension Expense	
	Basic - City	Basic - Schools
2022	\$ (775,116)	\$ (149,082)
2023	391,548	78,017
2024	920,834	212,768
2025	646,889	162,375
Thereafter	-	-

Note 14. 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.

(Continued)

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 14. Defined Benefit Pension Plan – Constitutional Officers Plan (Continued)

Plan Description (Continued)

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/members/benefits/defined-benefit/plan1.asp>,
- <https://www.varetire.org/members/benefits/defined-benefit/plan2.asp>,
- <https://www.varetirement.org/hybrid.html>.

Employees Covered by Benefit Terms

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

	<u>Members</u>
Inactive members or their beneficiaries currently receiving benefits	<u>18</u>
Inactive members:	
Vested inactive members	3
Non-vested inactive members	7
Inactive members active elsewhere in VRS	<u>5</u>
Total inactive members	15
Active members	<u>17</u>
Total covered employees	<u><u>50</u></u>

(Continued)

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 14. Defined Benefit Pension Plan – Constitutional Officers Plan (Continued)

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, 2021 was 2.91% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the political subdivision were \$34,950 and \$9,600 for the years ended June 30, 2021 and June 30, 2020, respectively.

Net Pension Liability

The political subdivisions, net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2019, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

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, 2019, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

Inflation	2.50%
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*

(Continued)

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 14. Defined Benefit Pension Plan – Constitutional Officers Plan (Continued)

Actuarial Assumptions (Continued)

- * Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of pension liabilities.

Mortality rates: 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 RP-2014 Mortality Table Projected to 2020 with various setbacks or set forwards for both males and females.

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

General Employees – Largest 10 – Non-Hazardous Duty and All Others (Non 10 Largest): Update mortality table; lowered retirement rates at older ages, changed final retirement from 70 to 75; adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service; lowered disability rates, no change to salary scale, increased rate of line of duty disability from 14% to 20% (largest 10) or 15% (all others), and decreased discount rate from 7.00% to 6.75%.

Public Safety Employees – Largest 10 – Hazardous Duty and All Others (Non 10 Largest): Update mortality table; lowered retirement rate at older ages; adjusted rates of withdrawal and disability to better fit experience; changes to line of duty rates, no changes to salary scale, and decreased discount rate from 7.00% to 6.75%.

Long-Term Expected Rate of Return

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

(Continued)

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 14. Defined Benefit Pension Plan – Constitutional Officers Plan (Continued)

Long-Term Expected Rate of Return (Continued)

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

- * The above allocation provides for a one-year return of 7.14%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected 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 7.11%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY2020 actuarial valuations, provide a median return of 6.81%.

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2020, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017, actuarial valuations, whichever was greater.

(Continued)

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 14. Defined Benefit Pension Plan – Constitutional Officers Plan (Continued)

Discount Rate (Continued)

From July 1, 2020 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the Long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability/ (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension (Asset) (a) – (b)
Balances at June 30, 2019	\$ 4,695,868	\$ 5,831,834	\$ (1,135,966)
Changes for the year:			
Service cost	135,870	-	135,870
Interest	307,625	-	307,625
Differences between expected and actual experience	337,943	-	337,943
Contributions – employer	-	10,641	(10,641)
Contributions – employee	-	58,587	(58,587)
Net investment income	-	110,624	(110,624)
Benefit payments, including refunds of employee contributions	(276,925)	(276,925)	-
Administrative expenses	-	(3,871)	3,871
Other changes	-	(129)	129
Net changes	504,513	(101,073)	605,586
Balances at June 30, 2020	<u>\$ 5,200,381</u>	<u>\$ 5,730,761</u>	<u>\$ (530,380)</u>

(Continued)

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 14. Defined Benefit Pension Plan – Constitutional Officers Plan (Continued)

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 were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
Political subdivision's net pension liability (asset)	\$ (48,414)	\$ (530,380)	\$ (942,600)

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

For the year ended June 30, 2021, the political subdivision recognized pension expense (income) of \$170,301. At June 30, 2021, 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	\$ 173,093	\$ 360
Changes in assumptions	2,136	-
Net difference between projected and actual earnings on pension plan investments	171,001	-
Employer contributions subsequent to the measurement date	34,950	-
Total	<u>\$ 381,180</u>	<u>\$ 360</u>

(Continued)

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 14. Defined Benefit Pension Plan – Constitutional Officers Plan (Continued)

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

The \$34,950 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 year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Reduction to Pension Expense</u>
2022	\$ 169,586
2023	62,301
2024	58,807
2025	55,176

Pension Plan Data

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

Note 15. 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, are substantially the same as those described in Note 14.

(Continued)

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 15. Defined Benefit Pension Plan – Teacher Cost Sharing Plan

General Information about the Teacher Cost Sharing Plan (Continued)

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 contribution rate for the year ended June 30, 2021 was 16.62% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contribution to the pension plan from the school division were \$4,412,210 and \$4,303,928 for the years ended June 30, 2021 and June 30, 2020, respectively.

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

At June 30, 2021, the school division reported a liability of \$47,357,156 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2020 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation performed as of June 30, 2019, and rolled forward to the measurement date of June 30, 2020. The school division's proportion of the Net Pension Liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2020 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2020, the school division's proportion was 0.32542% as compared to 0.32972% at June 30, 2019.

For the year ended June 30, 2021, the school division recognized pension expense of \$1,378,007. 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.

(Continued)

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 15. Defined Benefit Pension Plan – Teacher Cost Sharing Plan (Continued)

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

General Information about the Teacher Cost Sharing Plan (Continued)

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 2,775,860
Change of assumptions	3,232,720	-
Net difference between projected and actual earnings on pension plan investments	3,602,036	-
Changes in proportion and differences between Employer contributions and proportionate share of contributions	1,102,327	862,901
Employer contributions subsequent to the measurement date	<u>4,412,210</u>	<u>-</u>
Total	<u>\$ 12,349,293</u>	<u>\$ 3,638,761</u>

(Continued)

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 15. Defined Benefit Pension Plan – Teacher Cost Sharing Plan (Continued)

General Information about the Teacher Cost Sharing Plan (Continued)

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

The \$4,412,210 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 year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Increase (Decrease) to Pension Expense</u>
2022	\$ 87,682
2023	1,293,057
2024	1,738,595
2025	1,258,071
2026	(79,083)

Net Pension Liability

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

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

(Continued)

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 15. Defined Benefit Pension Plan – Teacher Cost Sharing Plan (Continued)

General Information about the Teacher Cost Sharing Plan (Continued)

Net Pension Liability (Continued)

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

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 were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	<u>1.00% Decrease (5.75%)</u>	<u>Current Discount Rate (6.75%)</u>	<u>1.00% Increase (7.75%)</u>
School division's proportionate share of the VRS Teacher Employee Retirement plan net pension liability	\$ 69,483,584	\$ 47,357,156	\$ 29,055,803

Pension Plan Fiduciary Net Position

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

Payables to the Pension Plan

At June 30, 2021, approximately \$553,603 was payable to the Virginia Retirement System for the legally required contributions related to June 2021 payroll.

(Continued)

CITY OF FALLS CHURCH, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Note 16. Summary of Pension Elements

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

	Governmental Activities	Business-Type Activities	Total Primary Government	School Board
Net pension asset				
Basic Pension Plan	\$ 7,591,000	\$ 486,971	\$ 8,077,971	\$ 2,027,649
Police Pension Plan	5,055,786	-	5,055,786	-
VRS – Constitutional Officers	530,380	-	530,380	-
Total net pension asset	<u>\$ 13,177,166</u>	<u>\$ 486,971</u>	<u>\$ 13,664,137</u>	<u>\$ 2,027,649</u>
Deferred outflows of resources				
Change in assumptions –				
Basic Pension Plan	\$ 1,584,227	\$ 101,630	\$ 1,685,857	\$ 423,166
Police Pension Plan	222,405	-	222,405	-
VRS – Constitutional Officers	2,136	-	2,136	-
VRS – Teacher Cost Sharing Pool	-	-	-	3,232,720
Differences between expected and actual experience –				
Police Pension Plan	153,347	-	153,347	-
VRS – Constitutional Officers	173,093	-	173,093	-
Net difference between projected and actual earnings on plan investments -				
VRS – Constitutional Officers	171,001	-	171,001	-
VRS – Teacher Cost Sharing Pool	-	-	-	3,602,036
Change in proportion –				
Basic Pension Plan	54,377	11,615	65,992	107,175
VRS – Teacher Cost Sharing Pool	-	-	-	1,102,327
Pension contributions subsequent to measurement date-				
Basic Pension Plan	122,140	43,269	165,409	115,035
Police Pension Plan	78,835	-	78,835	-
VRS – Constitutional Officers	34,950	-	34,950	-
VRS – Teacher Cost Sharing Pool	-	-	-	4,412,210
Total deferred outflows of resources	<u>\$ 2,596,511</u>	<u>\$ 156,514</u>	<u>\$ 2,753,025</u>	<u>\$ 12,994,669</u>
Net pension liability				
VRS – Teacher Cost Sharing Pool	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 47,357,156</u>
Deferred inflows of resources				
Differences between expected and actual experience –				
Basic Pension Plan	\$ 206,183	\$ 13,227	\$ 219,410	\$ 55,074
Police Pension Plan	497,883	-	497,883	-
VRS – Constitutional Officers	360	-	360	-
VRS – Teacher Cost Sharing Pool	-	-	-	2,775,860
Change in assumptions –				
Police Pension Plan	113,836	-	113,836	-
Net difference between projected and actual earnings on plan investments -				
Basic Pension Plan	198,784	12,752	211,536	53,097
Police Pension Plan	74,290	-	74,290	-
Change in proportion –				
Basic Pension Plan	109,916	26,832	136,748	118,092
VRS – Teacher Cost Sharing Pool	-	-	-	862,901
Total deferred inflows of resources	<u>\$ 1,201,252</u>	<u>\$ 52,811</u>	<u>\$ 1,254,063</u>	<u>\$ 3,865,024</u>

(Continued)

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 16. Summary of Pension Elements (Continued)

	Governmental Activities	Business-Type Activities	Total Primary Government	School Board
Pension Expense (Income)				
Basic Pension Plan	\$ (109,067)	\$ (23,374)	\$ (132,441)	\$ (80,514)
Police Pension Plan	(409,288)	-	(409,288)	-
VRS – Constitutional Officers	170,301	-	170,301	-
VRS – Teacher Cost Sharing Pool	-	-	-	1,378,007
Total net pension expense (income)	<u>\$ (348,054)</u>	<u>\$ (23,374)</u>	<u>\$ (371,428)</u>	<u>\$ 1,297,493</u>

Note 17. Basic and Police Pension Plans – Fiduciary Information

As described in Note 12, 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, 2021 are based on a pension plan measurement date of June 30, 2020. 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, 2019 measurement date. Therefore, all amounts summarized in Note 16 – Summary of Pension Elements, are based on a measurement date of June 30, 2020.

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, 2021, 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, 2021.

As discussed in Note 12, 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.

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.

(Continued)

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 17. Basic and Police Pension Plans – Fiduciary Information (Continued)

Plan Description

The City's membership in the Basic and Police Pension Plans as of June 30, 2021, the date of the most recent valuation, were as follows:

	<u>Basic</u>	<u>Police</u>
Retirees and beneficiaries	269	31
Terminated vested members	103	10
Active members	<u>267</u>	<u>34</u>
Total	<u><u>639</u></u>	<u><u>75</u></u>

Contributions

For 2021, the total contribution rate was 1.39% of annual covered payroll for the Basic Pension Plan, with employees contributing 5.0% and the City contributing 1.39%. The total contribution rate was 2.91% for the Police Pension Plan, with employees contributing 7.0% and the City contributing 2.91%. Other contribution information for 2021 is disclosed in Note 12.

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 (US Bank)	\$29,261,287	21.25%
Vanguard (US Bank)	13,858,509	10.07
JP Morgan (US Bank)	14,025,727	10.19
MFS International Growth Fund (US Bank)	10,463,338	7.60
TIF International Equity Series	9,664,671	7.02
MFB NT Collective Aggregate Bond Index	8,402,862	6.10
MFB NT Collective Intermediate Government	8,263,392	6.00
Lazard Global Listed Infrastructure (US Bank)	7,440,602	5.40

(Continued)

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 17. Basic and Police Pension Plans – Fiduciary Information (Continued)

Investments (Continued)

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:

<u>Investment</u>	<u>Market Value</u>	<u>Percent of Net Position</u>
MFS Growth (US Bank)	\$9,437,067	20.94%
JP Morgan (US Bank)	4,410,697	9.79
Vanguard (US Bank)	4,358,112	9.67
MFS International Growth Fund (US Bank)	3,399,718	7.54
TIF International Equity Series	3,121,348	6.93
MFB NT Collective Aggregate Bond Index	2,767,635	6.14
MFB NT Collective Intermediate Government	2,727,343	6.05

For the year ended June 30, 2021, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 28.37% for the basic plan and 28.12% 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, 2021, were as follows:

	<u>Basic</u>	<u>Police</u>
Total pension liability	\$ 100,891,657	\$ 31,983,085
Plan fiduciary net position	137,689,363	45,066,663
Plan's net pension asset	<u>\$ (36,797,706)</u>	<u>\$ (13,083,578)</u>
Plan fiduciary net position as a percentage of the total pension liability	136.47%	140.91%

(Continued)

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 17. Basic and Police Pension Plans – Fiduciary Information (Continued)

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2021, using the following relevant actuarial information:

	Basic	Police
Actuarial valuation date	June 30, 2021	June 30, 2021
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	4.50%	4.50%
Cost of living adjustments	1.375%	1.375%
Inflation	2.75%	2.75%

The Basic and Police Plans use the Healthy and Disabled RP-2006 Employee and Annuitant Mortality Tables, projected generationally using Scale MP-2017.

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.

(Continued)

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 17. Basic and Police Pension Plans – Fiduciary Information (Continued)

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, 2021, calculated using the discount rate of 6.50%, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50%) or 1-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)	\$ (24,834,507)	\$ (36,797,706)	\$ (46,762,451)
Plan fiduciary net position as a percentage of the total pension liability	122.01%	136.47%	151.43%
Police Plan			
Net pension liability (asset)	\$ (9,086,026)	\$ (13,083,578)	\$ (16,420,804)
Plan fiduciary net position as a percentage of the total pension liability	125.25%	116.19%	157.32%

(Continued)

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 17. Basic and Police Pension Plans – Fiduciary Information (Continued)

Statement of Fiduciary Net Position

	<u>Basic Plan</u>	<u>Police Plan</u>
ASSETS		
Cash and cash equivalents	\$ 3,103,679	\$ 1,137,025
Investments:		
Domestic equity securities	72,538,585	23,649,346
Domestic fixed income securities	16,909,827	6,456,327
International equity securities	27,451,045	8,503,068
RE Securities	10,272,392	3,372,894
Infrastructure	7,440,602	1,978,607
Total investments	<u>134,612,451</u>	<u>43,960,242</u>
Contributions receivable:		
Employer	16,458	-
Employee	58,029	-
Total contributions receivable	<u>74,487</u>	<u>-</u>
Interest and dividends receivable	<u>190,851</u>	<u>61,957</u>
Total assets	<u>137,981,468</u>	<u>45,159,224</u>
LIABILITIES		
Accounts payable	71,814	26,473
Due to general fund	<u>220,291</u>	<u>66,088</u>
Total liabilities	<u>292,105</u>	<u>92,561</u>
NET POSITION		
Held in trust for:		
Pension benefits	<u>137,689,363</u>	<u>45,066,663</u>
Total net position restricted for pension post-employment benefits	<u><u>\$ 137,689,363</u></u>	<u><u>\$ 45,066,663</u></u>

(Continued)

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 17. Basic and Police Pension Plans – Fiduciary Information (Continued)

Statement of Changes in Fiduciary Net Position

	<u>Basic Plan</u>	<u>Police Plan</u>
ADDITIONS		
Employer contributions	\$ 224,613	\$ 78,835
Employee contributions	809,750	189,685
Investment earnings:		
Interest	4,784	27,420
Dividends	1,493,161	467,127
Net increase in fair value of investments	<u>29,572,119</u>	<u>9,557,697</u>
Total investment earnings	31,070,064	10,052,244
Less investment expenses	<u>(346,720)</u>	<u>(110,012)</u>
Net investment earnings	<u>30,723,344</u>	<u>9,942,232</u>
 Total additions	 <u>31,757,707</u>	 <u>10,210,752</u>
DEDUCTIONS		
Benefits	5,552,789	1,412,327
Administration	<u>73,862</u>	<u>23,448</u>
 Total deductions	 <u>5,626,651</u>	 <u>1,435,775</u>
 Change in net position	 26,131,056	 8,774,977
NET POSITION AT JULY 1	<u>111,558,307</u>	<u>36,291,686</u>
 NET POSITION AT JUNE 30	 <u><u>\$ 137,689,363</u></u>	 <u><u>\$ 45,066,663</u></u>

(Continued)

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 18. Other Postemployment Benefits Liability – Virginia Retirement System Plans

In addition to their participation in the pension plans offered through the Virginia Retirement System (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.

Specific information for the GLI is available at <https://www.varetire.org/members/benefits/life-insurance/basic-group-life-insurance.asp>.

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.

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 18. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

Plan Descriptions (Continued)

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 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 were based on actuarially determined rates from actuarial valuations as of June 30, 2019. 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. 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:	1.34% of covered employee compensation. Rate allocated 60/40; 0.80% employee and 0.54% employer. Employers may elect to pay all or part of the employee contribution.
June 30, 2021 Contribution- City	\$6,000
June 30, 2020 Contribution- City	\$7,000
June 30, 2021 Contribution- Schools	\$150,000
June 30, 2020 Contribution- Schools	\$149,000

(Continued)

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 18. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

Contributions (Continued)

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, 2021 Contribution	\$336,000
June 30, 2020 Contribution	\$343,000

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:	\$717.34 per covered full-time-equivalent employee. Based on pay-as-you-go funding rate.
June 30, 2021 Contribution	\$37,838
June 30, 2020 Contribution	\$37,000

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

The net OPEB liabilities were measured as of June 30, 2020 and the total OPEB liabilities used to calculate the net OPEB liabilities were determined by actuarial valuations performed as of June 30, 2019 and rolled forward to the measurement date of June 30, 2020. The covered employer's proportion of the net OPEB liabilities, except for LODA, were based on the covered employer's actuarially determined employer contributions for the year ended June 30, 2020 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, 2021 proportionate share of liability	\$101,000
June 30, 2020 proportion	0.00608 %
June 30, 2019 proportion	0.00649 %
June 30, 2021 expense (income)	(\$5,000)

(Continued)

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 18. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

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

Group Life Insurance Program- Schools

June 30, 2021 proportionate share of liability	\$2,319,000
June 30, 2020 proportion	0.13896 %
June 30, 2019 proportion	0.14212 %
June 30, 2021 expense (income)	\$(60,000)

Teacher Health Insurance Credit Program

June 30, 2021 proportionate share of liability	\$4,254,000
June 30, 2020 proportion	0.32610 %
June 30, 2019 proportion	0.33158 %
June 30, 2021 expense (income)	\$16,000

Line of Duty Act Program

June 30, 2021 proportionate share of liability	\$1,131,011
June 30, 2020 proportion	0.27005 %
June 30, 2019 proportion	0.30105 %
June 30, 2021 expense (income)	\$62,886

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.

(Continued)

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 18. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

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

At June 30, 2021, 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	\$ 7,000	\$ 1,000
Change in assumptions	5,000	2,000
Net difference between projected and actual earnings on OPEB plan investments	3,000	-
Changes in proportion and contribution differences	-	15,000
Employer contributions subsequent to the measurement date	6,000	-
Total	<u>\$ 21,000</u>	<u>\$ 18,000</u>

Group Life Insurance Program- Schools

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 149,000	\$ 21,000
Change in assumptions	116,000	48,000
Net difference between projected and actual earnings on OPEB plan investments	70,000	-
Changes in proportion and contribution differences	64,000	62,000
Employer contributions subsequent to the measurement date	150,000	-
Total	<u>\$ 549,000</u>	<u>\$ 131,000</u>

(Continued)

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 18. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

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

Teacher Health Insurance Credit Program

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected & actual experience	\$ -	\$ 57,000
Change in assumptions	84,000	23,000
Net difference between projected and actual earnings on OPEB plan investments	19,000	-
Changes in proportion and contribution differences	124,000	104,000
Employer contributions subsequent to the measurement date	336,000	-
Total	<u>\$ 563,000</u>	<u>\$ 184,000</u>

Line of Duty Act Program

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected & actual experience	\$ 120,059	\$ 154,195
Change in assumptions	302,780	70,479
Net difference between projected and actual earnings on OPEB plan investments	-	1,608
Changes in proportion and contribution differences	69,086	123,356
Employer contributions subsequent to the measurement date	37,838	-
Total	<u>\$ 529,763</u>	<u>\$ 349,638</u>

(Continued)

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 18. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

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

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 year ended June 30, 2022. 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

<u>Year Ending June 30,</u>	<u>Increase (Reduction) to OPEB Expense</u>
2022	\$ (1,800)
2023	(1,000)
2024	(100)
2025	700
2026	(600)
Thereafter	(200)

Group Life Insurance Program- Schools

<u>Year Ending June 30,</u>	<u>Increase (Reduction) to OPEB Expense</u>
2022	\$ 38,000
2023	58,000
2024	76,000
2025	80,000
2026	16,500
Thereafter	(500)

(Continued)

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 18. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

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

Teacher Health Insurance Credit Program

Year Ending June 30,	Increase (Reduction) to OPEB Expense
2022	\$ 5,400
2023	7,300
2024	6,700
2025	10,000
2026	16,000
Thereafter	(2,400)

Line of Duty Act Program

Year Ending June 30,	Increase (Reduction) to OPEB Expense
2022	\$ 22,615
2023	22,912
2024	23,229
2025	23,323
2026	23,422
Thereafter	26,786

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 18. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

Actuarial Assumptions and Other Inputs

The total OPEB liability was determined using the following assumptions based on an actuarial valuation date of June 30, 2019, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020:

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	7.00 – 4.75%
• Ages 65 and older	5.375 – 4.75%
Investment rate of return, net of expenses, including inflation*	GLI & HIC: 6.75%; LODA 2.21%

- * Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment rate for GASB purposes of slightly more than the assumed percent above. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be the percent noted above to simplify preparation of OPEB liabilities.

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 14.

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 18. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

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, 2020, 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	\$ 3,523,937	\$ 1,448,676	\$ 423,147
Plan fiduciary net position	1,855,102	144,160	4,333
Employers' net OPEB liability (asset)	\$ 1,668,835	\$ 1,304,517	\$ 418,814
Plan fiduciary net position as a percentage of total OPEB liability	52.64%	9.95%	1.02%

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.

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 18. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

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 the following table:

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

- * The above allocation provides for a one-year return of 7.14%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected 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 7.11%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly the 40th percentile of the expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY2020 actuarial valuations provide a median return of 6.81%.

(Continued)

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 18. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

Long-Term Expected Rate of Return (Continued)

Line of Duty Act Program

The long-term expected rate of return on the LODA Program's investments was set at 2.21% 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 2.21% 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 Bond Buyer General Obligation 20-year Municipal Bond Index published by the Board of Governors of the Federal Reserve System as of the measurement date of June 30, 2020.

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 2.21%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2020, 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. From July 1, 2020 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 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.

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 were calculated using a discount rate that is one percentage point lower (5.75% HIC; GLI/2.50% LODA) or one percentage point higher (5.75% HIC; GLI/1.21% LODA) or one percentage point higher (7.75% HIC; GLI/3.21% 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	\$ 133,000	\$ 101,000	\$ 76,000
GLI Net OPEB liability- Schools	\$ 3,049,000	\$ 2,319,000	\$ 1,727,000
Teacher HIC Net OPEB liability	\$ 4,762,000	\$ 4,254,000	\$ 3,822,000
	(1.21%)	(2.21%)	(3.21%)
LODA Net OPEB liability	\$ 1,342,495	\$ 1,131,011	\$ 971,599

(Continued)

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 18. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

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

Because the Line of Duty Act Program (LODA) contains provisions for the payment of health insurance premiums, the liabilities are also impacted by the health care trend rates. The following presents the LODA net OPEB liability of the City using health care trend rate of 7.00% decreasing to 4.75%, as well as what the City's LODA net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (6.00% decreasing to 3.75%) or one percentage point higher (8.00% decreasing to 5.75%) than the current healthcare cost trend rates:

	1.00% Decrease (6.00% decreasing to 3.75%)	Current Healthcare Cost Trend Rates (7.00% decreasing to 4.75%)	1.00% Increase (8.00% decreasing to 5.75%)
Net LODA OPEB liability	\$ 934,818	\$ 1,131,011	\$ 1,387,630

OPEB Plan Fiduciary Net Position

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

Payables to the Pension Plan

At June 30, 2021, the following amounts were payable to the Virginia Retirement System for the legally required contributions related to June 2021 payroll.

- Group Life Insurance - City \$1,500
- Group Life Insurance - Schools \$35,500
- Teacher Employee Health Insurance Credit \$32,000

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 19. Other Post-employment Benefits- Local Plan

Plan Description

The City provides post-employment health care insurance benefits for employees who are eligible for retirement benefits and who retire from the City under City Council resolution number 82-20. There is no provision for deferral of benefits for employees who separate from City employment without retiring. 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 July 1, 2020, the date of the latest actuarial valuation:

	<u>City</u>	<u>Schools</u>
Retirees and beneficiaries	196	75
Active members	215	409
	<u>411</u>	<u>484</u>

Net OPEB Liability

The City's total net OPEB asset of \$1,154,842 and the School's net OPEB asset of \$3,014,708 were measured as of June 30, 2020 and were determined by an actuarial valuation performed as of July 1, 2020.

(Continued)

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 19. Other Post-employment Benefits- Local Plan (Continued)

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:

	City and Schools
Actuarial valuation date	July 1, 2020
Actuarial cost method	Entry Age Normal
Amortization method	Level Percentage of Pay Closed
Remaining Amortization period	30 years
Actuarial assumptions:	
Discount Rate	6.50%
Projected salary increases	4.00%
Inflation	2.25%
Healthcare Cost Trend Rates	3.00% - 7.75%

The plan uses the Pub-2010 public sector mortality tables, projected generationally with scale MP-2019.

Long-Term Expected Rate of Return

The most recent actuarial valuation of July 1, 2020 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.

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 19. Other Post-employment Benefits- Local Plan (Continued)

Changes in Net OPEB Liability (Asset)

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) – (b)
City Plan			
Balances at June 30, 2019	\$ 6,778,700	\$ 8,370,880	\$ (1,592,180)
Changes for the year:			
Service cost	130,338	-	130,338
Interest	457,713	-	457,713
Differences between expected and actual experience	888,803	-	888,803
Changes in assumptions	(130,479)	-	(130,479)
Contributions – employer	-	588,389	(588,389)
Net investment income	-	331,413	(331,413)
Benefit payments	(753,290)	(753,290)	-
Administrative expenses	-	(10,765)	10,765
Net changes	593,085	155,747	437,338
Balances at June 30, 2020	\$ 7,371,785	\$ 8,526,627	\$ (1,154,842)
	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (Asset) (a) – (b)
School Plan			
Balances at June 30, 2019	\$ 3,290,552	\$ 5,759,982	\$ (2,469,430)
Changes for the year:			
Service cost	102,825	-	102,825
Interest	234,526	-	234,526
Differences between expected and actual experience	(131,762)	-	(131,762)
Changes in assumptions	(476,791)	-	(476,791)
Contributions – employer	-	74,418	(74,418)
Net investment income	-	206,658	(206,658)
Benefit payments	(87,495)	(87,495)	-
Administrative expenses	-	(7,000)	7,000
Net changes	(358,697)	186,581	(545,278)
Balances at June 30, 2020	\$ 2,931,855	\$ 5,946,563	\$ (3,014,708)

(Continued)

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 19. Other Post-employment Benefits- Local Plan (Continued)

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 were 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:

	<u>1.00% Decrease (5.50%)</u>	<u>Current Discount Rate (6.50%)</u>	<u>1.00% Increase (7.50%)</u>
Net OPEB (asset) - City	\$ (387,941)	\$ (1,154,842)	\$ (1,799,968)
Net OPEB (asset) - Schools	(2,614,101)	(3,014,708)	(3,342,867)

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 were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates:

	<u>1.00% Decrease</u>	<u>Current Healthcare Cost Trend Rates</u>	<u>1.00% Increase</u>
Net OPEB (asset)- City	\$ (1,758,504)	\$ (1,154,842)	\$ (428,908)
Net OPEB (asset)- Schools	(3,357,265)	(3,014,708)	(2,592,608)

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in Note 21.

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 19. Other Post-employment Benefits- Local Plan (Continued)

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

For the year ended June 30, 2021, the City and Schools recognized OPEB expense (income) of \$(1,039,664) and \$(360,169), respectively. At June 30, 2021, 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	\$ 739,136	\$ 526,568	\$ 98,104	\$ 405,200
Changes in assumptions	18,113	36,569	1,120,377	1,290,209
Net difference between projected and actual earnings on OPEB plan investments	-	63,236	24,311	-
Employer contributions subsequent to the measurement date	578,997	44,006	-	-
	<u>\$ 1,336,246</u>	<u>\$ 670,379</u>	<u>\$ 1,242,792</u>	<u>\$ 1,695,409</u>

Employer contributions subsequent to the measurement date will be recognized as a reduction of the Net OPEB Liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Increase (Decrease) to Pension Expense	
	City	Schools
2022	\$ (479,670)	\$ (258,018)
2023	(298,112)	(201,739)
2024	108,367	(175,107)
2025	183,872	(180,479)
2026	-	(155,814)
Thereafter	-	(97,879)

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 20. Summary of Other Postemployment Benefits Elements

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

	Governmental Activities	Business-Type Activities	Total Primary Government	School Board
Net OPEB asset				
Local Plan	\$ 1,106,104	\$ 48,738	\$ 1,154,842	\$ 3,014,708
Total net OPEB asset	<u>\$ 1,106,104</u>	<u>\$ 48,738</u>	<u>\$ 1,154,842</u>	<u>\$ 3,014,708</u>
Deferred outflows of resources				
Differences between expected and actual experience –				
Local Plan	\$ 707,942	\$ 31,194	\$ 739,136	\$ 526,568
VRS – Group Life Insurance	7,000	-	7,000	149,000
VRS – LODA	120,059	-	120,059	-
Net difference between projected and actual earnings on plan investments -				
Local Plan	-	-	-	63,236
VRS – Group Life Insurance	3,000	-	3,000	70,000
VRS – Teacher Health Insurance Credit	-	-	-	19,000
Change in proportion –				
VRS – Group Life Insurance	-	-	-	64,000
VRS – LODA	69,086	-	69,086	-
VRS – Teacher Health Insurance Credit	-	-	-	124,000
Change in assumptions –				
Local Plan	17,349	764	18,113	36,569
VRS – Group Life Insurance	5,000	-	5,000	116,000
VRS – LODA	302,780	-	302,780	-
VRS – Teacher Health Insurance Credit	-	-	-	84,000
OPEB contributions subsequent to measurement date-				
Local Plan	554,809	24,188	578,997	44,006
VRS – Group Life Insurance	6,000	-	6,000	150,000
VRS – LODA	37,838	-	37,838	-
VRS – Teacher Health Insurance Credit	-	-	-	336,000
Total deferred outflows of resources	<u>\$ 1,830,863</u>	<u>\$ 56,146</u>	<u>\$ 1,887,009</u>	<u>\$ 1,782,379</u>
Net OPEB liability				
VRS – Group Life Insurance	\$ 101,000	\$ -	\$ 101,000	\$ 2,319,000
VRS – LODA	1,131,011	-	1,131,011	-
VRS – Teacher Health Insurance Credit	-	-	-	4,254,000
Total net OPEB liability	<u>\$ 1,232,011</u>	<u>\$ -</u>	<u>\$ 1,232,011</u>	<u>\$ 6,573,000</u>
Deferred inflows of resources				
Differences between expected and actual experience –				
Local Plan	\$ 93,964	\$ 4,140	\$ 98,104	\$ 405,200
VRS – Group Life Insurance	1,000	-	1,000	21,000
VRS – LODA	154,195	-	154,195	-
VRS – Teacher Health Insurance Credit	-	-	-	57,000
Net difference between projected and actual earnings on plan investments -				
Local Plan	23,285	1,026	24,311	-
VRS – LODA	1,608	-	1,608	-
Change in assumptions –				
Local Plan	1,073,093	47,284	1,120,377	1,290,209
VRS – Group Life Insurance	2,000	-	2,000	48,000
VRS – LODA	70,479	-	70,479	-
VRS – Teacher Health Insurance Credit	-	-	-	23,000

(Continued)

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 20. Summary of Other Postemployment Benefits Elements (Continued)

	Governmental Activities	Business-Type Activities	Total Primary Government	School Board
Deferred inflows of resources (Continued)				
Change in proportion –				
VRS – Group Life Insurance	15,000	-	15,000	62,000
VRS – Teacher Health Insurance Credit	-	-	-	104,000
VRS – LODA	123,356	-	123,356	-
Total deferred inflows of resources	<u>\$ 1,557,980</u>	<u>\$ 52,450</u>	<u>\$ 1,610,430</u>	<u>\$ 2,010,409</u>
OPEB Expense (Income)				
Local Plan	\$ (997,060)	\$ (42,604)	\$ (1,039,664)	\$ (360,169)
VRS – Group Life Insurance	(5,000)	-	(5,000)	(60,000)
VRS – LODA	62,886	-	62,886	-
VRS – Teacher Health Insurance Credit	-	-	-	16,000
Total net OPEB expense (income)	<u>\$ (939,174)</u>	<u>\$ (42,604)</u>	<u>\$ (981,778)</u>	<u>\$ (404,169)</u>

Note 21. 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.

Plan Description

The City's membership in the Plan as of June 30, 2020, the date of the most recent valuation, was as follows:

	City	Schools
Retirees and beneficiaries	196	75
Active members	215	409
Total	<u>411</u>	<u>484</u>

Contributions

For 2021, the total contribution rate was 3.46% and 0.16% of annual covered payroll for City and Schools, respectively. Other contribution information for 2021 is disclosed in Note 19.

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 21. OPEB Plan – Fiduciary Information (Continued)

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:

<u>Investment</u>	<u>Market Value</u>	<u>Percent of Net Position</u>
Large-cap Index Fund Adm (Vanguard)	\$9,195,200	47.45%
Short-term Bond Index Adm (Vanguard)	3,248,668	16.76
Developing Markets Idx Admiral (Vanguard)	2,656,203	13.71
Mid-Cap Index Fund Adm (Vanguard)	1,663,457	8.58
Small-cap Index Fund Adm (Vanguard)	1,624,991	8.39

For the year ended June 30, 2021, the annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expense, was 33.38% and 37.49% 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 Liability

The components of the net OPEB liability (asset) of the Plan at June 30, 2021, were as follows:

	<u>City</u>	<u>Schools</u>
Total OPEB liability	\$ 6,963,170	\$ 2,901,461
Plan fiduciary net position	11,484,162	7,894,535
Plans net OPEB liability (asset)	<u>\$ (4,520,992)</u>	<u>\$ (4,993,074)</u>
Plan fiduciary net position as a percentage of the total OPEB liability	164.93%	272.09%

(Continued)

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 21. OPEB Plan – Fiduciary Information (Continued)

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2020, measured at June 30, 2021, using the following relevant actuarial information:

	<u>City and Schools</u>
Actuarial valuation date	June 30, 2020
Actuarial cost method	Entry Age Normal
Asset valuation method	Adjusted Market Value
Amortization method	Level Percentage of pay, closed
Amortization period	17 years
Actuarial assumptions:	
Discount rate	6.50%
Healthcare Cost Trend Rates:	3.00% - 7.50%

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, 2021, calculated using the discount rate of 6.50%, as well as what the net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50%) or 1-percentage point higher (7.50%) than the current rate:

	<u>1% Decrease</u> <u>5.50%</u>	<u>Discount Rate</u> <u>6.50%</u>	<u>1% Increase</u> <u>7.50%</u>
City Plan			
Net OPEB liability (asset)	\$ (3,797,502)	\$ (4,520,992)	\$ (5,131,103)
Plan fiduciary net position as a percentage of the total OPEB liability	149.40%	164.93%	180.77%
School Plan			
Net OPEB liability (asset)	\$ (4,608,724)	\$ (4,993,074)	\$ (5,309,357)
Plan fiduciary net position as a percentage of the total OPEB liability	240.26%	272.09%	305.38%

(Continued)

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 21. OPEB Plan – Fiduciary Information (Continued)

Sensitivity of the Net OPEB Liability (Asset) (Continued)

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 were calculated using rates that are 1-percentage-point lower or 1-percentage point higher than the current rates:

	<u>1% Decrease</u>	<u>Healthcare Trend</u>	<u>1% Increase</u>
City Plan			
Net OPEB liability (asset)	\$ (5,092,906)	\$ (4,520,992)	\$ (3,833,752)
Plan fiduciary net position as a percentage of the total OPEB liability	179.69%	164.93%	150.11%
School Plan			
Net OPEB liability (asset)	\$ (5,322,724)	\$ (4,993,074)	\$ (4,588,933)
Plan fiduciary net position as a percentage of the total OPEB liability	306.96%	272.09%	238.82%

Statement of Fiduciary Net Position

	<u>City</u>	<u>School Board</u>
ASSETS		
Investments:		
Domestic equity securities	\$ 6,940,229	\$ 4,835,765
Domestic fixed income securities	2,311,819	1,610,813
International equity securities	2,158,602	1,504,056
Total investments	11,410,650	7,950,634
Due from general fund (Note 7)	73,512	-
Total assets	11,484,162	7,950,634
LIABILITIES		
Accounts payable	-	12,025
Due to general fund	-	44,074
Total liabilities	-	56,099
NET POSITION		
Held in trust for:		
Other post-employment benefits	11,484,162	7,894,535
Total net position restricted for pension post-employment benefits	<u>\$ 11,484,162</u>	<u>\$ 7,894,535</u>

(Continued)

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 21. OPEB Plan – Fiduciary Information (Continued)

Statement of Changes in Fiduciary Net Position

	<u>City</u>	<u>School Board</u>
ADDITIONS		
Employer contributions	\$ 233,660	\$ -
Investment earnings:		
Interest	74	45
Dividends	176,284	115,240
Net increase in fair value of investments	2,940,551	1,893,333
Total investment earnings	3,116,909	2,008,618
Less investment expenses	(6,154)	(3,641)
Net investment earnings	3,110,755	2,004,977
 Total additions	 3,344,415	 2,004,977
DEDUCTIONS		
Benefits	379,470	52,005
Administration	7,410	5,000
 Total deductions	 386,880	 57,005
 Change in net position	 2,957,535	 1,947,972
NET POSITION AT JULY 1	8,526,627	5,946,563
 NET POSITION AT JUNE 30	 \$ 11,484,162	 \$ 7,894,535

Note 22. 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. 2.1-526.8:1 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.

CITY OF FALLS CHURCH, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Note 22. Risk Management (Continued)

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, formerly known as the Virginia Municipal Liability Insurance Program). 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 23. 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.

(Continued)

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 24. Prior Period Restatements

The City has an agreement with Arlington 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. Historically, the City has overpaid; however, in 2020 the City underpaid. Combined with the current year true-up, the City has increased prior year expense in the sanitary sewer fund.

Additionally, Governmental Activities capital assets included amounts that should have been removed from construction in progress. In order to properly account for these changes, as of July 1, 2020, the City has decreased capital assets.

During 2021, the City and School Board adopted GASB Statement No. 84, *Fiduciary Activities*. The objective of this standard is to enhance consistency and comparability of how fiduciary activities are accounted for and presented in the financial statements between local governments. In doing so, users of the financial statements can more easily assess government accountability and stewardship. The new Standard requires governments to identify which activities should be reported as fiduciary activities using specific criteria. As a result, the School Board determined that School Activity Funds should be reported as part of School Board activities. The School Board elected to present the school activity funds in a new special revenue fund presented in Schedules 8 and 10.

The City continues to act as the Northern Virginia Criminal Justice Training Academy's (NVCJTA) fiscal agent, and considers these to be custodial funds. The Standard requires more detailed information, which is shown in Schedules 6 and 7. Accordingly, a restatement of net position was required for the School Board and NVCJTA.

The following is a summary of restatements to net position:

	<u>Governmental Activities</u>	<u>Sanitary Sewer</u>	<u>School Board Governmental Activities</u>	<u>School Board Governmental Funds</u>	<u>NVCJTA</u>
Net position, June 30, 2020, as previously reported	\$ 118,873,241	\$ 27,525,765	\$ (33,823,650)	\$ 4,385,718	\$ -
Capital asset errors in prior period	(815,996)	-	-	-	-
Arlington County Sanitary Sewer correction	-	(49,712)	-	-	-
GASB 84 implementation	-	-	510,529	510,529	5,467,639
Net position, June 30, 2020, as restated	<u>\$ 118,057,245</u>	<u>\$ 27,476,053</u>	<u>\$ (33,313,121)</u>	<u>\$ 4,896,247</u>	<u>\$ 5,467,639</u>

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 25. 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	\$ 4,989	\$ -
Inventories	121,280	-
Total nonspendable	<u>126,269</u>	<u>-</u>
Restricted for:		
Capital projects	1,403,452	10,198,182
Grants	20,244	-
Special transportation	-	4,147,309
Total restricted	<u>1,423,696</u>	<u>14,345,491</u>
Committed to:		
Capital projects	3,859,467	-
Future development costs	2,038,169	-
Affordable housing	-	506,064
Total committed	<u>5,897,636</u>	<u>506,064</u>
Assigned to:		
Capital reserve	1,312,282	-
Departmental programs	1,399,598	-
Total assigned	<u>2,711,880</u>	<u>-</u>
Unassigned	<u>20,393,237</u>	<u>-</u>
Total fund balance	<u>\$ 30,552,718</u>	<u>\$ 14,851,555</u>

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 26. Tax Abatement Programs

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 FY2021, one property received this credit in the amount of \$15,473.

In 2008, the City and the Falls Church Economic Development Authority (EDA) entered into an Economic Development Agreement (“Agreement”) with 6607 Wilson Retail, LLC (Developer). The Agreement provides that the City shall share tax revenues generated from the opening of the Retail Center to be developed and constructed by 6607 Wilson Retail LLC in the following manner: (1) The City shall retain the first \$450,000 in local tax revenue generated by or from the Retail Center each year for the 12 full fiscal years of operation following the opening of the Retail Center; (2) the City shall receive up to an additional \$250,000 in a dollar-for-dollar sharing of local tax revenue in a band of revenue achieved the Retail Center and site between \$450,001 and \$950,000 each year; (3) the Developer shall receive up to \$250,000 in a dollar-for-dollar sharing of Local Tax Revenue in a band of revenue achieved the Retail Center and site between \$450,001 and \$950,000 each year; and (4) the City shall retain all local tax revenue generated by the retail center and site above \$950,000 in each year. The payments to the Developer began in FY2012 and will end in FY2023. In FY2021, the City paid \$250,000 of local tax revenues generated by the Retail Center and site with the Developer.

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 27. Subsequent Events

In August 2021, the EDA purchased two additional apartment complexes at 310 and 312 Shirley Street for a total amount of \$1,850,000 for the purpose of continuing to provide the City with affordable housing options.

On August 9, 2021, City Council approved the establishment of the West Falls Church Community Development Authority. The purpose of the Authority will be to issue debt on public improvements at the West Falls Church development project. Debt is expected to be issued in FY2022.

Note 28. COVID-19 Impact

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude the pandemic will have on the City’s financial condition, liquidity, and future results of operations. Management is actively monitoring the impact of the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the City is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2022.

Note 29. New Accounting Standards

The Governmental Accounting Standards Board (GASB) has issued the following Statements which are not yet effective. The effective dates below are updated based on **Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*** due to the COVID-19 pandemic.

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 29. New Accounting Standards (Continued)

In June 2017, The GASB issued **Statement No. 87, *Leases***. This Statement establishes standards of accounting and financial reporting for leases by lessees and lessors. The requirements of this Statement are effective for fiscal years beginning after June 15, 2021.

In May 2019, the GASB issued **Statement No. 91, *Conduit Debt Obligations*** in May 2019. This Statement provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

In January 2020, the GASB issued **Statement No. 92, *Omnibus***. This Statement enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. Certain requirements of this Statement are effective immediately and others for reporting periods beginning after June 15, 2021.

In March 2020, the GASB issued **Statement No. 93, *Replacement of Interbank Offered Rates***. This Statement addresses accounting and financial reporting implications that result from the replacement of an IBOR. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2022. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

In March 2020, the GASB issued **Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements***. This Statement improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

In May 2020, the GASB issued **Statement No. 96, *Subscription-Based Information Technology Arrangements***. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 29. New Accounting Standards (Continued)

In June 2020, the GASB issued **Statement No. 97**, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32*. This Statement provides a more consistent financial reporting of defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans, while mitigating the costs associated with reporting those plans. Certain requirements of this Statement are effective immediately and others for reporting periods beginning after June 15, 2021.

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

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REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF FALLS CHURCH, VIRGINIA

**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS -
BASIC PENSION PLAN
For the Year Ended June 30, 2021**

	Measurement Dates - Plan Year							
	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Total Pension Liability								
Service Cost	\$ 1,545,819	\$ 1,632,350	\$ 1,508,663	\$ 1,508,277	\$ 1,597,442	\$ 1,539,198	\$ 1,605,981	\$ 1,477,682
Interest (includes interest on service cost)	6,458,557	6,562,905	6,397,092	6,184,236	6,139,726	5,773,189	5,618,010	5,662,883
Differences between expected and actual experience	(1,591,398)	(275,762)	(260,268)	1,069,324	(1,068,167)	(595,377)	(523,443)	(1,621,231)
Changes of assumptions	(561,529)	3,270,602	-	(521,422)	(1,009,938)	3,155,541	-	4,182,659
Benefit payments, including refunds of member contributions	(5,552,789)	(5,441,073)	(5,359,765)	(5,040,218)	(4,827,875)	(4,561,229)	(4,272,618)	(5,883,600)
Net change in total pension liability	298,660	5,749,022	2,285,722	3,200,197	831,188	5,311,322	2,427,930	3,818,393
Total pension liability - beginning	<u>100,592,997</u>	<u>94,843,975</u>	<u>92,558,253</u>	<u>89,358,056</u>	<u>88,526,868</u>	<u>83,215,546</u>	<u>80,787,616</u>	<u>76,969,223</u>
Total pension liability - ending	<u>\$ 100,891,657</u>	<u>\$ 100,592,997</u>	<u>\$ 94,843,975</u>	<u>\$ 92,558,253</u>	<u>\$ 89,358,056</u>	<u>\$ 88,526,868</u>	<u>\$ 83,215,546</u>	<u>\$ 80,787,616</u>
Plan fiduciary net position								
Contributions - employer	\$ 224,613	\$ 273,869	\$ 251,480	\$ 1,257,789	\$ 1,160,820	\$ 1,972,956	\$ 8,345,532	\$ 4,021,770
Contributions - member	809,750	826,874	773,972	759,047	755,822	789,920	724,853	727,295
Net investment income	30,723,344	3,340,371	7,204,502	13,225,934	13,427,809	507,418	3,081,767	11,795,982
Benefit payments, including refunds of member contributions	(5,552,789)	(5,441,073)	(5,359,765)	(5,040,218)	(4,827,875)	(4,561,229)	(4,272,618)	(5,883,600)
Administrative expenses	(73,862)	(106,970)	(42,261)	(53,716)	(70,173)	(77,649)	(70,902)	(58,740)
Net change in plan fiduciary net position	26,131,056	(1,106,929)	2,827,928	10,148,836	10,446,403	(1,368,584)	7,808,632	10,602,707
Plan fiduciary net position - beginning	<u>111,558,307</u>	<u>112,665,236</u>	<u>109,837,308</u>	<u>99,688,472</u>	<u>89,242,069</u>	<u>90,610,653</u>	<u>82,802,021</u>	<u>72,199,314</u>
Plan fiduciary net position - ending	<u>\$ 137,689,363</u>	<u>\$ 111,558,307</u>	<u>\$ 112,665,236</u>	<u>\$ 109,837,308</u>	<u>\$ 99,688,472</u>	<u>\$ 89,242,069</u>	<u>\$ 90,610,653</u>	<u>\$ 82,802,021</u>
Net pension liability (asset) - ending	<u>\$ (36,797,706)</u>	<u>\$ (10,965,310)</u>	<u>\$ (17,821,261)</u>	<u>\$ (17,279,055)</u>	<u>\$ (10,330,416)</u>	<u>\$ (715,201)</u>	<u>\$ (7,395,107)</u>	<u>\$ (2,014,405)</u>
Plan fiduciary net position as a percentage of total pension liability	136.47%	110.90%	118.79%	118.67%	111.56%	100.81%	108.89%	102.49%
Covered payroll	<u>\$ 16,170,632</u>	<u>\$ 16,601,604</u>	<u>\$ 15,859,634</u>	<u>\$ 15,180,552</u>	<u>\$ 15,111,938</u>	<u>\$ 15,023,723</u>	<u>\$ 14,488,440</u>	<u>\$ 13,776,586</u>
Net pension liability (asset) as a percentage of covered payroll	-227.56%	-66.05%	-112.37%	-113.82%	-68.36%	-4.76%	-51.04%	-14.62%

Notes to Schedule:

Data will be presented from the time GASB 67 was first implemented in fiscal year 2014 until 10 years of trend data is achieved. Reporting dates are one year subsequent to the measurement dates.

Changes of assumptions. In 2014, the rate of investment return was lowered from 7.50% to 7.00%.

In 2020, the actuary performed an experience study and the recommended actuarial assumption changes were approved.

CITY OF FALLS CHURCH, VIRGINIA

**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS -
POLICE PENSION PLAN
For the Year Ended June 30, 2021**

	Measurement Dates - Plan Year							
	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Total Pension Liability								
Service Cost	\$ 573,982	\$ 555,633	\$ 638,468	\$ 644,642	\$ 647,878	\$ 550,412	\$ 493,645	\$ 451,780
Interest (includes interest on service cost)	2,021,742	2,059,582	2,002,662	1,939,570	1,869,430	1,727,698	1,648,907	1,596,234
Differences between expected and actual experience	(322,756)	174,824	(500,341)	(407,298)	(140,892)	85,941	(57,083)	(162,138)
Changes of assumptions	(113,454)	253,554	-	(141,013)	(287,168)	609,562	-	1,319,923
Benefit payments, including refunds of member contributions	(1,412,327)	(1,349,395)	(1,140,085)	(1,116,820)	(1,051,184)	(1,041,507)	(991,773)	(958,185)
Net change in total pension liability	747,187	1,694,198	1,000,704	919,081	1,038,064	1,932,106	1,093,696	2,247,614
Total pension liability - beginning	31,235,898	29,541,700	28,540,996	27,621,915	26,583,851	24,651,745	23,558,049	21,310,435
Total pension liability - ending	<u>\$ 31,983,085</u>	<u>\$ 31,235,898</u>	<u>\$ 29,541,700</u>	<u>\$ 28,540,996</u>	<u>\$ 27,621,915</u>	<u>\$ 26,583,851</u>	<u>\$ 24,651,745</u>	<u>\$ 23,558,049</u>
Plan fiduciary net position								
Contributions - employer	\$ 78,835	\$ 196,880	\$ 309,263	\$ 625,820	\$ 600,676	\$ 751,332	\$ 3,593,989	\$ 625,670
Contributions - member	189,685	186,453	198,404	198,118	296,901	250,909	177,685	166,846
Net investment income	9,942,234	1,122,116	2,332,611	4,092,322	4,019,100	202,768	871,317	3,316,856
Benefit payments, including refunds of member contributions	(1,412,327)	(1,349,395)	(1,140,085)	(1,116,820)	(1,051,184)	(1,041,507)	(991,773)	(958,185)
Administrative expenses	(23,448)	(37,179)	(29,536)	(16,968)	(21,978)	(27,185)	(22,126)	(19,151)
Net change in plan fiduciary net position	8,774,979	118,875	1,670,657	3,782,472	3,843,515	136,317	3,629,092	3,132,036
Plan fiduciary net position - beginning	36,291,684	36,172,809	34,502,152	30,719,680	26,876,165	26,739,848	23,110,756	19,978,720
Plan fiduciary net position - ending	<u>\$ 45,066,663</u>	<u>\$ 36,291,684</u>	<u>\$ 36,172,809</u>	<u>\$ 34,502,152</u>	<u>\$ 30,719,680</u>	<u>\$ 26,876,165</u>	<u>\$ 26,739,848</u>	<u>\$ 23,110,756</u>
Net pension liability (asset) - ending	<u>\$ (13,083,578)</u>	<u>\$ (5,055,786)</u>	<u>\$ (6,631,109)</u>	<u>\$ (5,961,156)</u>	<u>\$ (3,097,765)</u>	<u>\$ (292,314)</u>	<u>\$ (2,088,103)</u>	<u>\$ 447,293</u>
Plan fiduciary net position as a percentage of total pension liability	140.91%	116.19%	122.45%	120.89%	111.21%	101.10%	108.47%	98.10%
Covered payroll	<u>\$ 2,709,767</u>	<u>\$ 2,685,250</u>	<u>\$ 2,872,324</u>	<u>\$ 2,830,258</u>	<u>\$ 2,713,990</u>	<u>\$ 2,542,578</u>	<u>\$ 2,538,363</u>	<u>\$ 2,351,051</u>
Net pension liability (asset) as a percentage of covered payroll	-482.83%	-188.28%	-230.86%	-210.62%	-114.14%	-11.50%	-82.26%	19.03%

Notes to Schedule:

Data will be presented from the time GASB 67 was first implemented in fiscal year 2014 until 10 years of trend data is achieved.

Reporting dates are one year subsequent to the measurement dates.

Changes of assumptions. In 2014, the rate of investment return was lowered from 7.50% to 7.00%.

In 2020, the actuary performed an experience study and the recommended actuarial assumption changes were approved.

CITY OF FALLS CHURCH, VIRGINIA

**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS -
CONSTITUTIONAL OFFICERS PLAN
For the Year Ended June 30, 2021**

	Measurement Dates - Plan Year						
	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Total Pension Liability							
Service Cost	\$ 135,870	\$ 123,847	\$ 126,438	\$ 113,858	\$ 115,519	\$ 125,830	\$ 115,154
Interest (includes interest on service cost)	307,625	301,441	312,070	307,203	273,085	255,657	239,734
Changes of assumptions	-	108,916	-	(99,592)	-	-	-
Differences between expected and actual experience	337,943	(18,370)	(364,497)	(33,717)	288,621	11,357	-
Benefit payments, including refunds of member contributions	(276,925)	(252,525)	(199,201)	(237,225)	(142,431)	(145,323)	(109,503)
Net change in total pension liability	504,513	263,309	(125,190)	50,527	534,794	247,521	245,385
Total pension liability - beginning	<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>	<u>3,479,522</u>
Total pension liability - ending	<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>
Plan fiduciary net position							
Contributions - employer	\$ 10,641	\$ 11,660	\$ 18,642	\$ 20,809	\$ 30,313	\$ 32,780	\$ 74,651
Contributions - member	58,587	60,409	62,844	65,328	66,058	59,345	59,778
Net investment income	110,624	370,585	395,513	595,283	85,110	216,702	645,679
Benefit payments, including refunds of member contributions	(276,925)	(252,525)	(199,201)	(237,225)	(142,431)	(145,323)	(109,503)
Administrative expenses	(3,871)	(3,780)	(3,444)	(3,521)	(3,080)	(3,022)	(3,389)
Other changes	(129)	(233)	(350)	(525)	-	-	-
Net change in plan fiduciary net position	(101,073)	186,116	274,004	440,149	35,970	160,482	667,216
Plan fiduciary net position - beginning	<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>	<u>4,067,897</u>
Plan fiduciary net position - ending	<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>
Net pension liability (asset) - ending	<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>	<u>\$ (1,010,206)</u>
Plan fiduciary net position as a percentage of total pension liability	110.20%	124.19%	127.37%	117.86%	109.41%	123.24%	127.12%
Covered payroll	<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>	<u>\$ 1,196,317</u>
Net pension liability (asset) as a percentage of covered payroll	-42.38%	-89.72%	-91.92%	-59.66%	-31.57%	-84.95%	-84.44%

Notes to Schedule:

Data will be presented from the time GASB 68 was first implemented in fiscal year 2015 until 10 years of trend data is achieved.
Measurement dates used are one year prior to the reporting date.

CITY OF FALLS CHURCH, VIRGINIA

SCHEDULE OF PENSION CONTRIBUTIONS
For the Year Ended June 30, 2021

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
Basic Plan - Total Plan					
2021	\$ 343,629	\$ 343,629	\$ -	\$ 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
2015	2,044,320	8,344,320	(6,300,000)	14,488,440	57.59
2014	1,920,456	4,021,770	(2,101,314)	13,776,586	29.19
Police Plan					
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
2015	693,989	3,593,989	(2,900,000)	2,538,363	141.59
2014	625,670	625,670	-	2,351,051	26.61
Constitutional Officers					
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
2015	51,386	51,386	-	1,086,779	4.73
2014	74,651	74,651	-	1,196,317	6.24

Schedule is intended to show information for 10 years. Since 2014 was the first year for this presentation for pensions, 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.

CITY OF FALLS CHURCH, VIRGINIA

SCHEDULE OF PENSION AND LOCAL OPEB INVESTMENT RETURNS
For the Year Ended June 30, 2021

	<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, 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
June 30, 2015	3.69%	3.59%	N/A	N/A
June 30, 2014	16.50%	16.73%	N/A	N/A

Schedule is intended to show information for 10 years. Since 2014 was the first year for this presentation for pensions and 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.

CITY OF FALLS CHURCH, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY (ASSET)
June 30, 2021

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					
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					
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					
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

Schedule is intended to show information for 10 years. Since 2015 was the first year for this presentation, prior year data is not available. However, additional years will be included as they become available. Reporting dates are one year subsequent to the measurement dates.

CITY OF FALLS CHURCH, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS
June 30, 2021

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					
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
2015	1,874,821	7,771,386	(5,896,565)	10,420,367	74.58
Basic Plan - Schools					
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
2015	472,312	384,313	87,999	2,867,047	13.40
VRS Teacher Retirement Plan					
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
2015	3,717,116	3,717,116	-	21,122,520	17.60

Schedule is intended to show information for 10 years. Since 2015 was the first year for this presentation, prior year data is not available. However, additional years will be included as they become available.

CITY OF FALLS CHURCH, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS- CITY LOCAL PLAN
For the Year Ended June 30, 2021

	Measurement Dates - Plan Year				
	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Total OPEB Liability					
Service Cost	\$ 149,334	\$ 130,338	\$ 166,453	\$ 187,579	\$ 182,271
Interest (includes interest on service cost)	465,688	457,713	584,093	586,842	573,368
Differences between expected and actual experience	102,923	888,803	63,273	(392,413)	-
Changes of assumptions	(401,788)	(130,479)	(1,936,880)	72,449	-
Benefit payments, including refunds of member contributions	(724,772)	(753,290)	(551,946)	(574,301)	(557,510)
Net change in total OPEB liability	(408,615)	593,085	(1,675,007)	(119,844)	198,129
Total OPEB liability - beginning	<u>7,371,785</u>	<u>6,778,700</u>	<u>8,453,707</u>	<u>8,573,551</u>	<u>8,375,422</u>
Total OPEB liability - ending	<u>\$ 6,963,170</u>	<u>\$ 7,371,785</u>	<u>\$ 6,778,700</u>	<u>\$ 8,453,707</u>	<u>\$ 8,573,551</u>
Plan fiduciary net position					
Contributions - employer	\$ 578,997	\$ 588,389	\$ 578,656	\$ 584,118	\$ 805,464
Net investment income	3,110,755	331,413	565,484	766,243	926,085
Benefit payments, including refunds of member contributions	(724,772)	(753,290)	(551,946)	(574,301)	(557,510)
Administrative expenses	(7,445)	(10,765)	(16,844)	(1,721)	(11,485)
Net change in plan fiduciary net position	2,957,535	155,747	575,350	774,339	1,162,554
Plan fiduciary net position - beginning	<u>8,526,627</u>	<u>8,370,880</u>	<u>7,795,530</u>	<u>7,021,191</u>	<u>5,858,637</u>
Plan fiduciary net position - ending	<u>\$ 11,484,162</u>	<u>\$ 8,526,627</u>	<u>\$ 8,370,880</u>	<u>\$ 7,795,530</u>	<u>\$ 7,021,191</u>
Net OPEB liability - ending	<u>\$ (4,520,992)</u>	<u>\$ (1,154,842)</u>	<u>\$ (1,592,180)</u>	<u>\$ 658,177</u>	<u>\$ 1,552,360</u>
Plan fiduciary net position as a percentage of total OPEB liability	164.93%	115.67%	123.49%	92.21%	81.89%
Covered payroll	<u>\$ 16,737,491</u>	<u>\$ 16,249,991</u>	<u>\$ 14,528,545</u>	<u>\$ 14,139,703</u>	<u>\$ 13,970,500</u>
Net OPEB liability (asset) as a percentage of covered employee payroll	-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, 2021

	Measurement Dates - Plan Year				
	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Total OPEB Liability					
Service Cost	\$ 77,125	\$ 102,825	\$ 188,720	\$ 199,960	\$ 161,195
Interest (includes interest on service cost)	192,512	234,526	251,561	253,991	234,724
Differences between expected and actual experience	(21,139)	(131,762)	736,777	(510,811)	-
Changes of assumptions	(182,881)	(476,791)	(1,231,569)	63,998	-
Benefit payments, including refunds of member contributions	(96,011)	(87,495)	(119,902)	(142,248)	(137,285)
Net change in total OPEB liability	(30,394)	(358,697)	(174,413)	(135,110)	258,634
Total OPEB liability - beginning	<u>2,931,855</u>	<u>3,290,552</u>	<u>3,464,965</u>	<u>3,600,075</u>	<u>3,341,441</u>
Total OPEB liability - ending	<u>\$ 2,901,461</u>	<u>\$ 2,931,855</u>	<u>\$ 3,290,552</u>	<u>\$ 3,464,965</u>	<u>\$ 3,600,075</u>
Plan fiduciary net position					
Contributions - employer	\$ 44,006	\$ 74,418	\$ 107,769	\$ 225,027	\$ 510,079
Net investment income	2,004,977	206,658	352,484	476,993	569,574
Benefit payments, including refunds of member contributions	(96,011)	(87,495)	(119,902)	(142,248)	(137,285)
Administrative expenses	(5,000)	(7,000)	(10,865)	(1,187)	(7,920)
Net change in plan fiduciary net position	1,947,972	186,581	329,486	558,585	934,448
Plan fiduciary net position - beginning	<u>5,946,563</u>	<u>5,759,982</u>	<u>5,430,496</u>	<u>4,871,911</u>	<u>3,937,463</u>
Plan fiduciary net position - ending	<u>\$ 7,894,535</u>	<u>\$ 5,946,563</u>	<u>\$ 5,759,982</u>	<u>\$ 5,430,496</u>	<u>\$ 4,871,911</u>
Net OPEB liability (asset) - ending	<u>\$ (4,993,074)</u>	<u>\$ (3,014,708)</u>	<u>\$ (2,469,430)</u>	<u>\$ (1,965,531)</u>	<u>\$ (1,271,836)</u>
Plan fiduciary net position as a percentage of total OPEB liability	272.09%	202.83%	175.05%	156.73%	135.33%
Covered payroll	<u>\$ 28,194,127</u>	<u>\$ 27,372,939</u>	<u>\$ 31,111,688</u>	<u>\$ 30,279,015</u>	<u>\$ 29,036,463</u>
Net OPEB liability (asset) as a percentage of covered employee payroll	-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, 2021

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					
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					
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.

CITY OF FALLS CHURCH, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY- COST SHARING PLANS
June 30, 2021

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					
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					
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					
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					
2020	0.27%	\$ 1,131,011	\$ 3,617,026	31.27%	1.02%
2019	0.30%	1,080,000	3,550,588	30.42%	0.79%
2018	0.32%	989,000	3,667,341	26.97%	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, 2021

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					
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					
2021	\$ 6,000	\$ 6,000	\$ -	\$ 1,198,269	0.50%
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					
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					
2021	\$ 37,838	\$ 37,838	\$ -	\$ 3,070,268	1.23%
2020	37,000	37,000	-	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, 2021

Note 1. Budget

The State of Virginia requires all local governments to prepare, approve, adopt and execute an annual budget. The budgeting process is based on estimates of revenues and expenditures. The City budgets are prepared on a modified-accrual basis of accounting in accordance with generally accepted accounting principles.

The City maintains budgetary controls to ensure compliance with legal provisions in the appropriated budget approved by the City Council. The level of budgetary control (the level at which expenditures cannot legally exceed the appropriated amount) is the department level and thus the supplemental budget to actual comparison is presented at this level. Amounts that do not fall under departmental control are categorized as nondepartmental even though they may relate to a particular function.

Note 2. 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 3. Changes of Assumptions

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

Largest 10 – Non-Hazardous Duty:

- Update mortality table to RP-2014 projected to 2020
- Lowered rates at older ages and extended final retirement age from 70 to 75
- Update withdrawal rates to better fit experience at each age and service year
- Lowered in rates of disability retirement
- No changes to salary rates
- Increase Line of Duty Disability rates from 14% to 20%
- Decrease discount rate from 7.00% to 6.75%
- Applicable to: Pension, GLI OPEB, and HIC OPEB

(Continued)

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2021

Note 3. Changes of Assumptions (Continued)

Largest 10 – Hazardous Duty/Public Safety Employees:

- Update mortality table to RP-2014 projected to 2020
- Lowered rates of retirement at older ages
- Update withdrawal rates to better fit experience
- Increased disability rates
- No changes to salary rates
- Increased Line of Duty disability rates from 60% to 70%
- Decreased discount rate from 7.00% to 6.75%
- Applicable to: Pension, GLI OPEB, HIC OPEB, and LODA OPEB

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

- Update mortality table to RP-2014 projected to 2020
- Lowered rates of retirement at older ages and changed final retirement from 70 to 75
- Update withdrawal rates to better fit experience at each age and service year
- Lowered disability rates
- No changes to salary rates
- Increased Line of Duty disability rates from 14% to 15%
- Decreased discount rate from 7.00% to 6.75%
- Applicable to: Pension GLI OPEB, and HIC OPEB

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

- Update mortality table to RP-2014 projected to 2020
- Increased retirement rate at age 50 and lowered rates at older ages
- Update withdrawal rates to better fit experience at each age and service year
- Update disability rates to better fit experience
- No changes to salary rates
- Lowered Line of Duty rate from 60% to 45%
- Decreased discount rate from 7.00% to 6.75%
- Applicable to: Pension, GLI OPEB, HIC OPEB, and LODA OPEB

Teacher cost-sharing pool

- Update mortality table to RP-2014 projected to 2020
- Lowered retirement rates at older ages and changed final retirement from 70 to 75
- Update withdrawal rates to better fit experience at each age year and service through 9 years of service
- Update disability rates to better fit experience
- No changes to salary rates
- Decreased discount rate from 7.00% to 6.75%
- Applicable to: Pension, GLI OPEB, and HIC OPEB

(Continued)

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2021

Note 3. Changes of Assumptions (Continued)

The following changes in actuarial assumptions were made effective June 30, 2020 valuation date:

Basic and Police Pension Plans

- Salary increases were decreased from 4.50% to 4.00%
- Investment return on assets was decreased from 7.00% to 6.50%
- Payroll growth was decreased from 4.50% to 3.00%
- Cost-of-living adjustment was decreased from 1.375% to 1.125%
- Inflation was decreased from 2.75% to 1.125%
- Update mortality table

OPEB – Local Plan

- Salary increases were increased from 2.75% to 4.00%
- Discount rate was decreased from 7.00% to 6.50%
- Payroll growth was increased from 2.75% to 3.00%
- Inflation was decreased from 2.75% to 2.25%
- Update mortality table
- Update medical, prescription drug, and dental trend rates to the current schedules.

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OTHER SUPPLEMENTARY INFORMATION

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BUDGET TO ACTUAL – GENERAL FUND

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CITY OF FALLS CHURCH, VIRGINIA

**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL BY DEPARTMENT
GENERAL FUND
Year Ended June 30, 2021**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	\$ 65,312,400	\$ 65,312,400	\$ 65,601,444	\$ 289,044
Other local taxes	14,499,050	14,499,050	17,644,877	3,145,827
Permits, privilege fees, and regulatory licenses	1,256,200	1,256,200	1,087,162	(169,038)
Fines and forfeitures	504,000	504,000	203,980	(300,020)
Use of money and property	587,000	587,000	461,608	(125,392)
Charges for services	3,120,217	3,120,217	2,402,545	(717,672)
Miscellaneous	29,800	29,800	8,362	(21,438)
Gifts and contributions	4,100	78,172	74,001	(4,171)
Recovered costs	323,000	323,000	182,840	(140,160)
Intergovernmental				
Commonwealth	4,536,835	4,611,364	4,402,885	(208,479)
Federal	389,595	2,491,148	2,682,143	190,995
Total revenues	<u>90,562,197</u>	<u>92,812,351</u>	<u>94,751,847</u>	<u>1,939,496</u>
EXPENDITURES				
Current:				
Clerk of Court	43,132	43,132	27,422	15,710
Commissioner of Revenue	742,779	742,777	647,459	95,318
Community Planning and Economic Development Services	3,033,135	3,192,356	2,939,385	252,971
Executive Management	3,176,782	3,311,379	3,009,837	301,542
Finance	1,502,374	1,590,331	1,582,182	8,149
Human Services	4,178,834	4,781,097	4,623,595	157,502
Legislative	1,110,894	1,110,836	1,066,066	44,770
Library Services	1,981,241	2,001,123	1,944,960	56,163
Public Safety	9,372,047	9,624,005	8,618,728	1,005,277
Public Works	5,684,454	6,591,277	5,983,169	608,108
Recreation and Parks	2,965,844	3,113,098	2,480,043	633,055
Registrar	328,841	375,890	329,499	46,391
Sheriff	1,314,409	1,150,006	1,007,111	142,895
Treasurer	528,858	534,478	529,008	5,470
Non-departmental	59,555,393	60,238,522	60,118,284	120,238
Total expenditures	<u>95,519,017</u>	<u>98,400,309</u>	<u>94,906,748</u>	<u>3,493,561</u>
Excess (deficiency) of revenues over expenditures	<u>(4,956,820)</u>	<u>(5,587,958)</u>	<u>(154,901)</u>	<u>5,433,057</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from issuance of bonds	359,000	10,084,820	9,942,520	(142,300)
Payment to escrow for refunding debt	-	(9,867,520)	(9,861,694)	5,826
Proceeds from sale of capital assets	-	-	10,056	10,056
Transfers in	1,259,000	1,259,000	1,373,692	114,692
Transfers out	(1,467,480)	(4,307,480)	(4,249,770)	57,710
Total other financing sources (uses)	<u>150,520</u>	<u>(2,831,180)</u>	<u>(2,785,196)</u>	<u>45,984</u>
Net change in fund balance	<u>\$ (4,806,300)</u>	<u>\$ (8,419,138)</u>	<u>\$ (2,940,097)</u>	<u>\$ 5,479,041</u>

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NONMAJOR GOVERNMENTAL FUND

Affordable Housing Fund

To account for funding to both maintain existing affordable housing and to develop additional affordable housing opportunities in the City for households with gross income less than 120% of the median income for the Washington Metropolitan statistical area. Funds are awarded on a rolling application basis through a public application process.

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SCHEDULE 2**CITY OF FALLS CHURCH, VIRGINIA****BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND
June 30, 2021**

	<u>Affordable Housing</u>
ASSETS	
Cash and investments	\$ 506,064
Receivables, net	<u>212,963</u>
Total assets	<u><u>\$ 719,027</u></u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue	<u>\$ 212,963</u>
Total deferred inflows of resources	<u>212,963</u>
FUND BALANCE	
Committed	<u>506,064</u>
Total liabilities and fund balance	<u><u>\$ 719,027</u></u>

SCHEDULE 3

CITY OF FALLS CHURCH, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUND
Year Ended June 30, 2021

	<u>Affordable Housing</u>
REVENUES	
Charges for services	\$ 91,444
Total revenues	<u>91,444</u>
EXPENDITURES	
Current:	
General government	<u>-</u>
Total expenditures	<u>-</u>
Excess of revenues over expenditures	<u>91,444</u>
OTHER FINANCING SOURCES	
Transfers in	<u>100,000</u>
Total other financing sources	<u>100,000</u>
Net change in fund balance	191,444
FUND BALANCES AT JULY 1	<u>314,620</u>
FUND BALANCES AT JUNE 30	<u><u>\$ 506,064</u></u>

POST EMPLOYMENT 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.

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CITY OF FALLS CHURCH, VIRGINIA

COMBINING STATEMENT OF FIDUCIARY NET POSITION
POST-EMPLOYMENT BENEFIT TRUST FUNDS
June 30, 2021

	City		Other Post- Employment Benefits	School Board Other Post- Employment Benefits	Total
	Basic Plan	Police Plan			
ASSETS					
Cash and cash equivalents	\$ 3,103,679	\$ 1,137,025	\$ -	\$ -	\$ 4,240,704
Investments:					
Domestic equity securities	72,538,585	23,649,346	6,940,229	4,835,765	107,963,925
Domestic fixed income securities	16,909,827	6,456,327	2,311,819	1,610,813	27,288,786
International equity securities	27,451,045	8,503,068	2,158,602	1,504,056	39,616,771
RE Securities	10,272,392	3,372,894	-	-	13,645,286
Infrastructure	7,440,602	1,978,607	-	-	9,419,209
Total investments	134,612,451	43,960,242	11,410,650	7,950,634	197,933,977
Contributions receivable:					
Employer	16,458	-	-	-	16,458
Employee	58,029	-	-	-	58,029
Total contributions receivable	74,487	-	-	-	74,487
Due from general fund (Note 7)	-	-	73,512	-	73,512
Interest and dividends receivable	190,851	61,957	-	-	252,808
Total assets	137,981,468	45,159,224	11,484,162	7,950,634	202,575,488
LIABILITIES					
Accounts payable	71,814	26,473	-	12,025	110,312
Due to general fund	220,291	66,088	-	44,074	330,453
Total liabilities	292,105	92,561	-	56,099	440,765
NET POSITION					
Held in trust for:					
Pension benefits	137,689,363	45,066,663	-	-	182,756,026
Other post-employment benefits	-	-	11,484,162	7,894,535	19,378,697
Total net position restricted for pension and other post-employment benefits	\$ 137,689,363	\$ 45,066,663	\$ 11,484,162	\$ 7,894,535	\$ 202,134,723

CITY OF FALLS CHURCH, VIRGINIA

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
POST-EMPLOYMENT TRUST FUNDS
Year Ended June 30, 2021**

	City		Other Post- Employment Benefits	School Board Other Post- Employment Benefits	Total
	Basic Plan	Police Plan			
ADDITIONS					
Employer contributions	\$ 224,613	\$ 78,835	\$ 233,660	\$ -	\$ 537,108
Employee contributions	809,750	189,685	-	-	999,435
Investment earnings:					
Interest	4,784	27,420	74	45	32,323
Dividends	1,493,161	467,127	176,284	115,240	2,251,812
Net increase in fair value of investments	29,572,119	9,557,697	2,940,551	1,893,333	43,963,700
Total investment earnings	31,070,064	10,052,244	3,116,909	2,008,618	46,247,835
Less investment expenses	(346,720)	(110,012)	(6,154)	(3,641)	(466,527)
Net investment earnings	30,723,344	9,942,232	3,110,755	2,004,977	45,781,308
Total additions	31,757,707	10,210,752	3,344,415	2,004,977	47,317,851
DEDUCTIONS					
Benefits	5,552,789	1,412,327	379,470	52,005	7,396,591
Administration	73,862	23,448	7,410	5,000	109,720
Total deductions	5,626,651	1,435,775	386,880	57,005	7,506,311
Change in net position	26,131,056	8,774,977	2,957,535	1,947,972	39,811,540
NET POSITION AT JULY 1	111,558,307	36,291,686	8,526,627	5,946,563	162,323,183
NET POSITION AT JUNE 30	\$ 137,689,363	\$ 45,066,663	\$ 11,484,162	\$ 7,894,535	\$ 202,134,723

CUSTODIAL FUND

Northern Virginia Criminal Justice Training Academy Fund

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

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SCHEDULE 6**CITY OF FALLS CHURCH, VIRGINIA****COMBINING STATEMENT OF FIDUCIARY NET POSITION
CUSTODIAL FUND
June 30, 2021**

	Northern Virginia Criminal Justice Academy
ASSETS	
Cash and cash equivalents	\$ 5,542,699
Due from other governments	773,096
Due from general fund	10,085
	<hr/>
Total assets	<u><u>\$ 6,325,880</u></u>
 LIABILITIES	
Accounts payable	\$ 178,490
Accrued liabilities	65,303
	<hr/>
Total liabilities	<u><u>\$ 243,793</u></u>
 NET POSITION	
Restricted for:	
Individuals, organizations, and other governments	<hr/> 6,082,087
Total net position	<u><u>\$ 6,082,087</u></u>

CITY OF FALLS CHURCH, VIRGINIA

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
CUSTODIAL FUND
Year Ended June 30, 2021**

	Northern Virginia Criminal Justice Academy
	<hr/>
ADDITIONS	
Charges for services	\$ 3,113,937
Grants and contributions	652,595
Debt Service Assessments	814,454
Miscellaneous	319,618
	<hr/>
Total additions	4,900,604
	<hr/>
DEDUCTIONS	
Personnel services and benefits	1,859,077
Purchased services	1,043,892
Miscellaneous	1,383,187
	<hr/>
Total deductions	4,286,156
	<hr/>
Change in net position	614,448
NET POSITION AT JULY 1, AS RESTATED	5,467,639
	<hr/>
NET POSITION AT JUNE 30	<u><u>\$ 6,082,087</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.

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CITY OF FALLS CHURCH, VIRGINIA

DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2021

	Major		Non-major		
	School Operating	School Community Service	School Food Service	School Activity Funds	Total Governmental Funds
ASSETS					
Cash and investments	\$ 3,453,750	\$ 922,873	\$ 292,468	\$ 467,714	\$ 5,136,805
Accounts receivable	37,512	109,176	-	-	146,688
Due from fiduciary funds	44,074	-	-	-	44,074
Due from primary government	6,536,462	-	-	-	6,536,462
Due from other governments	425,693	-	30,024	-	455,717
Prepays	40,204	1,043	-	-	41,247
Total assets	<u>\$ 10,537,695</u>	<u>\$ 1,033,092</u>	<u>\$ 322,492</u>	<u>\$ 467,714</u>	<u>\$ 12,360,993</u>
LIABILITIES					
Accounts payable and other liabilities	\$ 5,785,944	\$ 16,375	\$ 53,640	\$ -	\$ 5,855,959
Due to primary government	-	198,157	-	-	198,157
Total liabilities	<u>5,785,944</u>	<u>214,532</u>	<u>53,640</u>	<u>-</u>	<u>6,054,116</u>
FUND BALANCES					
Nonspendable:					
Prepays	40,204	1,043	-	-	41,247
Assigned:					
Education	<u>4,711,547</u>	<u>817,517</u>	<u>268,852</u>	<u>467,714</u>	<u>6,265,630</u>
Total fund balances	<u>4,751,751</u>	<u>818,560</u>	<u>268,852</u>	<u>467,714</u>	<u>6,306,877</u>
Total liabilities and fund balances	<u>\$ 10,537,695</u>	<u>\$ 1,033,092</u>	<u>\$ 322,492</u>	<u>\$ 467,714</u>	<u>\$ 12,360,993</u>

CITY OF FALLS CHURCH, VIRGINIA

DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2021

Total Fund Balance - Governmental Funds		\$ 6,306,877
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources, and, therefore, are not reported in the funds.		
Nondepreciable	\$ 1,338,615	
Depreciable, net	<u>2,575,404</u>	3,914,019
Governmental activities recognize rent expense equally over the term of the lease agreement whereas governmental funds report only the outlays for rent payments as expenditures. The difference is included in other liabilities in the governmental activities of the Statement of Net Position.		
		(213,977)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows related to pensions	12,994,669	
Deferred outflows related to OPEB	1,782,379	
Deferred inflows related to pensions	(3,865,024)	
Deferred inflows related to OPEB	(2,010,409)	
Net pension asset - all plans	2,027,649	
Net pension liability - all plans	(47,357,156)	
Net OPEB asset - all plans	3,014,708	
Net OPEB liability - all plans	<u>(6,573,000)</u>	(39,986,184)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Termination benefits	(591,000)	
Compensated absences	(1,298,949)	
Capital lease payable	<u>(531,663)</u>	(2,421,612)
Total Net Position - Governmental Activities		<u><u>\$ (32,400,877)</u></u>

CITY OF FALLS CHURCH, VIRGINIA
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS
Year Ended June 30, 2021

	Major		Non-major		
	School Operating	School Community Service	School Food Service	School Activity Funds	Total Governmental Funds
REVENUES					
Revenue from use of money and property	\$ 13,708	\$ 7,522	\$ 210	\$ -	\$ 21,440
Charges for services	217,556	346,110	76,104	149,437	789,207
Fines	79,350	-	-	-	79,350
Miscellaneous	64,827	96,137	-	-	160,964
Gifts and contributions	-	109,737	-	-	109,737
Intergovernmental:					
Federal	1,071,179	-	506,123	-	1,577,302
Commonwealth	8,066,752	-	3,244	-	8,069,996
Payments from City	43,077,777	107,500	-	-	43,185,277
Total revenues	<u>52,591,149</u>	<u>667,006</u>	<u>585,681</u>	<u>149,437</u>	<u>53,993,273</u>
EXPENDITURES					
Current:					
Education	48,921,443	767,664	873,287	192,252	50,754,646
Capital outlay	1,294,559	-	-	-	1,294,559
Debt service:					
Principal retirement	504,294	-	-	-	504,294
Interest and fiscal charges	29,144	-	-	-	29,144
Total expenditures	<u>50,749,440</u>	<u>767,664</u>	<u>873,287</u>	<u>192,252</u>	<u>52,582,643</u>
Excess (deficiency) of revenues over expenditures	<u>1,841,709</u>	<u>(100,658)</u>	<u>(287,606)</u>	<u>(42,815)</u>	<u>1,410,630</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	530,000	-	530,000
Transfers out	(530,000)	-	-	-	(530,000)
Total other financing sources (uses)	<u>(530,000)</u>	<u>-</u>	<u>530,000</u>	<u>-</u>	<u>-</u>
Net change in fund balance	1,311,709	(100,658)	242,394	(42,815)	1,410,630
FUND BALANCE AT JULY 1, AS RESTATED (Note 24)	<u>3,440,042</u>	<u>919,218</u>	<u>26,458</u>	<u>510,529</u>	<u>4,896,247</u>
FUND BALANCE AT JUNE 30	<u>\$ 4,751,751</u>	<u>\$ 818,560</u>	<u>\$ 268,852</u>	<u>\$ 467,714</u>	<u>\$ 6,306,877</u>

CITY OF FALLS CHURCH, VIRGINIA
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, 2021

Net Change in Fund Balance - Governmental Funds		\$ 1,410,630
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.		
Capital outlays	\$ 221,559	
Depreciation expense	<u>(562,979)</u>	(341,420)
Governmental activities recognize rent expense equally over the term of the lease agreement whereas governmental funds report only the outlays for rent payments as expenditures.		
		(22,489)
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	4,527,245	
Employer OPEB contributions	530,006	
Pension expense	(5,824,738)	
OPEB expense	<u>(125,837)</u>	(893,324)
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.		
Change in termination benefits	265,000	
Change in compensated absences	57,087	
Loss on disposal of capital assets	<u>(67,534)</u>	254,553
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.		
		<u>504,294</u>
Change in Net Position - Governmental Activities		\$ 912,244

CITY OF FALLS CHURCH, VIRGINIA
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - SCHOOL OPERATING FUND
Year Ended June 30, 2021

	Budgeted Amounts			Variance with Final Budget - Favorable (Unfavorable)
	Original	Final	Actual	
REVENUES				
Revenue from use of money and property	\$ 43,000	\$ 43,000	\$ 13,708	\$ (29,292)
Charges for services	460,000	460,000	217,556	(242,444)
Fines	55,000	55,000	79,350	24,350
Miscellaneous	283,985	233,820	64,827	(168,993)
Intergovernmental:				
Federal	573,462	1,051,807	1,071,179	19,372
Commonwealth	7,440,308	7,465,308	8,066,752	601,444
Primary government	42,755,777	43,077,777	43,077,777	-
Total revenues	51,611,532	52,386,712	52,591,149	204,437
EXPENDITURES				
Current:				
Education	50,474,558	50,720,238	48,921,443	1,798,795
Capital outlay	622,668	1,295,668	1,294,559	1,109
Debt service:				
Principal retirement	463,306	463,306	504,294	(40,988)
Interest and fiscal charges	-	-	29,144	(29,144)
Reserves	151,000	93,835	-	93,835
Total expenditures	51,711,532	52,573,047	50,749,440	1,823,607
Excess (deficiency) of revenues over expenditures	(100,000)	(186,335)	1,841,709	2,028,044
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	100,000	100,000	(530,000)	(630,000)
Total other financing sources (uses)	100,000	100,000	(530,000)	(630,000)
Net change in fund balances	\$ -	\$ (86,335)	\$ 1,311,709	\$ 1,398,044

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, 2021

	Budgeted Amounts			Variance with Final Budget - Favorable (Unfavorable)
	Original	Final	Actual	
REVENUES				
Revenue from use of money and property	\$ 82,500	\$ 82,500	\$ 7,522	\$ (74,978)
Charges for services	1,799,126	1,799,126	346,110	(1,453,016)
Miscellaneous	-	-	96,137	96,137
Gifts and contributions	177,000	177,000	109,737	(67,263)
Intergovernmental:				
Payments from City	107,500	107,500	107,500	-
Total revenues	2,166,126	2,166,126	667,006	(1,499,120)
EXPENDITURES				
Current:				
Education	2,114,626	2,114,626	767,664	1,346,962
Capital outlay	96,500	96,500	-	96,500
Total expenditures	2,211,126	2,211,126	767,664	1,443,462
Excess (deficiency) of revenues over expenditures	(45,000)	(45,000)	(100,658)	(55,658)
OTHER FINANCING USES (SOURCES)				
Transfers out	(133,000)	(133,000)	-	133,000
Total other financing uses (sources)	(133,000)	(133,000)	-	133,000
Net change in fund balances	\$ (178,000)	\$ (178,000)	\$ (100,658)	\$ 77,342

CITY OF FALLS CHURCH, VIRGINIA

DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - SCHOOL FOOD SERVICE FUND
Year Ended June 30, 2021

	Budgeted Amounts			Variance with Final Budget - Favorable (Unfavorable)
	Original	Final	Actual	
REVENUES				
Revenue from use of money and property	\$ 1,000	\$ 1,000	\$ 210	\$ (790)
Charges for services	851,100	851,100	76,104	(774,996)
Miscellaneous	1,000	1,000	-	(1,000)
Intergovernmental:				
Federal	112,500	112,500	506,123	393,623
Commonwealth	8,000	8,000	3,244	(4,756)
Total revenues	973,600	973,600	585,681	(387,919)
EXPENDITURES				
Current:				
Education	1,103,600	1,103,600	873,287	230,313
Total expenditures	1,103,600	1,103,600	873,287	230,313
Excess (deficiency) of revenues over expenditures	(130,000)	(130,000)	(287,606)	(157,606)
OTHER FINANCING USES				
Transfers in	30,000	30,000	530,000	500,000
Total other financing uses	30,000	30,000	530,000	500,000
Net change in fund balances	\$ (100,000)	\$ (100,000)	\$ 242,394	\$ 342,394

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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.

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CITY OF FALLS CHURCH, VIRGINIA
DISCRETELY PRESENTED COMPONENT UNIT - ECONOMIC DEVELOPMENT AUTHORITY
BALANCE SHEET - GOVERNMENTAL FUND
June 30, 2021

ASSETS

Cash and investments	\$ 495,808
Accounts receivable	13,613
Due from primary government	<u>250,000</u>
Total assets	<u><u>\$ 759,421</u></u>

LIABILITIES

Accounts payable and other liabilities	<u>\$ 250,749</u>
Total liabilities	<u>250,749</u>

FUND BALANCE

Assigned	<u>508,672</u>
Total fund balance	<u>508,672</u>
Total liabilities and fund balance	<u><u>\$ 759,421</u></u>

CITY OF FALLS CHURCH, VIRGINIA

DISCRETELY PRESENTED COMPONENT UNIT - ECONOMIC DEVELOPMENT AUTHORITY
RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2021

Total Fund Balance - Governmental Funds		\$ 508,672
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources, and, therefore, are not reported in the funds.		
Nondepreciable	\$ 685,560	
Depreciable, net	<u>238,918</u>	
		<u>924,478</u>
Total Net Position - Governmental Activities		<u><u>\$ 1,433,150</u></u>

SCHEDULE 17**CITY OF FALLS CHURCH, VIRGINIA**

DISCRETELY PRESENTED COMPONENT UNIT - ECONOMIC DEVELOPMENT AUTHORITY
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUND
Year Ended June 30, 2021

REVENUES

Use of money and property	\$ 22,065
Payments from City	529,100
Gifts and donations	4,000
Miscellaneous	13,613
	<hr/>
Total revenue	568,778
	<hr/>

EXPENDITURES

Current:

Economic development	346,038
Capital outlay	932,137
	<hr/>
Total expenditures	1,278,175
	<hr/>
Deficiency of expenditures over revenues	(709,397)
	<hr/>
Net change in fund balance	(709,397)

FUND BALANCE AT JULY 1

1,218,069**FUND BALANCE AT JUNE 30**

\$ 508,672

CITY OF FALLS CHURCH, VIRIGNIA
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, 2021

Net Change in Fund Balance - Governmental Funds \$ (709,397)

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.

Capital outlays	928,527	
Depreciation expense	(4,049)	
	924,478	924,478

Change in Net Position - Governmental Activities \$ 215,081

STATISTICAL SECTION

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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

These tables contain financial trend information to help the reader understand how the government's financial performance and well-being have changed over time. 150-154

Revenue Capacity – Tables 5 – 8

These tables contain information to help the reader assess the government's most significant local revenue source, real estate and personal property taxes. 155-158

Debt Capacity – Tables 9 – 11

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. 159-161

Demographic and Economic Information – Tables 12 – 13

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place 162-163

Operating Information – Tables 14 – 16

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 164-167

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

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TABLE 1

CITY OF FALLS CHURCH, VIRGINIA

NET POSITION BY COMPONENT

Last Ten Fiscal Years

(accrual basis of accounting)

(unaudited)

	2021	2020	2019**	2018	2017	2016	2015*	2014	2013	2012
Governmental activities										
Net investment in capital assets	\$ 65,320,324	\$ 67,833,215	\$ 61,809,131	\$ 48,269,980	\$ 41,537,609	\$ 38,820,954	\$ 36,184,034	\$ 38,525,915	\$ 39,248,950	\$ 31,282,109
Restricted	20,290,406	17,994,576	10,282,371	8,563,128	1,167,594	425,551	758,208	12,342,829	390,112	110,929
Unrestricted	32,363,230	33,045,450	34,735,298	38,477,078	51,092,020	49,025,639	47,032,297	30,793,497	12,666,836	15,584,623
Total governmental activities net position	<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>	<u>\$ 83,974,539</u>	<u>\$ 81,662,241</u>	<u>\$ 52,305,898</u>	<u>\$ 46,977,661</u>
Business-type activities										
Net investment in capital assets	\$ 21,221,376	\$ 19,646,688	\$ 14,674,620	\$ 12,463,534	\$ 12,247,022	\$ 11,597,722	\$ 12,134,206	\$ 10,278,011	\$ 75,135,994	\$ 71,450,170
Restricted	643,109	577,129	441,735	348,515	-	-	-	-	-	-
Unrestricted	13,381,320	13,562,151	14,477,470	15,209,915	14,059,299	11,667,833	7,225,779	7,024,540	35,310,238	30,167,055
Total business-type activities net position	<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>	<u>\$ 19,359,985</u>	<u>\$ 17,302,551</u>	<u>\$ 110,446,232</u>	<u>\$ 101,617,225</u>
Primary government										
Net investment in capital assets	\$ 86,541,700	\$ 87,479,903	\$ 76,483,751	\$ 60,733,514	\$ 53,784,631	\$ 50,418,676	\$ 48,318,240	\$ 48,803,926	\$ 114,384,944	\$ 102,732,279
Restricted	20,933,515	18,571,705	10,724,106	8,911,643	1,167,594	425,551	758,208	12,342,829	390,112	110,929
Unrestricted	45,744,550	46,607,601	49,212,768	53,686,993	65,151,319	60,693,472	54,258,076	37,818,037	47,977,074	45,751,678
Total primary government net position	<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>	<u>\$ 103,334,524</u>	<u>\$ 98,964,792</u>	<u>\$ 162,752,130</u>	<u>\$ 148,594,886</u>

Notes:

The City restated net position as of June 30, 2010, 2013, 2014, 2015, 2017, and 2018. The restatements are not included in the prior data.

*GASB Statement No. 68 was adopted in fiscal year 2015.

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

TABLE 2

CITY OF FALLS CHURCH, VIRGINIA

CHANGES IN NET POSITION BY COMPONENT

Last Ten Fiscal Years

(accrual basis of accounting)

(unaudited)

	2021	2020	2019**	2018	2017	2016	2015*	2014	2013	2012
Expenses										
Governmental activities										
General government	\$ 7,857,170	\$ 6,506,295	\$ 6,759,570	\$ 6,830,072	\$ 7,093,808	\$ 6,909,252	\$ 6,702,227	\$ 6,002,133	\$ 5,367,731	\$ 4,788,719
Judicial administration	1,849,656	1,862,314	1,785,143	2,056,960	2,313,556	2,068,457	2,004,502	2,010,133	1,873,922	1,610,517
Public safety	9,510,699	10,042,113	10,831,092	11,441,556	11,376,143	11,411,724	10,833,749	10,908,109	9,788,047	9,434,025
Public works	7,228,170	5,645,614	5,885,225	6,841,110	7,084,612	7,872,682	6,507,428	6,648,977	6,285,870	5,336,869
Health and welfare	3,384,583	2,482,283	2,346,246	2,678,982	2,261,565	2,161,544	2,064,532	2,021,528	2,218,700	2,003,105
Education and payments to schools	46,990,686	45,638,880	44,801,558	42,836,993	41,479,234	40,197,569	38,558,239	35,381,445	32,035,481	29,064,131
Parks, recreation, and cultural	4,598,173	4,439,119	5,606,037	5,372,211	5,339,143	5,044,608	4,970,253	4,892,129	4,603,123	4,392,338
Community development	4,601,130	4,889,246	3,990,673	3,757,139	2,676,887	2,276,387	2,053,265	3,486,360	3,307,046	1,745,896
Economic development	877,182	455,154	296,976	267,549	453,829	457,658	396,685	353,517	314,171	323,036
Interest	5,388,538	4,959,807	2,167,112	1,718,404	1,580,885	1,791,263	1,800,681	1,501,342	1,116,712	1,278,045
Total governmental activities	\$ 92,285,987	\$ 86,920,825	\$ 84,469,632	\$ 83,800,976	\$ 81,659,662	\$ 80,191,144	\$ 75,891,561	\$ 73,205,673	\$ 66,910,803	\$ 59,976,681
Business-type activities										
Water	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,885,901	\$ 20,930,432	\$ 19,271,724
Sewer	3,355,839	3,266,935	3,258,103	3,140,822	3,146,582	2,872,497	3,126,518	2,805,228	2,546,447	2,887,321
Storm water	1,587,658	1,609,387	1,414,356	1,149,089	1,315,994	1,310,670	1,240,370	1,185,304	-	-
Total business-type activities expense	4,943,497	4,876,322	4,672,459	4,289,911	4,462,576	4,183,167	4,366,888	17,876,433	23,476,879	22,159,045
Total primary government expenses	\$ 97,229,484	\$ 91,797,147	\$ 89,142,091	\$ 88,090,887	\$ 86,122,238	\$ 84,374,311	\$ 80,258,449	\$ 91,082,106	\$ 90,387,682	\$ 82,135,726
Program revenues										
Governmental activities										
Charges for services										
Parks and recreation	\$ 1,085,435	\$ 878,419	\$ 2,129,444	\$ 2,076,168	\$ 2,029,253	\$ 2,030,695	\$ 1,988,182	\$ 1,925,368	\$ 1,895,540	\$ 1,784,380
Judicial administration	454,160	1,083,386	1,026,814	890,898	697,794	986,955	997,514	1,067,969	990,687	1,106,413
Public safety	936,544	2,035,121	2,012,631	1,339,397	979,683	1,320,831	1,656,508	2,021,982	1,158,033	1,054,488
Other activities	765,389	959,697	1,048,771	930,109	641,851	577,572	896,479	936,543	1,050,301	957,930
Operating grants and contributions	2,898,629	3,295,493	2,573,333	2,319,112	3,046,976	2,511,069	2,174,784	3,756,117	3,470,652	2,133,526
Capital grants and contributions	4,377,526	4,800,676	2,765,794	4,256,317	3,464,841	4,286,565	1,591,495	1,276,720	569,648	807,771
Total governmental activities program revenues	\$ 10,517,683	\$ 13,052,792	\$ 11,556,787	\$ 11,812,001	\$ 10,860,398	\$ 11,713,687	\$ 9,304,962	\$ 10,984,699	\$ 9,134,861	\$ 7,844,508
Business-type activities										
Charges for services										
Water	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,017,794	\$ 24,363,306	\$ 22,770,417
Sewer	4,154,578	5,555,833	4,377,024	4,389,685	5,710,832	6,198,048	3,898,179	3,603,322	3,312,868	3,073,519
Storm water	1,675,101	1,664,388	1,594,293	1,575,640	1,595,168	1,571,696	1,540,980	764,451	-	-
Capital grants and contributions	584,245	1,335,763	-	18,750	-	103,500	865,968	328,214	4,255,493	1,496,722
Total business-type activities program revenues	\$ 6,413,924	\$ 8,555,984	\$ 5,971,317	\$ 5,984,075	\$ 7,306,000	\$ 7,873,244	\$ 6,305,127	\$ 18,713,781	\$ 31,931,667	\$ 27,340,658
Total primary government program revenues	\$ 16,931,607	\$ 21,608,776	\$ 17,528,104	\$ 17,796,076	\$ 18,166,398	\$ 19,586,931	\$ 15,610,089	\$ 29,698,480	\$ 41,066,528	\$ 35,185,166
Net (expense) revenue										
Governmental activities	\$ (81,768,304)	\$ (73,868,033)	\$ (72,912,845)	\$ (71,988,975)	\$ (70,799,264)	\$ (68,477,457)	\$ (66,586,599)	\$ (62,220,974)	\$ (57,775,942)	\$ (52,132,173)
Business-type activities	1,470,427	3,679,662	1,298,858	1,694,164	2,843,424	3,690,077	1,938,239	837,348	8,454,788	5,181,613
Total primary government net expense	\$ (80,297,877)	\$ (70,188,371)	\$ (71,613,987)	\$ (70,294,811)	\$ (67,955,840)	\$ (64,787,380)	\$ (64,648,360)	\$ (61,383,626)	\$ (49,321,154)	\$ (46,950,560)

(Continued)

TABLE 2
(Continued)

CITY OF FALLS CHURCH, VIRGINIA

CHANGES IN NET POSITION BY COMPONENT

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

	2021	2020	2019**	2018	2017	2016	2015*	2014	2013	2012
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
General property taxes	\$ 65,679,216	\$ 63,779,982	\$ 62,045,603	\$ 53,258,669	\$ 50,699,679	\$ 48,693,996	\$ 45,947,755	\$ 44,777,426	\$ 42,216,103	\$ 39,381,606
Personal property	-	-	-	5,825,554	5,372,445	5,037,458	4,577,709	4,602,697	4,258,749	4,156,728
Business licenses, based on gross receipts	4,420,054	4,201,281	4,629,217	4,181,701	4,110,102	3,973,548	3,722,282	3,545,053	3,374,891	3,259,871
Local sales and use	6,009,026	5,561,524	5,172,399	4,703,523	4,603,600	4,209,733	4,003,421	3,778,221	3,737,117	3,899,279
Consumer's utility	1,981,133	2,018,975	2,123,278	2,266,303	2,149,523	2,146,829	2,231,129	2,183,795	2,142,459	2,102,986
Motor vehicle decals	332,985	327,412	350,424	344,563	347,080	336,404	333,921	311,704	313,245	319,335
Real estate recordation taxes	801,928	457,573	523,282	523,816	475,481	391,911	487,332	483,192	602,651	475,057
Occupancy, tobacco, and other	5,182,342	5,050,189	5,898,941	5,842,109	5,420,378	5,166,228	5,044,324	4,682,907	3,867,148	3,833,289
Intergovernmental, non-categorical aid	4,233,575	2,411,403	2,020,878	2,020,878	2,020,878	2,139,708	2,139,070	2,139,198	2,020,878	2,020,878
Use of money and property	463,359	2,039,021	1,427,748	726,327	444,740	482,608	276,177	142,860	141,673	105,827
Miscellaneous	28,328	67,114	2,689	218,328	85,651	189,863	96,229	99,286	279,265	229,637
Capital contribution	-	-	-	-	-	-	-	252,000	-	-
Special item: Gain (loss) on sales of capital assets	(7,446,927)	-	235,000	-	594,786	(49,390)	34,062	1,817,968	-	-
Transfers	-	-	-	-	-	64,517	89,490	23,091,228	150,000	150,000
Total governmental activities	<u>\$ 81,685,019</u>	<u>\$ 85,914,474</u>	<u>\$ 84,429,459</u>	<u>\$ 79,911,771</u>	<u>\$ 76,324,343</u>	<u>\$ 72,783,413</u>	<u>\$ 68,982,901</u>	<u>\$ 91,907,535</u>	<u>\$ 63,104,179</u>	<u>\$ 59,934,493</u>
Business-type activities:										
Use of money and property	\$ 35,972	\$ 342,492	\$ 393,340	\$ 96,278	\$ 35,492	\$ 93,405	\$ 8,240	\$ 136,819	\$ 319,150	\$ 281,920
Miscellaneous	3,150	-	-	12,916	24,287	192	-	(32,638)	59,428	74,474
Special item: Loss from sale of water fund	-	-	-	-	-	-	-	(68,652,061)	-	-
Transfers	-	-	-	-	-	(64,517)	(89,490)	(25,156,556)	(150,000)	(150,000)
Total business-type activities	<u>\$ 39,122</u>	<u>\$ 342,492</u>	<u>\$ 393,340</u>	<u>\$ 109,194</u>	<u>\$ 59,779</u>	<u>\$ 29,080</u>	<u>\$ (81,250)</u>	<u>\$ (93,704,436)</u>	<u>\$ 228,578</u>	<u>\$ 206,394</u>
Total primary government	<u>\$ 81,724,141</u>	<u>\$ 86,256,966</u>	<u>\$ 84,822,799</u>	<u>\$ 80,020,965</u>	<u>\$ 76,384,122</u>	<u>\$ 72,812,493</u>	<u>\$ 68,901,651</u>	<u>\$ (1,796,901)</u>	<u>\$ 63,332,757</u>	<u>\$ 60,140,887</u>
Changes in Net Position										
Governmental activities	\$ (83,285)	\$ 12,046,441	\$ 11,516,614	\$ 7,922,796	\$ 5,525,079	\$ 4,305,956	\$ 2,396,302	\$ 29,686,561	\$ 5,328,237	\$ 7,802,320
Business-type activities	1,509,549	4,022,154	1,692,198	1,803,358	2,903,203	3,719,157	1,856,989	(92,867,088)	8,683,366	5,388,007
Total primary government	<u>\$ 1,426,264</u>	<u>\$ 16,068,595</u>	<u>\$ 13,208,812</u>	<u>\$ 9,726,154</u>	<u>\$ 8,428,282</u>	<u>\$ 8,025,113</u>	<u>\$ 4,253,291</u>	<u>\$ (63,180,527)</u>	<u>\$ 14,011,603</u>	<u>\$ 13,190,327</u>

Notes:

The City restated net position as of June 30, 2010, 2013, 2014, 2015, 2017, 2018, 2019, 2020, and 2021. The restatements are not included in the prior data.

*GASB Statement No. 68 was adopted in fiscal year 2015.

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

TABLE 3

CITY OF FALLS CHURCH, VIRGINIA

FUND BALANCES - GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(modified accrual basis of accounting)

(unaudited)

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Post-GASB 54 implementation:										
General Fund										
Nonspendable	\$ 126,269	\$ 115,999	\$ 168,376	\$ 197,513	\$ 265,013	\$ 201,779	\$ 192,141	\$ 199,581	\$ 268,619	\$ 280,819
Restricted	1,423,696	1,312,217	326,466	923,689	1,167,594	425,551	758,208	560,413	159,715	110,929
Committed	5,897,636	11,578,757	12,361,699	11,311,699	10,566,999	11,909,590	13,840,859	3,761,859	1,418,300	-
Assigned	2,711,880	3,143,112	5,073,794	2,609,806	2,430,164	1,582,296	2,251,649	24,788,434	595,253	760,861
Unassigned	20,393,237	17,376,544	16,274,836	16,191,209	14,993,614	15,336,497	14,301,563	13,508,494	14,821,921	13,716,496
Total general fund	<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>	<u>\$ 31,344,420</u>	<u>\$ 42,818,781</u>	<u>\$ 17,263,808</u>	<u>\$ 14,869,105</u>
All Other Governmental Funds										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 289,267	\$ -	\$ -	\$ -
Restricted	14,345,491	69,721,089	21,733,440	19,888,673	15,067,259	17,529,237	17,029,510	12,639,104	1,990,159	7,519,397
Committed	506,064	1,207,618	2,751,547	9,015,129	11,557,405	7,627,932	5,394,834	2,723,547	1,374,466	856,344
Total all other governmental funds	<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>	<u>\$ 22,713,611</u>	<u>\$ 15,362,651</u>	<u>\$ 3,364,625</u>	<u>\$ 8,375,741</u>

TABLE 4

CITY OF FALLS CHURCH, VIRGINIA

CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(modified accrual basis of accounting)

(unaudited)

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Revenues										
General property taxes	\$ 65,601,444	\$ 63,522,205	\$ 62,075,834	\$ 59,073,580	\$ 56,233,419	\$ 53,951,291	\$ 50,587,189	\$ 49,289,149	\$ 46,405,519	\$ 43,870,383
Other local taxes	18,765,012	17,760,400	18,574,708	17,833,994	17,161,462	16,194,923	15,884,467	15,031,665	14,068,000	13,868,919
Permits, fees, and licenses	1,087,162	2,282,634	2,011,442	1,264,495	1,036,162	1,211,625	1,543,975	1,677,603	916,677	634,184
Fines and forfeitures	203,980	319,927	716,683	514,936	490,773	623,251	662,700	777,485	672,757	763,353
Charges for services	463,983	2,478,972	3,643,258	3,357,278	2,708,257	2,997,544	3,149,616	2,819,182	3,107,315	2,844,768
Use of money and property	2,402,545	2,040,719	1,433,641	726,327	444,740	482,609	275,503	142,860	141,673	105,827
Miscellaneous	98,362	272,815	78,752	76,623	74,667	92,794	145,705	107,966	265,161	204,908
Gifts and contributions	185,000	202,851	580,908	211,161	1,762,314	2,096,774	732,555	148,492	313,575	218,930
Recovered costs	182,840	248,933	318,002	319,362	376,684	370,918	492,274	477,639	509,488	540,765
Intergovernmental:										
Commonwealth	6,774,926	8,912,512	5,108,652	6,563,134	5,413,953	5,655,194	4,497,255	5,882,944	5,093,110	3,913,214
Federal	4,511,639	1,198,682	1,682,625	1,837,637	814,822	922,939	677,457	1,140,608	776,311	896,997
Payment from schools	-	-	-	-	235,100	-	-	-	-	-
Total revenues	\$ 100,276,893	\$ 99,240,650	\$ 96,224,505	\$ 91,778,527	\$ 86,752,353	\$ 84,599,862	\$ 78,648,696	\$ 77,495,593	\$ 72,269,586	\$ 67,862,248
Expenditures										
General government	\$ 6,930,260	\$ 7,038,815	\$ 7,167,412	\$ 6,908,253	\$ 6,595,540	\$ 6,858,045	\$ 6,569,485	\$ 5,797,523	\$ 5,240,051	\$ 4,439,532
Judicial administration	1,838,522	1,997,071	2,044,550	2,093,560	2,159,891	2,112,412	2,147,174	1,968,347	1,820,027	1,594,048
Public safety	10,134,571	10,495,419	10,876,004	11,409,320	11,308,852	12,071,602	11,187,199	10,775,667	9,731,518	9,389,094
Public works	5,626,721	5,846,848	5,609,696	5,884,953	5,415,516	5,841,732	5,285,860	5,628,283	5,759,636	5,266,144
Health and welfare	3,382,628	2,553,157	2,420,572	2,672,200	2,211,781	2,166,326	2,233,258	2,100,636	2,263,633	1,992,565
Parks, recreation, and cultural	4,076,302	4,449,776	4,879,430	4,991,289	4,883,003	4,794,740	4,831,460	4,573,151	4,323,040	4,100,421
Community development	4,507,619	5,028,954	4,146,368	3,442,634	3,231,194	2,311,668	2,073,612	3,486,346	3,324,309	1,754,043
Education	43,219,249	43,396,814	42,351,898	41,181,003	39,848,512	38,554,169	36,889,734	33,801,767	30,426,504	27,685,031
Economic development	888,223	491,987	328,600	265,242	437,004	460,337	420,937	351,837	308,788	321,839
Capital outlay	64,347,899	67,690,376	29,815,579	25,119,075	4,536,405	7,773,871	7,755,174	7,035,360	7,533,141	1,197,634
Debt service:										
Principal retirement	7,884,694	5,825,502	6,205,522	4,808,130	4,557,831	4,053,392	3,422,300	3,317,300	3,155,583	2,426,259
Interest and fiscal charges	6,582,150	2,784,091	2,061,436	1,868,052	1,746,848	1,872,349	1,777,290	1,219,100	1,149,770	1,649,369
Total expenditures	\$ 159,418,838	\$ 157,598,810	\$ 117,907,067	\$ 110,643,711	\$ 86,932,377	\$ 88,870,643	\$ 84,593,483	\$ 80,055,317	\$ 75,036,000	\$ 61,815,979
Excess of revenues over (under) expenditures	\$ (59,141,945)	\$ (58,358,160)	\$ (21,682,562)	\$ (18,865,184)	\$ (180,024)	\$ (4,270,781)	\$ (5,944,787)	\$ (2,559,724)	\$ (2,766,414)	\$ 6,046,269
Other Financing Sources (Uses)										
Premium on issuance of bonds	\$ -	\$ 5,733,338	\$ -	\$ -	\$ 1,010,000	\$ -	\$ 612,326	\$ 1,562,498	\$ -	\$ 909,336
Payment to refunded bond escrow agent	(9,861,694)	(20,000,000)	-	-	-	-	-	-	-	(17,437,909)
Proceeds from borrowing	-	-	-	-	-	4,667,852	10,400,000	15,890,000	-	-
Proceeds from capital leases	-	-	-	-	-	69,065	-	2,887,859	-	-
Proceeds from sale of assets	10,056	-	235,000	136,001	605,189	88,715	8,386	-	-	-
Issuance of debt	9,942,520	118,390,000	20,000,000	22,818,855	-	-	-	-	-	24,120,000
Transfers in	5,493,392	15,495,989	3,830,564	3,052,520	4,440,560	2,089,514	2,630,650	23,449,213	2,183,076	150,000
Transfers out	(5,493,392)	(15,495,989)	(3,830,564)	(3,052,520)	(4,440,560)	(2,089,514)	(2,630,650)	(3,676,847)	(2,033,076)	-
Contribution of water proceeds to pensions	-	-	-	-	-	-	(9,200,000)	-	-	-
Total other financing sources (uses)	\$ 90,882	\$ 104,123,338	\$ 20,235,000	\$ 22,954,856	\$ 1,615,189	\$ 4,825,632	\$ 1,820,712	\$ 40,112,723	\$ 150,000	\$ 7,741,427
Net change in fund balances	\$ (59,051,063)	\$ 45,765,178	\$ (1,447,562)	\$ 4,089,672	\$ 1,435,165	\$ 554,851	\$ (4,124,075)	\$ 37,552,999	\$ (2,616,414)	\$ 13,787,696
Debt service as a percentage of noncapital expenditures:	15.22%	9.58%	9.38%	7.81%	7.65%	7.31%	6.77%	6.21%	6.38%	6.72%

Notes:

Beginning in 2011, administrative costs charged to the Water Fund and Sewer Fund are classified as reduction in expenditures. In prior years, they were classified as revenues.

TABLE 5

CITY OF FALLS CHURCH, VIRGINIA

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				
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
2015	2,601,492,400	960,458,253	110,351,553	31,546,003	3,703,848,209	1.44	3,703,848,209	100.00
2014	2,518,781,400	941,171,964	108,271,948	34,045,965	3,602,271,277	1.44	3,602,271,277	100.00
2013	2,399,553,800	900,448,054	104,900,347	32,764,812	3,437,667,013	1.43	3,437,667,013	100.00
2012	2,318,995,150	869,503,840	99,424,184	29,155,268	3,317,078,442	1.41	3,317,078,442	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

DIRECT PROPERTY TAX RATES

Last Ten Fiscal Years

(unaudited)

<u>Year</u>	<u>Real Property (1st half of the Fiscal Year)</u>	<u>Real Property (2nd Half of the Fiscal Year)</u>	<u>Personal Property</u>	<u>Total Direct Rate (1)</u>
2020	\$ 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
2015	1.305	1.305	4.84	1.44
2014	1.305	1.305	4.84	1.44
2013	1.270	1.305	4.84	1.43
2012	1.270	1.270	4.84	1.41

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

TABLE 7

CITY OF FALLS CHURCH VIRGINIA

PRINCIPAL PROPERTY TAXPAYERS

Current Year and Ten Years Ago

(unaudited)

Taxpayer	2021			2012		
	Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Falls Church Owner LLC	\$ 119,387,800	1	2.76 %			%
SHF II Pearson Square, LLC	96,748,300	2	2.16			
TMW Pearson Square, LLC			-	\$ 77,088,200	1	2.39
Falls Church Country Club (Apartments)			-	69,432,300	2	2.15
Falls Church DVMT Partners LLC	78,230,700	3	1.75			
April Lane Associates JV - Tinner Hill	76,890,100	4	1.75			
Eden Center, Inc.	60,186,200	5	1.34	51,217,100	3	1.59
Federal Realty Investment Trust	53,455,300	6	1.19	19,147,300	9	0.59
Morguard Falls Church LLC	41,946,100	7	0.94			
Founders Row Holdings, LLC	39,249,100	8			5	0.93
BJ'S GL I, LLC & II, LLC	33,144,200	9	0.74	30,175,000		
Washreit Roosevelt Towers LLC	31,719,500	10	0.71			
Aimco Merrill House, LLC			-	20,406,100	8	0.63
Waterford Falls Church II LLC			-	32,141,200	4	1.00
Koons, James			-	24,796,800	6	0.77
West Falls Parcel, Inc.			-	20,846,000	7	0.65
Kahn B Franklin et al			-	18,854,000	10	0.58
Totals	<u>\$ 630,957,300</u>		<u>13.34 %</u>	<u>\$ 364,104,000</u>		<u>11.28 %</u>

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. FY2021 revenues are based on the assessments as of January 1, 2020.

TABLE 8

CITY OF FALLS CHURCH, VIRGINIA
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
2021	\$ 65,572,951	\$ 64,591,819	98.50 %	\$ -	\$ 64,591,819	98.50 %
2020	63,757,167	59,011,190	92.56	4,542,555.00	63,553,745	99.68
2019	61,968,001	61,452,683	99.17	434,450.00	61,887,133	99.87
2018	58,903,976	58,364,540	99.08	453,447.00	58,817,987	99.85
2017	56,026,723	55,298,718	98.70	660,511	55,959,229	99.88
2016	53,441,110	52,681,973	98.58	694,515	53,376,488	99.88
2015	50,737,452	49,637,858	97.83	1,024,767	50,662,625	99.85
2014	49,403,576	48,431,361	98.03	908,978	49,340,339	99.87
2013	46,554,891	45,686,242	98.13	801,131	46,487,373	99.85
2012	44,293,509	43,620,632	98.48	611,233	44,231,865	99.86

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.

TABLE 9

CITY OF FALLS CHURCH, VIRGINIA
RATIOS OF OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years
(unaudited)

Fiscal Year	Governmental Activities				Business-type Activities				Total Primary Government	Percentage of Personal Income (1)	Debt Per Capita
	General Obligation Bonds	Bond Premiums and Discounts	General Obligation Notes	Capital Leases	General Obligation Bonds	Bond Premiums and Discounts	Note Payable*	Revenue Bonds			
2021	\$ 167,449,365	\$ 7,009,904	\$ -	\$ 531,663	\$ 12,197,111	\$ 247,246	\$ -	\$ -	\$ 187,435,289	N/A %	\$ 12,787
2020	174,431,539	8,388,479	330,009	705,947	12,646,032	359,618	-	-	196,861,624	N/A	13,737
2019	61,859,233	3,032,273	20,658,380	738,020	12,616,245	288,204	-	-	99,192,355	N/A	6,922
2018	68,043,928	3,274,841	985,119	262,087	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
2015	54,035,000	2,724,506	735,378	277,354	9,097,085	487,785	2,662,896	2,077,008	72,097,012	0.08	5,083
2014	47,057,300	2,282,095	1,105,320	-	8,120,647	458,541	2,876,161	2,243,020	64,143,084	0.07	4,744
2013	34,484,600	839,287	-	-	23,043,537	434,421	6,435,017	2,404,161	67,641,023	0.08	5,080
2012	37,640,183	913,058	-	-	23,902,864	779,642	6,979,830	2,482,949	72,698,526	0.08	5,609
2011	32,039,513	754,123	-	-	25,298,037	724,786	7,842,215	2,712,398	69,371,072	0.09	5,520

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

N/A There is no census data available for personal income.

* The City restated net position as of June 30, 2013, 2014, 2015, 2017, 2018, 2019, 2020, and 2021. The restatements are not included in the prior data.

TABLE 10

CITY OF FALLS CHURCH, VIRGINIA

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
2021	\$ 186,903,626	\$ -	\$ 186,903,626	\$ 4.03 %	12,751
2020	195,825,668	330,009	195,495,659	4.37	13,641
2019	77,795,955	20,658,380	57,137,575	1.32	3,987
2018	85,351,435	985,119	84,366,316	2.01	5,834
2017	67,941,830	-	67,941,830	1.68	4,761
2016	68,172,055	368,587	67,803,468	1.74	4,801
2015	66,344,376	735,378	65,608,998	1.77	4,626
2014	57,918,583	1,105,320	56,813,263	1.58	4,202
2013	58,801,845	-	58,801,845	1.71	4,416
2012	63,235,747	-	63,235,747	1.91	4,879

CITY OF FALLS CHURCH VIRGINIA

TABLE 11

LEGAL DEBT MARGIN INFORMATION
Last Ten Fiscal Years
(unaudited)

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Debt limit	\$ 447,969,159	\$ 431,321,530	\$ 417,127,480	\$ 403,371,640	\$ 389,163,914	\$ 375,507,150	\$ 351,883,470	\$ 357,216,255	\$ 334,774,418	\$ 325,124,867
Total net debt applicable to limit	187,435,289	196,861,624	98,901,877	83,015,135	65,640,660	68,428,875	84,869,725	58,054,108	63,963,154	68,522,877
Legal debt margin	<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>	<u>\$ 267,013,745</u>	<u>\$ 299,162,147</u>	<u>\$ 270,811,264</u>	<u>\$ 256,601,990</u>
Total net debt applicable to the limit as a percentage of debt limit	41.84%	45.64%	23.71%	20.58%	16.87%	18.22%	24.12%	16.25%	19.11%	21.08%

Legal Debt Margin Calculation for Fiscal Year 2021

Assessed value	\$ 4,479,691,587
Debt limit (10% of assessed value)	447,969,159
Less debt applicable to limit:	
General obligation bonds	186,903,626
Capital leases	531,663
Notes payable	-
Total net debt applicable to limit	<u>187,435,289</u>
Legal debt margin	<u>\$ 260,533,870</u>

CITY OF FALLS CHURCH, VIRGINIA

DEMOGRAPHIC STATISTICS

Last Ten Calendar Years

(unaudited)

Fiscal Year	Population (1)	Personal Income (2)	Per Capita Personal Income (3)	Median Age (4)	School Enrollment(5)	Unemployment Rate (6)
2021	14,658	\$ N/A	\$ N/A	N/A	2,516	3.20 %
2020	14,331	N/A	N/A	N/A	2,661	4.80
2019	14,331	N/A	N/A	N/A	2,645	2.20
2018	14,460	98,116,827	82,441	38.8	2,698	2.40
2017	14,269	92,981,699	78,430	39.7	2,670	2.90
2016	14,123	90,673,370	76,787	38.9	2,509	3.00
2015	14,183	89,703,010	76,185	37.7	2,456	3.30
2014	13,522	86,175,634	73,445	36.7	2,421	4.00
2013	13,315	81,931,368	70,109	37.0	2,272	4.40
2012	12,960	83,884,084	72,533	36.9	2,178	4.40
2011	12,567	79,950,649	70,223	38.8	2,079	4.60

Sources:

(1) Source: Years 2011-2018 are based on Weldon Cooper Center for Public Service estimate; numbers are estimates as of July 1. 2020 numbers are shown at 2019 levels.

(2) Source: US Department of Commerce, Bureau of Economic Analysis for Fairfax, Fairfax City & Falls Church. 2018 and 2019 data not yet available.

(3) Source: U.S. Census Bureau American Community Survey 5-Year Estimates

(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.

TABLE 13

CITY OF FALLS CHURCH, VIRGINIA

PRINCIPAL EMPLOYERS
Current Year and Nine Years Ago
(unaudited)

Employer	2021			2012		
	Employees	Rank	Percentage of Total City Employment (2)	Employees	Rank	Percentage of Total City Employment
Falls Church City Schools	564	1	7.70 %	529	1	7.11 %
Falls Church City Government	295	2	3.67	312	2	4.19
Kaiser Permanente	286	3	3.55	260	3	3.49
Markon Solutions	242	4	3.01			
Koon's Ford	180	5	2.24	175	5	2.35
Tax Analysts	174	6	2.16	200	4	2.69
VL Home Health Care, Inc	160	7	1.99	160	6	2.15
Giant Food Store	100	8	-	126	9	1.69
Harris Teeter	150	9	1.86			
Don Beyer Volvo	113	10	1.40			
BG Healthcare Services				150	7	2.02
Care Options				130	8	1.75
BJ's Wholesale Club				125	10	1.68
Total	<u>2,264</u>		<u>27.58 %</u>	<u>2,167</u>		<u>29.12 %</u>

Source: Finance and Economic Development Office

Total employment estimate of 8,047 for June 2021 and 7,443 for June 2012 from Virginia Employment Commission.

TABLE 14

CITY OF FALLS CHURCH, VIRGINIA

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM

Last Ten Fiscal Years

(unaudited)

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Function/Program										
General government	51.15	48.65	48.20	48.65	48.65	46.90	45.74	39.74	37.90	35.55
Judicial administration	15.85	15.73	15.23	15.23	14.23	13.73	13.61	13.61	13.76	12.76
Public safety	53.75	54.08	50.50	51.50	54.50	54.60	51.60	51.10	51.20	51.20
Public works	30.10	29.05	30.40	32.15	29.60	30.10	29.95	27.65	28.94	28.60
Health and Welfare	4.90	4.90	4.90	4.90	4.80	4.80	4.80	4.80	5.00	5.00
Parks, recreation, and cultural	33.05	32.25	32.25	31.25	31.45	31.25	30.05	29.95	29.95	30.05
Community development	22.00	22.00	20.00	18.00	18.00	16.00	15.90	15.81	15.81	13.81
Economic development	2.00	2.00	2.00	3.00	3.00	3.00	3.00	2.00	2.00	2.00
Water	-	-	-	-	-	-	-	-	57.60	57.85
Sewer	5.85	5.15	4.40	4.40	4.58	4.92	4.50	4.25	4.30	4.30
Storm water	7.05	6.70	6.00	6.30	7.82	7.98	8.65	9.20	-	-
Total	225.70	220.51	213.88	215.38	216.63	213.28	207.80	198.11	246.46	241.12

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

TABLE 15

CITY OF FALLS CHURCH, VIRGINIA										
OPERATING INDICATORS BY FUNCTION/PROGRAM										
Last Ten Fiscal Years (unaudited)										
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Function/Program										
General Government										
Communications										
Number of Media Releases	118	109	121	117	189	236	207	N/A	N/A	167
eFOCUS Newsletter Subscribers	2,262	2,251	1,634	1,263	1,151	1,142	940	N/A	N/A	1,388
Number of Social Media Followers	13,983	12,406	10,921	13,776	12,842	5,347	3,716	N/A	N/A	N/A
Judicial Administration										
Court Services										
Aurora House Recidivism	N/A	0%	0%	7%	8%	10%	10%	0%	0%	0%
Aura House Program Completion	N/A	98%	96%	N/A	100%	93%	100%	90%	98%	83%
Court Services Juvenile Recidivism	N/A	N/A	N/A	N/A	N/A	N/A	6%	5%	9%	10%
Court Services Adult Recidivism	N/A	N/A	N/A	N/A	N/A	N/A	0%	4%	6%	6%
Public safety										
Police										
Part I Crimes (1)	448	589	269	293	286	353	310	303	309	270
Calls for Service	30,244	31,306	43,578	42,921	34,371	31,387	23,574	26,210	27,411	26,189
Accidents	90	96	151	157	169	197	204	182	180	188
Traffic Enforcement	243	1202	2177	2,007	2,346	3,311	3,313	4,749	5,314	5,704
DWI Arrests	40	54	46	34	54	56	97	108	106	127
Inspections										
Plan Review	1,178	995	1,010	1,147	1,028	990	923	821	N/A	666
Stop Work Orders	14	13	9	22	23	24	11	10	N/A	10
Fire Marshal										
Fire Inspections Performed	238	223	N/A	294	287	289	281	186	198	182
Fire Code Violations Cited	591	858	N/A	777	812	997	1,009	359	514	646
Fire Code Permits Issued	233	252	N/A	283	281	267	282	147	123	119
Fires Reported and Investigated	13	9	NA	5	3	9	8	5	7	2
Estimated Fire/Explosion Loss	\$125,000	\$300,000	NA	\$865,000	\$325,000	\$ 120,000	\$ 1,538,000	\$ 1,763,500	\$ 259,500	\$ 13,000
Public works										
Refuse collected (tons)	N/A	N/A	2,289	3,049	2,020	2,073	1,977	2,149	2,073	2,015
Recycling collected (tons)	N/A	N/A	3,479	3,620	3,018	3,091	2,926	2,806	3,364	3,241
Street Resurfacing (miles)	3.60	3.30	N/A	N/A	4.84	5.31	3.50	2.75	2	-
Health and Welfare										
Housing and Human Services										
Information/Referral Contacts	3,000	1,969	2,587	2,709	2,901	3,009	2,396	2,399	2,136	2,459
Education										
Student Membership	2,516	2,661	2,645	2,698	2,670	2,509	2,456	2,421	2,272	2,178

TABLE 15
(Continued)

CITY OF FALLS CHURCH, VIRGINIA

OPERATING INDICATORS BY FUNCTION/PROGRAM
Last Ten Fiscal Years
(unaudited)

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Parks, Recreational and Cultural										
Parks & Recreation										
Special Events	70	115	115	130	124	195	174	172	174	171
Class participants	1,717	3,022	3,284	3,079	3,118	3,146	3,134	3,981	4,065	3,072
Room Reservations (4)	4,073	6,969	6,361	6,351	4,854	6,028	7,035	6,376	6,237	6,455
Tennis Reservations (2)	6,482	3,391	1,260	1,970	831	854	440	1,021	642	922
Youth Sports Participants	1,411	2,454	3,234	3,044	3,104	3,036	3,226	2,677	2,509	2,423
Adult Sports Teams	-	65	73	98	97	96	120	118	114	111
Teen Dance Participants	-	520	455	650	800	400	500	625	750	827
Teen Center Attendance	-	300	500	500	700	700	900	1,300	1,500	1,722
Summer Camps Offered	149	192	287	264	237	263	192	220	274	224
Summer Camp Participants	2,361	4,194	5,349	5,523	5,482	5,689	5,810	5,103	5,432	5,000
Senior Center lunch meals served (3)	-	-	-	-	-	198	792	660	521	519
Library:										
Size of collection (all formats)	141,754	142,053	121,402	153,181	148,955	148,636	144,100	132,031	147,659	146,422
Total circulation of all materials	219,761	366,603	502,695	476,669	501,827	465,687	469,102	461,394	446,563	442,480
Total visits to library (door count)	-	210,000	320,000	313,429	308,393	310,251	325,512	316,430	297,468	307,466
Number of registered borrowers	26,599	34,148	32,314	30,152	27,540	27,413	29,025	28,362	25,914	24,056
Number of website visits/yr	280,967	333,439	356,379	433,909	380,319	566,877	187,993	N/A	226,961	137,342
Number of programs/yr	365	448	713	802	970	738	785	654	554	518
Attendance at programs	4,434	14,142	30,055	36,267	36,598	27,087	28,119	18,924	17,370	15,761
Community development:										
Planning										
Development Inquiries	N/A	N/A	N/A	N/A	N/A	29,802	23,732	N/A	N/A	20,353
Plans Reviewed	22	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	2
Code/Policy Review	13	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Zoning										
Development Inquiries	N/A	N/A	N/A	508	490	492	366	N/A	N/A	N/A
Permits/Plans Reviewed	N/A	445	515	582	593	N/A	N/A	N/A	N/A	708
Urban Forestry										
Development Inquiries	110	91	N/A	153	43	N/A	N/A	N/A	N/A	N/A
Permits/Plans Reviewed	15	29	N/A	49	75	N/A	N/A	N/A	N/A	N/A
Trees Planted/removed/pruned	252	821	N/A	1,079	1,217	1,372	1,372	1,067	708	N/A
Water										
New connection applications	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	74	218
Water main breaks	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	165	93

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 the year.

(3) The Senior Center Meals program was canceled as of August 31, 2015.

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

Library - Librarian

Building permits - City Planner

TABLE 16

CITY OF FALLS CHURCH, VIRGINIA

CAPITAL ASSET STATISTICS BY FUNCTION
Last Ten Fiscal Years
(unaudited)

Function/Program	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
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	1
Court Services Passenger Van	-	-	-	-	-	1	1	1	1	1
Public safety (2)										
Fire Stations (3)	1	1	1	1	1	1	1	1	1	1
Public works										
Streets-Miles/Lane Miles	84	84	84	84	84	73	73	72	32	32
Traffic signals	28	28	28	28	28	28	28	28	29	29
Streetlights	226	226	226	226	226	191	191	198	142	142
Refuse Trucks			-	-	-	-	-	-	-	-
Education										
School Buildings	5	5	5	5	5	5	5	4	4	4
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	13	13	13	13	13
Tennis courts	10	10	10	10	10	10	10	10	10	10
Basketball courts	4	4	4	4	4	5	5	5	5	5
Vehicles	5	5	5	5	5	7	7	7	7	7
Library:										
Library (Facility)	1	1	1	1	1	1	1	1	1	1
Community development:										
Urban Forestry										
Vehicles	4	4	4	4	4	4	4	3	3	3
Water										
Water Mains (Miles)	-	-	-	-	-	-	-	-	502	500
Tanks	-	-	-	-	-	-	-	-	10	10
Pumps	-	-	-	-	-	-	-	-	29	29
Fire Hydrants	-	-	-	-	-	-	-	-	3,286	3,253
Sewer										
Sanitary Sewer Mains (Miles)	47	47	47	47	47	43	43	47	44	44
Sanitary Sewer Manholes	1,280	1,280	1,280	1,280	1,280	1,013	1,012	1,155	1,190	1,186
Stormwater										
Storm Sewer Mains (Miles)	31	31	31	31	31	27	27	31	N/A	N/A
Storm Sewer Structures	1,866	1,864	1,864	1,864	1,860	1,400	1,400	1,754	N/A	N/A

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

COMPLIANCE SECTION

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**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 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, 2021, 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 9, 2021.

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 may exist that have not been identified.**

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 disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings and questioned costs as item 2021-002.**

City's Response to Findings

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 9, 2021

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
THE UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2021-001. Our opinion on each major federal program is not modified with respect to this matter.

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

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

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

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

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia
December 9, 2021

CITY OF FALLS CHURCH, VIRGINIA
SUMMARY OF COMPLIANCE MATTERS
June 30, 2021

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

FEDERAL COMPLIANCE MATTERS

Compliance Supplement for Single Audits of State and Local Governments

Provisions and conditions of agreements related to federal programs selected for testing.

LOCAL COMPLIANCE MATTERS

City Charter
City Code
Other City Regulations

CITY OF FALLS CHURCH, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2021

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an **unmodified opinion** on the financial statements.
2. **No significant deficiencies** relating to the audit of the financial statements were reported 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*.
3. **No instances of noncompliance** material to the financial statements was disclosed.
4. **No significant deficiencies** relating to the audit of the major federal award programs were reported in the Independent Auditor's Report on Compliance For Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance.
5. The auditor's report on compliance for the major federal award programs expresses an **unmodified opinion**.
6. The audit disclosed **one audit finding related to the major programs**.
7. The programs tested as major were:

Name of Program	Assistance Listing #
COVID-19 - Coronavirus Relief Fund	21.019
Federal Transit Cluster – Federal Transit – Capital Investment Grants	20.500

8. The **threshold for** distinguishing Type A and B programs was **\$750,000**.
9. The City was determined to be a **low-risk auditee**.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

None.

CITY OF FALLS CHURCH, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2021

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

2021-001: Review over Expenditures – COVID-19 - Coronavirus Relief Funds – Assistance Listing Number 21.019

Condition:

Ineligible expenditures were charged to the program.

Criteria:

Items charged to the program must be allowable as defined by the grant and the cost must be considered a necessary part of the COVID-19 response.

Cause:

Reviews of expenditures charged to the program did not detect an ineligible expenditure.

Effect:

Unallowable expenditures were charged to the program.

Questioned Cost Amount:

\$124.94

Perspective Information:

One of 30 items tested.

Recommendation:

Although the City corrected the error in a subsequent quarterly report, we recommend that all expenditures charged to the program reviewed prior to quarterly or annual reporting.

Views of Responsible Officials and Planned Corrective Action:

This issue has been discussed with the responsible department to emphasize thorough review of expenditures and accounts. The City is planning on hiring a grant administrator for the American Rescue Plan Act and to put in place a secondary review of expenditures.

CITY OF FALLS CHURCH, VIRGINIA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2021**

D. FINDINGS – COMMONWEALTH OF VIRGINIA

2021-002: Highway Maintenance Testing

Conditions:

In one of fifteen work orders tested, we noted the pay rate charged on the work order did not agree to the accounting records.

Recommendations:

We recommended reviewing or otherwise reconciling work orders to the accounting records to ensure that pay rates have been updated as they occur.

Views of Responsible Officials and Planned Corrective Actions:

The City continues to identify new procedures and software to improve what is currently a very manual and paper-based process. A new software is currently being implemented to help address this particular issue.

CITY OF FALLS CHURCH, VIRGINIA

**SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2021**

A. FINDINGS – FINANCIAL STATEMENT AUDIT

None.

B. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None.

C. FINDINGS – COMMONWEALTH OF VIRGINIA

2020-001: Highway Maintenance Testing

Conditions:

In one out of twenty work orders tested, we noted labor locations were not allocated properly from the work order to the accounting records. In three out of twenty work orders tested, we noted work was performed on ineligible streets per the Urban Highway Manual. In one out of twenty work orders tested, we noted labor expenses that were not eligible per the Urban Highway Manual.

Recommendations:

We recommended reviewing or otherwise reconciling work orders to the accounting records. We recommended verifying eligibility of streets by reviewing the City's Urban Maintenance Inventory. We recommended verifying eligibility of work performed by reviewing Daily Field Reports.

Current Status:

Current year finding for inaccurate labor rates. There were no findings in the current year related to ineligible streets or allocations.

City of Falls Church, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

Federal Granting Agency/Recipient State Agency/ Grant Program	Federal ALN Number	Pass-through ID Number	Federal Expenditures	Total Expenditures by Cluster
U.S. Department of Agriculture				
Pass-through payments:				
Commonwealth of Virginia Department of Agriculture and Consumer Services				
Child Nutrition Cluster:				
	10.559	202020N85034 1 / 202120N11994 1 / 202121N10994 1 / 202121N11994 1	\$ 505,425	
Summer Food Service Program for Children				
National School Lunch Program	10.555	202020N85034 1	4,938	
School Breakfast Program	10.553	202020N85034 1	243	
Subtotal for Cluster				\$ 510,606
Total U.S. Department of Agriculture				510,606
U.S. Department of Treasury				
Direct payments:				
Treasury Executive Office for Asset Forfeiture	21.016	N/A	8,000	8,000
Pass-through payments:				
Commonwealth of Virginia				
COVID-19 - Coronavirus Relief Fund	21.019	N/A	2,616,939	2,616,939
Commonwealth of Virginia Department of Education				
COVID-19 - Education Stabilization Fund	84.425	S425C200042 / S425D200008	62,765	62,765
Total U.S. Department of Treasury			2,687,704	2,687,704
U.S. Department of Housing and Urban Development				
Pass-through payments:				
County of Arlington, Virginia:				
CDBG - Entitlement Grants Cluster- Community Development Block Grants/Entitlement Grants	14.218	N/A	164,050	164,050
Home Investments Partnership Program	14.239	N/A	32,185	32,185
Total U.S. Department of Housing and Urban Development			196,235	196,235
U.S. Department of Justice				
Direct payments:				
Bulletproof Vest Partnership Program	16.607	N/A	4,221	4,221
Seized assets	16.922	N/A	42,226	42,226
Pass-through payments:				
Commonwealth of Virginia Department of Criminal Justice Services				
Corona Emergency Supplemental Funding Program - COVID-19	16.034	20-A5068CE20	35,517	35,517
Total U.S. Department of Justice			81,964	81,964
U.S. Department of Transportation				
Pass-through payments:				
Commonwealth Virginia Department of Transportation				
Highway planning and Construction Cluster:				
	20.205	110332/109954/111402 /115539/108295/10995 3/109571/111483/1116 67/110335/110038/102 555/112465	940,895	940,895
Highway Planning and Construction				
Subtotal for Cluster			940,895	940,895
Northern Virginia Transportation Commission				
Federal Transit Cluster:				
Federal Transit Capital Investment Grants	20.500	72510-18/72507-08/ 72508-19	894,411	894,411
Commonwealth of Virginia Department of Motor Vehicles				
Highway Safety Cluster:				
State and Community Highway Safety	20.600	FSC-2021-51371- 21371/ FSC-2021- 51192-21192	2,415	2,415
Total U.S. Department of Transportation			1,837,721	1,837,721

Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2021

Federal Granting Agency/Recipient State Agency/	Grant Program	Federal ALN Number	Pass-through ID Number	Federal Expenditures	Total Expenditures by Cluster
U.S. Department of Education					
Pass-through payments:					
Commonwealth of Virginia Department of Education:					
Special Education Cluster (IDEA):					
Special Education - Grants to States		84.027	H027A190107	\$ 446,586	
Special Education - Preschool Grants		84.173	H173A190112	10,835	
Subtotal for Cluster					\$ 457,421
Title I - Grants to Local Educational Agencies		84.010	S010A190046	44,965	44,965
Hurricane Education Recovery		84.424	S424A190048 /		
English Language Acquisition Grants			S424A180048	7,328	7,328
Supporting Effective Instruction State Grants		84.365	S365A190046	14,000	14,000
Vocational Education - Basic Grants to States		84.367	S367A190044	21,578	21,578
		84.048	V048A190046	1,001	1,001
Total U.S. Department of Education				546,293	546,293
Department of Health and Human Services					
Pass-through payments:					
Commonwealth of Virginia Department of Social Services:					
Temporary Assistance to Needy Families (TANF)		93.558	2101VATANF	8,940	8,940
Total Department of Health and Human Services				8,940	8,940
Department of Homeland Security					
Pass-through payments:					
Commonwealth of Virginia Department of Emergency Management					
Emergency Management Performance Grants		97.042	EMP-2021-EP-APP-00004	7,173	7,173
Total Election Assistance Commission				7,173	7,173
Election Assistance Commission					
Pass-through payments:					
Commonwealth of Virginia Department of Elections					
HAVA Election Security Grants		90.404	N/A	47,074	47,074
Total Election Assistance Commission				47,074	47,074
Total Expenditures of Federal Awards				\$ 5,923,710	\$ 5,923,710

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2021

I. Basis of Presentation

The Schedule of Expenditures of Federal Awards is presented on the modified accrual basis of accounting as contemplated by generally accepted accounting principles.

II. Non-Cash Assistance

The City of Falls Church participated in the National School Lunch Program, ALN Number 10.555, which provides non-cash benefits. The accompanying Schedule of Expenditure of Federal Awards includes commodity distributions of \$4,483 from the National School Lunch Program.

III. De Minimus Indirect Cost Rate

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

IV. Outstanding Loan Balances

At June 30, 2021, the City had no outstanding loan balances requiring continuing disclosure.