

**CITY OF FALLS CHURCH, VIRGINIA**  
**ANNUAL COMPREHENSIVE FINANCIAL REPORT**  
**AS OF AND FOR THE YEAR ENDED JUNE 30, 2023**

**Prepared by:**  
**City of Falls Church, Virginia**  
**Finance Department**

---

---

**THIS PAGE INTENTIONALLY BLANK**

**CITY OF FALLS CHURCH, VIRGINIA  
TABLE OF CONTENTS**

**INTRODUCTORY SECTION**

Officials .....	i
Organizational Chart.....	ii
Letter of Transmittal .....	iii-vi

**FINANCIAL SECTION**

<b>Independent Auditor's Report .....</b>	<b>1-4</b>
---	------------

<b>Management's Discussion and Analysis .....</b>	<b>5a</b>
---	-----------

**Basic Financial Statements**

**Government-Wide Financial Statements**

Exhibit 1 – Statement of Net Position .....	6
Exhibit 2 – Statement of Activities .....	7

**Fund Financial Statements**

Exhibit 3 – Balance Sheet – Governmental Funds .....	8
Exhibit 4 – Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position .....	9
Exhibit 5 – Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	10
Exhibit 6 – Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	11
Exhibit 7 – Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund.....	12
Exhibit 8 – Statement of Net Position – Proprietary Funds .....	13
Exhibit 9 – Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds.....	14
Exhibit 10 – Statement of Cash Flows – Proprietary Funds .....	15
Exhibit 11 – Statement of Fiduciary Net Position– Fiduciary Funds.....	16
Exhibit 12 – Statement of Changes in Fiduciary Net Position – Fiduciary Funds.....	17

<b>Notes to Financial Statements .....</b>	<b>18-113</b>
--	---------------

**Required Supplementary Information**

Exhibit 13 - Schedule of Changes in the Net Pension Liability and Related Ratios – Basic Pension Plan .....	114
Exhibit 14 - Schedule of Changes in the Net Pension Liability and Related Ratios – Police Pension Plan .....	115
Exhibit 15 - Schedule of Changes in the Net Pension Liability and Related Ratios – Constitutional Officers Plan .....	116
Exhibit 16 - Schedule of Pension Contributions.....	117
Exhibit 17 - Schedule of Pension and Local OPEB Investment Returns .....	118

## FINANCIAL SECTION (Continued)

### Required Supplementary Information (Continued)

Exhibit 18 - Schedule of Employer's Share of Net Pension Liability (Asset) .....	119
Exhibit 19 - Schedule of Pension Contributions.....	120
Exhibit 20 - Schedule of Changes in the Net OPEB Liability and Related Ratios – City Local Plan.....	121
Exhibit 21 - Schedule of Changes in the Net OPEB Liability and Related Ratios – School Local Plan.....	122
Exhibit 22 - Schedule of OPEB Contributions – Local Plans .....	123
Exhibit 23 - Schedule of Employer's Share of Net OPEB Liability – Cost Sharing Plans .....	124
Exhibit 24 - Schedule of OPEB Contributions – Cost Sharing Plans.....	125
Notes to Required Supplementary Information.....	126-128

### Other Supplementary Information

#### Combining Fund Statements and Schedules

Schedule 1 – Schedule of Revenues, Expenditures, and Changes in Fund Balance- Budget and Actual by Department – General Fund .....	129
Nonmajor Governmental Fund.....	130
Schedule 2 –Balance Sheet – Nonmajor Governmental Fund .....	131
Schedule 3 –Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Fund.....	132
Post Employment Trust Funds .....	133
Schedule 4 – Combining Statement of Fiduciary Net Position – Post-Employment Benefit Trust Funds.....	134
Schedule 5 – Combining Statement of Changes in Fiduciary Net Position - Post-Employment Benefit Trust Funds.....	135
Custodial Fund.....	136
Schedule 6 – Combining Statement of Fiduciary Net Position – Custodial Fund .....	137
Schedule 7 – Combining Statement of Changes in Fiduciary Net Position – Custodial Fund.....	138
<b>Discretely Presented Component Unit – School Board</b> .....	139
Schedule 8 – Balance Sheet – Governmental Funds .....	140
Schedule 9 - Reconciliation of the Balance Sheet of the Governmental Funds to the Statement of Net Position .....	141
Schedule 10 – Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	142
Schedule 11 - Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities .....	143
Schedule 12 – Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – School Operating Fund .....	144
Schedule 13 – Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – School Community Service Fund .....	145

## FINANCIAL SECTION (Continued)

### Other Supplementary Information (Continued)

Schedule 14 – Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – School Food Service Fund .....	146
<b>Discretely Presented Component Unit – Economic Development Authority .....</b>	<b>147</b>
Schedule 15 – Balance Sheet- Governmental Fund .....	148
Schedule 16 - Reconciliation of the Balance Sheet of the Governmental Funds to the Statement of Net Position .....	149
Schedule 17 – Schedule of Revenues, Expenditures, and Changes in Fund Balance – Governmental Fund.....	150
Schedule 18 - Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities .....	151

## STATISTICAL SECTION

Table 1 – Net Position by Component.....	153
Table 2 – Changes in Net Position by Component.....	154-155
Table 3 – Fund Balances - Governmental Funds.....	156
Table 4 – Changes in Fund Balances - Governmental Funds.....	157
Table 5 – Assessed Value and Actual Value of Taxable Property .....	158
Table 6 – Direct Property Tax Rates.....	159
Table 7 – Principal Property Taxpayers.....	160
Table 8 – Property Tax Levies and Collections.....	161
Table 9 – Ratios of Outstanding Debt by Type .....	162
Table 10 – Ratios of General Bonded Debt Outstanding.....	163
Table 11 – Legal Debt Margin Information.....	164
Table 12 – Demographic Statistics .....	165
Table 13 – Principal Employers.....	166
Table 14 – Full-time Equivalent City Government Employees by Function/Program.....	167
Table 15 – Operating Indicators by Function/Program .....	168-169
Table 16 – Capital Asset Statistics by Function .....	170

## COMPLIANCE SECTION

Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	171-172
Independent Auditor’s Report on Compliance For Each Major Program and Internal Control Over Compliance Required by the Uniform Guidance .....	173-175
Summary of Compliance Matters .....	176
Schedule of Findings and Questioned Costs .....	177-178
Summary Schedule of Prior Year Findings and Questioned Costs.....	179
Schedule of Expenditures of Federal Awards.....	180-181
Notes to the Schedule of Expenditures of Federal Awards.....	182

---

---

**THIS PAGE INTENTIONALLY BLANK**

# INTRODUCTORY SECTION

---

**CITY OF FALLS CHURCH, VIRGINIA**

**CITY COUNCIL**

P. David Tarter, Mayor  
Letty Hardi, Vice Mayor

Debbie Hiscott  
Caroline Lian  
David F. Snyder

Phil Duncan  
Marybeth Connelly

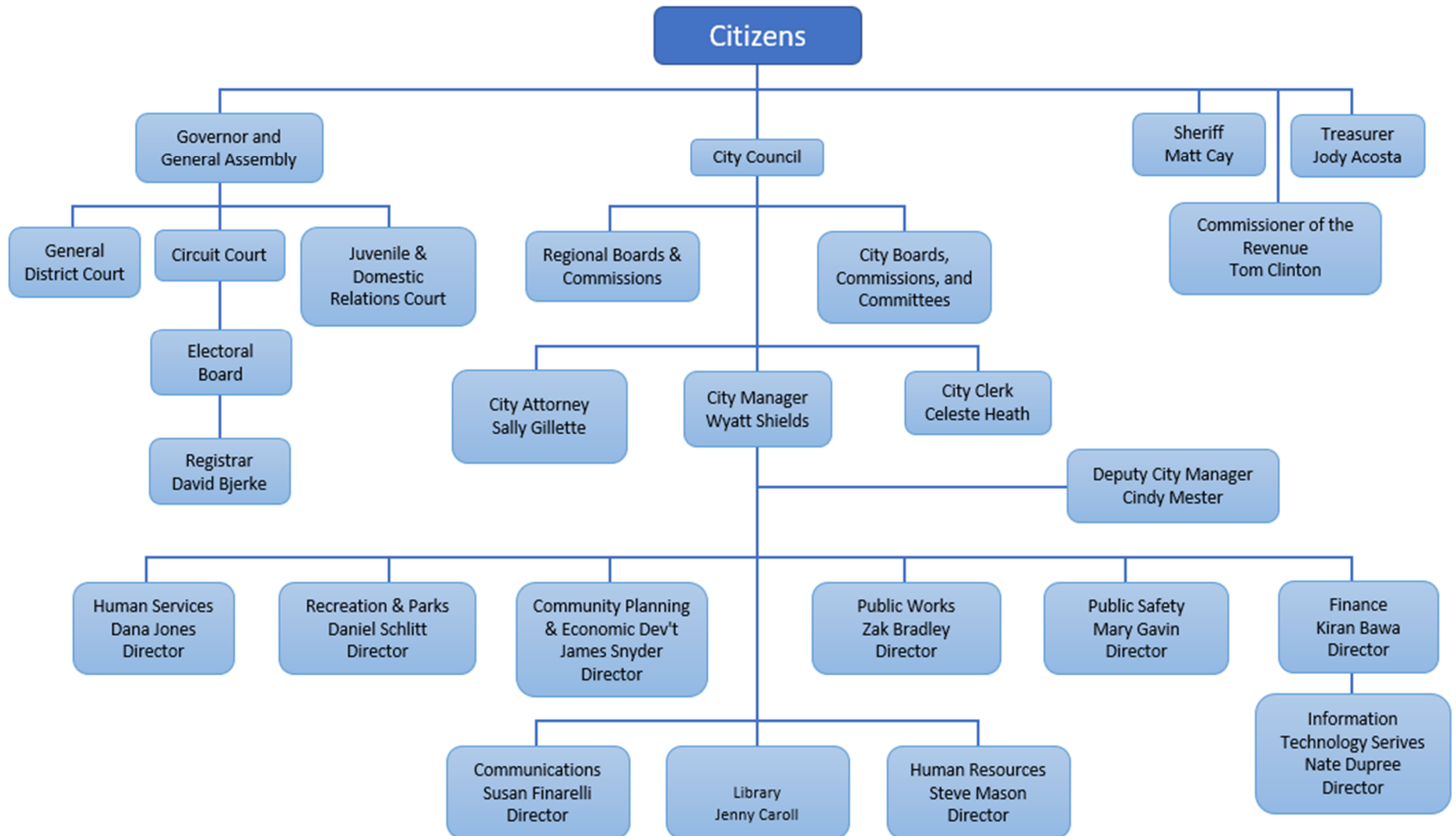
**OFFICIALS**

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

# CITY OF FALLS CHURCH, VIRGINIA

## ORGANIZATIONAL CHART

AS OF JUNE 30, 2023





# CITY OF FALLS CHURCH

---

December 15, 2023

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

We are pleased to submit to you the Annual Comprehensive Financial Report (ACFR) of the City of Falls Church, Virginia (the City) for the fiscal year ended June 30, 2023, 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, 2023, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended. All necessary disclosures have been included to enable the reader to gain the maximum understanding of the City's financial affairs.

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

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

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, 2023 are free of material misstatement. The independent auditor's report is presented as the first component of the financial section of this report.

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

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

## **PROFILE OF THE GOVERNMENT**

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

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

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

The City is required to adopt a budget for the fiscal year beginning on July 1. This annual budget serves as the foundation for the City's financial planning and control. The budget is prepared by fund, and by department.

Department heads may transfer resources within their department. Transfers between departments and funds, however, needs an approval from the Council.

## **ECONOMIC CONDITION AND OUTLOOK**

### **The Local Economy**

The City's proximity to Washington, D.C., access to transit systems and airports, have contributed to the City's economic growth over the past few years. The City's unemployment rates have been relatively low. In October 2023, the Virginia Employment Commission reported that the City of Falls Church had a 2.4 percent unemployment rate, which remained unchanged from October 2022. These rates compare favorably to a state-wide Virginia rate of 3.0 percent and a nationwide rate of 3.6 percent.

According to the United States Census Bureau, American Community Survey, 5-Year Estimates 2017-2021, the median household income within the City was \$155,071. This is significantly higher than the state-wide median household income of \$76,398. It also reports that the City's educational attainment of bachelor's degree or higher was 78.7 percent. According to the recently completed decennial census, the City's population is estimated at 14,658 as of July 1, 2020.

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

Additionally, three large mixed-use projects are largely underway. One of these projects is the development of 10 acres of land that the City owns, known as West Falls. Over the past few years, the City had been working with a developer to bring about this change to what was formerly the site of a high school. In May 2022, the City and the developer closed on the transactions and construction is now underway.

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. City staff also works hard to promote office, retail and hospitality opportunities in the City.

The City has generally recovered from the adverse economic impacts of the COVID-19 pandemic. General fund revenues increased by 7.3% over FY2022. Real property assessed values increased by 5.5%, fueled by growth in both residential (3.6%) and commercial (10.6%) properties. City Council mitigated the impact to taxpayers by cutting down the real estate tax rate by 9 cents from \$1.32 to \$1.23; even with this, real estate tax revenue still increased by \$2.3 million or 3.8%. Due to the major commercial developments ongoing, permit revenues contributed to this increase by \$2.6 million or 170%. With the rise in interest rates, interest revenues also increased significantly by \$1.8 million. The increase in car values experienced through the country contributed largely to the increase in personal property tax revenues, even with a reduction in vehicle tax rates from \$5.00 to \$4.30; revenues increased by \$1.1 million or 18.3%. Meals tax also increased significantly, coming in at just under \$1.0 million increase over last year or 24.4%. Sales and business license taxes were also strong, increasing by 8.0% and 7.8%, respectively. Charges for services increased by 17.7% largely due to recreation programs.

The City received an allocation of \$18.2 million from the American Recovery Plan Act (ARPA) and continues to use it towards affordable housing, stormwater infrastructure, other capital investments, and economic assistance to residents, nonprofits, and businesses.

**Long-term Financial Planning**

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

**Major Initiatives**

City Council is committed to enhancing transportation infrastructure to improve safety, mobility, and access. Among the projects completed in FY2023 include intersection, sidewalk, and roadway improvements on South Washington Street and Hillwood Avenue and South Maple Avenue. Staff also managed several projects through design and community engagement during the year, including projects for neighborhood traffic calming, intersection improvements, pedestrian crossings and multimodal improvements on Broad Street.

Over the past two years, using a combination of ARPA funds, Amazon Reach grants, and local funds, the City endeavored to increase the number of affordable housing units within the City. In the past two years, the City, in partnership with the Economic Development Authority, acquired 4 quadplexes with the intention of renovating them and in partnership with another nonprofit, renting them to eligible families. Funding the Acquisition Strike Fund will also allow for the purchase of additional quadplexes in the same area as they become available. The City also implemented the Affordable Homeownership Program. Under this program, in partnership with a nonprofit, the City has acquired three affordable housing units which will be rehabilitated and sold to eligible residents. The City also extended a covenant in an apartment building to continue the provision of housing to teachers and general government employees and expanded rental assistance to eligible households.

The City began the creation of two Energy Action Plans – one focused on the community and the other focused on government and school operations. These plans will map out a series of programs and projects to reduce fossil fuel use and transition to renewable energy solutions, to meet Council’s adopted greenhouse gas emissions reduction goals. Along with this, the City’s FY2024-FY2029 CIP was developed with an Environmental Impact Lens emphasizing environmental sustainability and community resilience. Current projects include the replacement of fleet with electric and hybrid vehicles, stormwater infrastructure improvements that were prioritized by the Stormwater Task Force to mitigate flooding, and replacement of the Community Center heating and ventilation system with an eye towards using geothermal energy.

The City’s FY2024-FY2029 CIP provides for continued investments in facilities and infrastructure totaling \$153.2 million.

- Transportation \$92,763,818
- Sanitary Sewer \$23,828,000
- Facilities & Parks \$24,727,250
- Stormwater \$11,850,000

## Relevant financial policies

The City has adopted a comprehensive set of financial policies that guide the City's plans for capital investments and long-term financial management. The policy was first adopted in 2011 and are formulated based on best practices in local government finance and recommendations by our financial policy advisor. This was last amended in 2017.

The City targets an unassigned fund balance that is 17% but not less than 12% of General Fund expenditures. In the event that fund balance is used to provide for temporary funding of unexpected emergency needs or unbudgeted revenue shortfall such that it falls below 12%, fund balance must be restored to 12% within two fiscal years and to 17% within five years. Use of fund balance may only be done with the approval of City Council. As of June 30, 2023, unassigned fund balance was 25.9% of General Fund expenditures.

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

## Acknowledgements

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

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

Respectfully submitted,



F. Wyatt Shields  
City Manager



Kiran Bawa  
Director of Finance

## FINANCIAL SECTION

---

## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Falls Church, Virginia (the "City"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Falls Church, Virginia, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the West Falls Community Development Authority, which represents 100% of the assets, fund balance, and revenues of the CDA Fund as of June 30, 2023. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the West Falls Community Development Authority, is based solely on the report of the other auditors.

#### *Basis for Opinions*

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

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

As described in Notes 11 and 25 to the financial statements, in 2023 the City adopted new accounting guidance, GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinion is not modified with respect to this matter.

### ***Responsibilities of Management for the Financial Statements***

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

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

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about City's ability to continue as a going concern for a reasonable period of time.

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

### ***Required Supplementary Information***

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

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying combining and individual nonmajor fund financial statements and schedules and the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules 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.

### ***Other Information***

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

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2023 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.

A handwritten signature in black ink that reads "Brown, Edwards & Company, L.L.P." in a cursive script.

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia  
December 15, 2023

**CITY OF FALLS CHURCH, VIRGINIA**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
**Fiscal Year Ended June 30, 2023**

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, 2023.

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

The following references are made throughout the report:

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

## **FINANCIAL HIGHLIGHTS**

### **Highlights for Government-wide Financial Statements**

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

- On a government-wide basis, the City has a total net position of \$189.8 million at June 30, 2023. Of the total, \$211.0 million is the Primary Government’s and negative \$21.2 million is the component units’. The negative net position for the component unit is largely due to the recognition of net pension and other post-employment benefits (OPEB) liability derived from the School Board’s participation in the Virginia Retirement System’s pension plan and other post-employment benefits.
- For FY2023, taxes and other revenues of the City’s governmental activities amounted to \$120.1 million and expenses and transfers amounted to \$105.1 million, which resulted in an increase in net position for the City’s governmental activities of \$15.0 million.
- Revenues and transfers of the City’s business-type activities were \$15.6 million, and expenses were \$5.1 million, which resulted in an increase in net position for the City’s business-type activities of approximately \$10.6 million.
- In August 2022, the City issued debt under the West Falls Community Development Authority for \$13.0 million for the construction of transportation improvements in the West Falls development.
- The City continues to spend its allocation of the Coronavirus State and Local Fiscal Recovery Funds (CSLFRF) included in the American Rescue Plan Act (ARPA). The City was allocated a total of \$18.0 million and spent \$5.6 million to-date, of which \$2.9 million were spent during FY2023. During FY2023, ARPA spending consisted mostly of stormwater infrastructure activities.

**CITY OF FALLS CHURCH, VIRGINIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Fiscal Year Ended June 30, 2023**

In FY2023, the City implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. The City has a number of multi-year subscription agreements for information technology software. These are all accounted for as a liability with a corresponding asset that will be amortized over the term of the agreements. Additional information on these agreements can be found on Note 11.

**Highlights for Fund Financial Statements**

The fund financial statements provide more detailed information about the City's most significant funds using the current financial resources measurement focus and modified accrual basis of accounting for the City's governmental funds. The City's governmental funds comprise of the General Fund, the Capital Projects Fund, the Special Transportation Fund, FCCTV Fund, the Affordable Housing Fund, and the West Falls Community Development Authority (CDA) Fund (new in FY2023).

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.

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

- In total, the City's governmental funds reported revenues and other financing sources of \$139.0 million and expenditures and other financing uses of \$127.6 million for a net increase to fund balance of \$11.4 million.
- In the General Fund, the unassigned fund balance as of June 30, 2023 of \$27.3 million was 25.9% of expenditures. Committed fund balance as of June 30, 2023 was \$12.8 million. Of this, \$11.7 million is for future capital projects and debt service. Assigned fund balance as of June 30, 2023 was \$3.5 million. Nonspendable and restricted fund balance as of June 30, 2023 was \$0.4 million.
- The Capital Projects Fund reported a decrease in fund balance of \$1.2 million, resulting in a balance of \$2.7 million at June 30, 2023.
- The Special Transportation Fund's fund balance increased by \$0.2 million, ending with a restricted balance of \$4.7 million.
- The Affordable Housing Fund's fund balance was \$0.7 million, an increase of \$0.1 million.
- Other Governmental Funds comprise of the CDA Fund, and ends the year with \$13.3 million of revenues and other financing sources and \$6.4 million in expenditures and other financing uses, resulting in a fund balance of \$6.9 million.

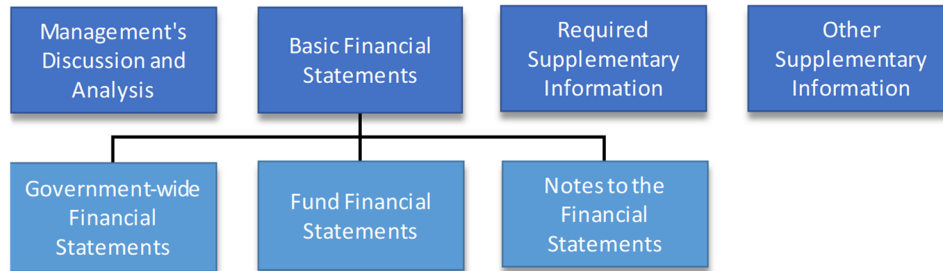
The following are highlights of the City's proprietary funds:

- The City's Sewer fund reported an increase in net position of \$8.8 million.
- The Storm Water Fund generated an increase in net position of \$1.7 million.

**CITY OF FALLS CHURCH, VIRGINIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Fiscal Year Ended June 30, 2023**

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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



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

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

**Government-wide Financial Statements**

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

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

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

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,

**CITY OF FALLS CHURCH, VIRGINIA**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
**Fiscal Year Ended June 30, 2023**

economic development; parks, recreation, and cultural programs; and general administration. These activities are financed primarily by property taxes, other local taxes, and federal and state grants. Included in the governmental activities are the governmental funds.

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

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

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

### **Fund Financial Statements**

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

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

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

The General Fund is the main operating fund of the City and consequently, the largest of the governmental funds. The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by the Proprietary Funds). The Special Transportation Fund is used to account for activities related to transportation, including but not limited to, the additional tax revenues received through the Northern Virginia Transportation Authority (NVTa) specifically levied for certain transportation and transit expenditures. The Affordable Housing Fund accounts for the City’s planned investments in affordable housing. The FCCTV Fund accounts for the expenditures in the operation of a TV station that provides public service programs and is mainly funded by the General Fund. The CDA Fund is used to account for the transactions related to the debt issued for the West Falls transportation improvements. In FY2023, the transactions consist of the issuance of debt and spending of the proceeds for capital improvements as well as the payment of interest.

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

**CITY OF FALLS CHURCH, VIRGINIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Fiscal Year Ended June 30, 2023**

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

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

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

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

**Notes to the Financial Statements**

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

**CITY OF FALLS CHURCH, VIRGINIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Fiscal Year Ended June 30, 2023**

**FINANCIAL ANALYSIS OF THE CITY AS A WHOLE**

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

**Statement of Net position**

The following table represents a summary of the net position of the primary government as of June 30, 2023 and 2022.

<b>Summary of Statement of Net Position</b> <b>As of June 30, 2023 and 2022</b> <b>(\$ In Millions)</b>						
	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total Primary Government</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
<b>Assets:</b>						
Current and other assets	\$ 127.0	\$ 125.0	\$ 22.0	\$ 17.7	\$ 149.0	\$ 142.6
Capital assets, net*	251.6	246.6	37.9	32.5	289.5	279.1
Total assets	378.6	371.5	59.9	50.2	438.5	421.7
Deferred Outflows of Resources	8.2	3.1	0.5	0.2	8.7	3.3
<b>Liabilities:</b>						
Current liabilities*	39.4	33.1	2.5	0.6	42.0	33.7
Noncurrent liabilities*	174.2	169.5	9.9	11.3	184.1	180.8
Total liabilities	213.6	202.6	12.5	11.9	226.1	214.6
Deferred Inflows of Resources	10.0	23.9	0.1	1.2	10.1	25.1
<b>Net Position:</b>						
Net investment in capital assets	89.8	88.8	26.5	21.9	116.2	110.7
Restricted	27.4	27.0	0.9	1.1	28.3	28.1
Unrestricted*	46.0	32.3	20.5	14.3	66.5	46.5
Total net position*	\$ 163.1	\$ 148.1	\$ 47.8	\$ 37.3	\$ 211.0	\$ 185.3

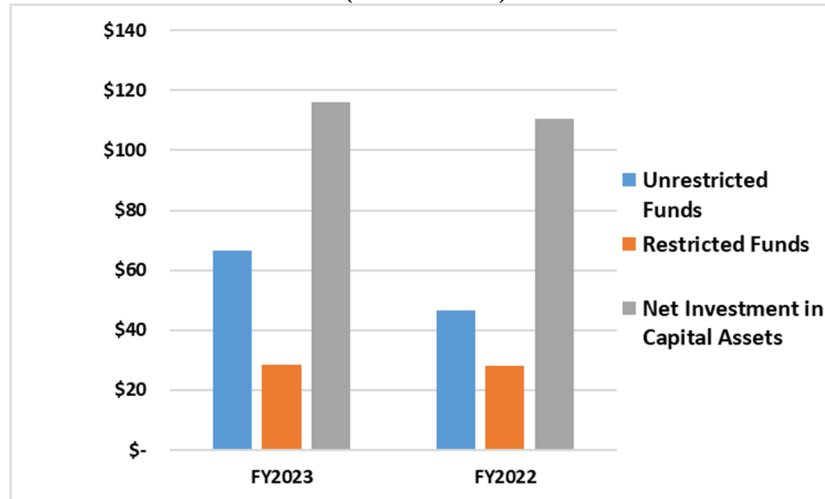
*Due to rounding, some totals may not correspond with the sum of the separate figures.*

*\*FY2022 amounts were restated. See Note 25.*

Net position represents the excess of the City's assets and deferred outflows of resources over its liabilities and deferred inflows. Over time, net position may serve as a useful indicator of the City's financial position. As of June 30, 2023, the City's primary government's net position was \$211 million, an increase of \$25.7 million over the prior year. Of this total, net position for the governmental activities increased by \$15.0 million, largely due to ground lease payments of \$4.7 million, capital grants received of \$6.5 million, and certain revenues coming in higher than budgeted including property and local taxes, revenue from use of money, and building permit fees. The net position of the City's business-type activities increased by \$10.5 million partly due to the collection of sewer availability fees of \$7.9 million from major developers in the City. These fees are used towards capital improvements.

**CITY OF FALLS CHURCH, VIRGINIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Fiscal Year Ended June 30, 2023**

**Composition of Net Position  
Primary Government  
As of June 30, 2023  
(\$ In Millions)**



The largest portion of the City's net position is its investments in capital assets (e.g., land, buildings, machinery, equipment, infrastructure, and construction in progress less accumulated depreciation) net of related debt used to acquire those assets. These assets are used over time to provide a variety of services to the City's citizens. These assets are long-term in nature and are not readily available for future spending. Investments in capital assets, net of related debt, totaled \$116.2 million, of which \$89.8 million are from governmental activities, and remained fairly stable over the last two years. Net investment in capital assets for business-type activities increased by \$4.6 million primarily due from sanitary sewer pipe replacement as well as stormwater infrastructure improvements.

Restricted net position represents resources that are subject to external restrictions on how they may be used. The City's net position are restricted for various purposes including pension and OPEB obligations for \$23.3 million, transportation capital projects for \$4.7 million and grant programs for housing for \$0.3 million.

The portion of net position that is neither related to capital assets nor restricted for specific purposes is represented as unrestricted net position.

**CITY OF FALLS CHURCH, VIRGINIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Fiscal Year Ended June 30, 2023**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total Primary Government</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services*	\$ 8.4	\$ 5.4	\$ 13.8	\$ 5.9	\$ 22.2	\$ 11.3
Operating grants & contributions	4.6	2.7	-	-	4.6	2.7
Capital grants & contributions	6.5	14.5	1.2	0.4	7.7	14.9
<b>General revenues:</b>						
General property taxes	69.4	66.1	-	-	69.4	66.1
Other local taxes	20.3	19.5	-	-	20.3	19.5
Payment from the EDA	4.7	5.6	-	-	4.7	5.6
Intergovernmental, non-categorical aid	3.7	4.7	-	-	3.7	4.7
Revenue from use of money and property	2.2	(0.2)	0.3	(0.1)	2.5	(0.3)
Other	0.3	0.2	-	-	0.3	0.2
Special item - gain/(loss) on disposal of capital assets	-	6.9	-	-	-	6.9
<b>Total revenues</b>	<b>120.1</b>	<b>125.3</b>	<b>15.3</b>	<b>6.1</b>	<b>135.4</b>	<b>131.4</b>
<b>Expenses:</b>						
General government administration	8.3	7.0	-	-	8.3	7.0
Judicial administration	2.1	1.8	-	-	2.1	1.8
Public safety	11.2	8.5	-	-	11.2	8.5
Public works*	7.7	7.0	4.9	3.7	12.6	10.7
Health and welfare	3.0	2.5	-	-	3.0	2.5
Parks, recreation, and cultural	6.0	5.1	-	-	6.0	5.1
Community development	6.0	6.5	-	-	6.0	6.5
Economic development	0.5	0.8	-	-	0.5	0.8
Education and payments to schools	53.9	51.1	-	-	53.9	51.1
Interest expense	6.1	4.8	0.2	0.3	6.4	5.1
<b>Total expenses</b>	<b>104.8</b>	<b>95.2</b>	<b>5.1</b>	<b>4.0</b>	<b>109.9</b>	<b>99.2</b>
Excess/(deficiency) before transfers	15.3	30.2	10.3	2.1	25.5	32.3
Transfers	(0.3)	-	0.3	-	-	-
Change in net assets	15.0	30.2	10.6	2.1	25.5	32.3
Net position, beginning of year*	148.2	118.0	37.3	35.2	185.4	153.2
Net position, end of year	\$ 163.1	\$ 148.2	\$ 47.8	\$ 37.3	\$ 210.9	\$ 185.4

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

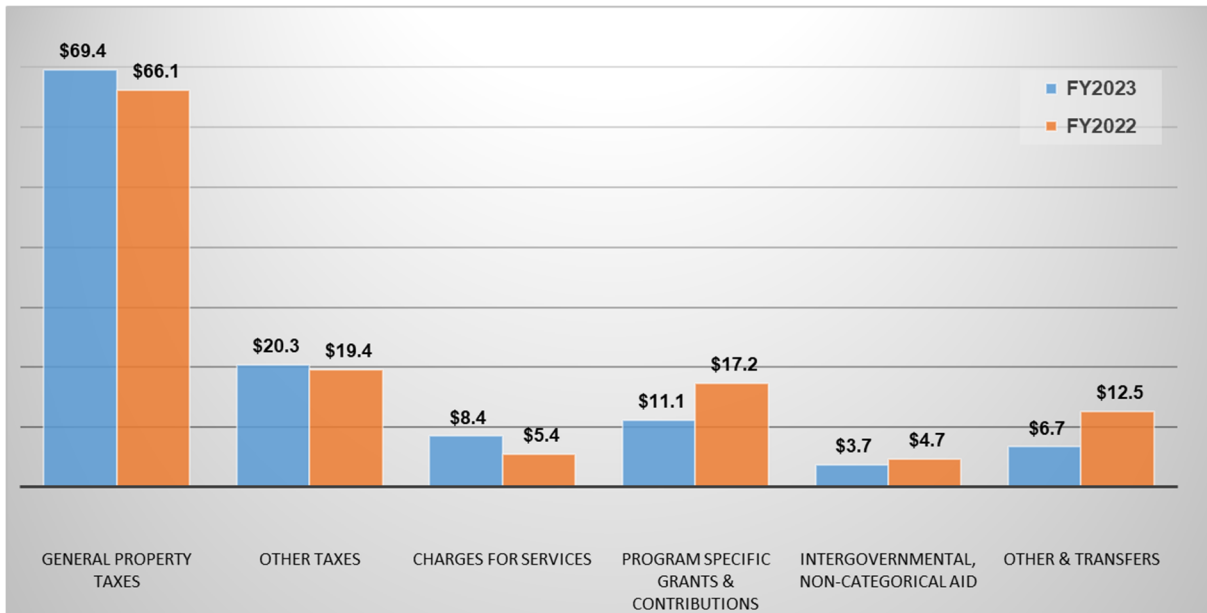
*\*FY2022 amounts were restated. See Note 25.*

**CITY OF FALLS CHURCH, VIRGINIA  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
Fiscal Year Ended June 30, 2023**

**Governmental Activities**

Revenues and transfers for the City’s governmental activities were \$119.8 million for FY2023 and \$125.4 million for FY2022. The following chart provides sources of governmental activities revenue for FY2023 and 2022:

**Sources of Revenues of Governmental Activities  
For the Fiscal Years Ended June 30, 2023 and 2022  
(\$ In Millions)**

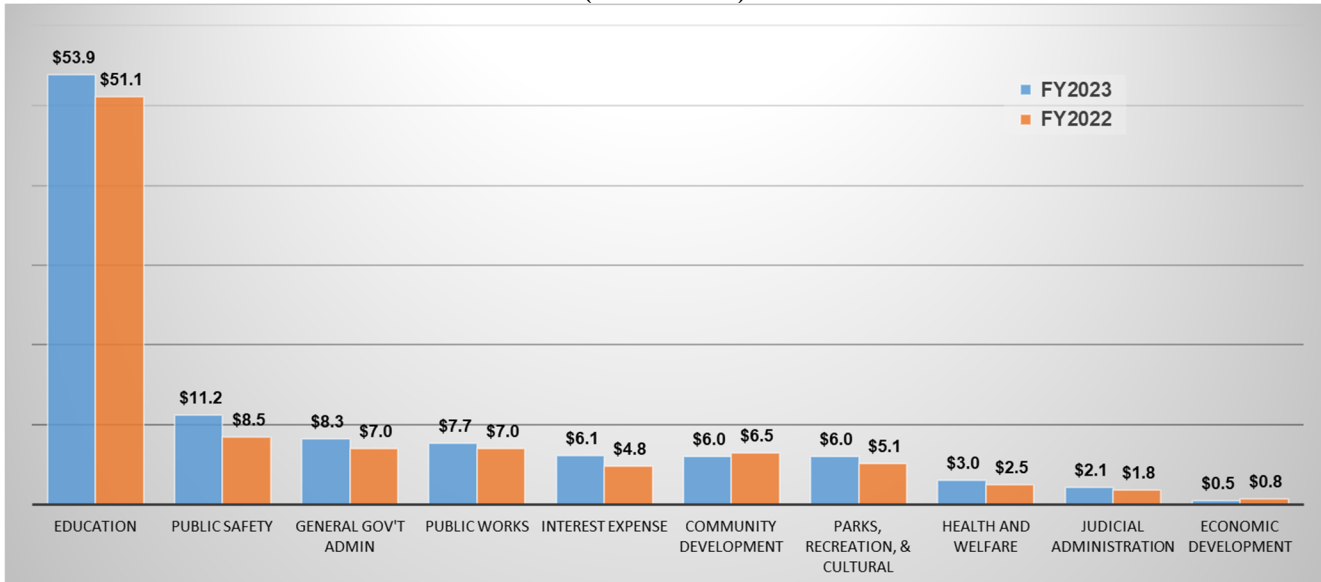


Taxes provide the largest source of City revenues, amounting to \$89.8 million in FY2023, an increase of \$4.2 million over FY2022, primarily due to increases in real property and personal property taxes. Real property taxes represents 90% of total taxes and 52% of total revenues. The real estate tax rate decreased from \$1.32 to \$1.23; however, assessed values increased by \$523 million or 11.4%, resulting in increased revenue of \$2.2 million. Charges for services increased by \$3 million primarily due to the receipt of building safety fees from major developers in the City. Program specific grants and contributions decreased by \$6.1 million primarily due to grants received in FY2022 for the construction of the transportation improvements in South Washington Street. Other revenues and transfers decreased by \$5.8 million as FY2022 included proceeds from the sale of land to the West Falls developers.

**CITY OF FALLS CHURCH, VIRGINIA**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
**Fiscal Year Ended June 30, 2023**

The following chart shows the City’s governmental expenses for FY2023 and FY2022.

**Expenses of Governmental Activities by Function**  
**For the Fiscal Years Ended June 30, 2023 and 2022**  
**(\$ In Millions)**



Expenses for the City’s governmental activities totaled \$104.8 million in FY2023 and \$95.2 million in FY2022, an increase of \$9.6 million.

Education expenses, representing approximately 51% and 54% of total expenses in FY2023 and FY2022, respectively, increased by \$2.8 million primarily due to increase of transfers to the schools by \$2.7 million. Pension and OPEB expenses for governmental activities increased by \$4.5 million and is reflected across all functions shown in the chart above except for education and interest expense.

Some of the cost of governmental activities was paid by those who directly benefited from the programs (\$8.4 million in FY2023 and \$5.4 million in FY2022) and other governments and organizations that subsidized certain programs with grants and contributions (\$11.1 million in FY2023 and \$18.1 million in FY2022). The remaining net cost services of \$85.3 million in FY2023 and \$72.2 million in FY2022 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 including capital grants).

**CITY OF FALLS CHURCH, VIRGINIA**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
**Fiscal Year Ended June 30, 2023**

**Net Cost of Governmental Activities**  
**For the Fiscal Years Ended June 30, 2023 and 2022**  
**(\$ In Millions)**

Functions/Programs	2023		2022	
	Total Cost	Net Cost	Total Cost	Net Cost
Education and payments to schools	\$ 53.9	\$ 53.7	\$ 51.1	\$ 49.0
Public safety	11.2	6.3	8.5	6.3
General government administration	8.3	7.9	7.0	6.7
Public works	7.7	(0.5)	7.0	(6.9)
Interest	6.1	6.0	4.8	4.7
Community development	6.0	4.2	6.5	6.2
Parks, recreation, and cultural	6.0	3.5	5.1	2.8
Other	5.6	4.3	5.2	3.8
Total	\$ 104.8	\$ 85.3	\$ 95.2	\$ 72.6

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

**Business-type Activities**

The Sanitary Sewer Fund’s net position at the end of FY2023 was \$38.3 million, an increase of \$8.8 million over FY2022. In FY2023, total revenues of the Sanitary Sewer Fund were \$12.4 million, an increase of \$8.1 million over FY2022, primarily due to availability fees. Total expenses for the Sanitary Sewer Fund in FY2023 were \$3.5 million, an increase of \$0.3 million over FY2022. The increase is primarily due to increases in personnel costs and contractual costs.

The Storm Water Fund’s net position increased by \$1.7 million in FY2023 to \$9.5 million. Total revenues in FY2023 were \$3.3 million, an increase of \$1.4 million over FY2022. This was primarily due to ARPA revenues utilized for stormwater infrastructure improvements. Expenses increased by \$0.6 million to \$1.6 million as a result of increases in personnel costs and contractual costs.

**FINANCIAL ANALYSIS OF THE CITY’S FUNDS**

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

**Governmental Funds**

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

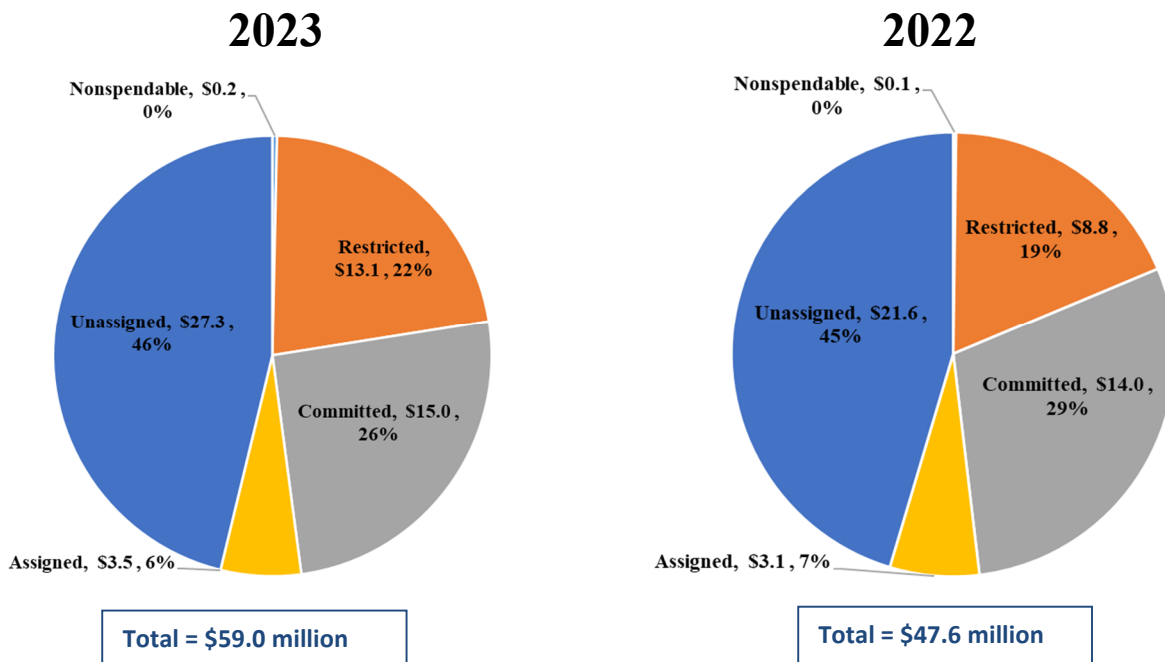
**CITY OF FALLS CHURCH, VIRGINIA**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
**Fiscal Year Ended June 30, 2023**

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 26 provides additional information on the fund balance categories.

Overall, the fund balance for all governmental funds increased by approximately \$11.3 million in FY2023 (\$120.5 million in revenues and \$18.4 million in other financing sources less total expenditures of \$122.3 million and other financing uses of \$5.3 million). Total revenues increased in FY2023 by \$9.9 million primarily due to increase in taxes, building safety fees, and revenue from the use of money, as well as the issuance of debt by the West Falls CDA. Total expenditures and financing uses increased in FY2023 by \$1.4 million mostly due to increase in expenditures for education (\$2.5 million), public works (\$1.3 million), general government (\$1.1 million), and public safety (\$0.7 million), offset by a decrease in capital outlay of \$5.1 million.

Governmental fund balance is categorized into the following categories:

**Governmental Funds – Fund Balances**  
**As of June 30, 2023 and 2022 (\$ in Millions)**



- **Unassigned Fund Balance** – This fund balance is fund balance in the General Fund that is unencumbered and provides the City with some margin of financial safety to address unforeseen emergencies or declines in revenues. Unassigned fund balance increased by \$5.7 million in FY2023 primarily due to revenues coming in higher than expected and expenditure savings due mostly to vacancies.
- **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 and debt service (\$13.6 million in FY2023 and \$11.6 million in FY2022), for costs associated with building inspections (\$1.0 million in FY2023 and \$1.7 million in FY2022), and for affordable housing (\$0.4 million in FY2023 and \$0.7 million in FY2022).

**CITY OF FALLS CHURCH, VIRGINIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Fiscal Year Ended June 30, 2023**

- **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. Restricted fund balances increased by \$4.3 million from \$8.8 million in FY2022 to \$13.1 million in FY2023 as a result of the issuance of debt by the West Falls CDA which was not fully spent in FY2023.
- **Non-spendable Fund Balance** – Non-spendable fund balance includes amounts that are not available for spending such as inventory and prepaid expenses.

The following table shows the fund balances of each of the governmental funds as of June 30, 2023 and 2022:

**Governmental Funds – Fund Balances**  
**As of June 30, 2023 and 2022**  
**(\$ in Millions)**

	<b>General Fund</b>		<b>Capital Projects Fund</b>		<b>Special Transportation Fund</b>		<b>Affordable Housing Fund</b>		<b>Other Governmental Funds</b>		<b>Total</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Non-spendable	\$ 0.2	\$ 0.1	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 0.2	\$ 0.1
Restricted	0.2	0.4	0.8	3.8	4.7	4.5	0.3	-	6.9	-	13.1	8.7
Committed	12.8	13.3	1.9	0.1	-	-	0.4	0.7	-	-	15.0	14.1
Assigned	3.5	3.1	-	-	-	-	-	-	-	-	3.5	3.1
Unassigned	27.3	21.6	-	-	-	-	-	-	-	-	27.3	21.6
<b>Total</b>	<b>\$ 44.0</b>	<b>\$ 38.6</b>	<b>\$ 2.7</b>	<b>\$ 3.9</b>	<b>\$ 4.7</b>	<b>\$ 4.5</b>	<b>\$ 0.7</b>	<b>\$ 0.7</b>	<b>\$ 52.1</b>	<b>\$ -</b>	<b>\$ 59.0</b>	<b>\$ 47.6</b>

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

The following shows the changes in the individual fund balances for fiscal years 2023 and 2022:

**Changes in Fund Balances – Governmental Funds**  
**For the Fiscal Years Ended June 30, 2023 and 2022**  
**(\$ in Millions)**

	<b>General Fund</b>		<b>Capital Projects Fund</b>		<b>Special Transportation Fund</b>		<b>Affordable Housing Fund</b>		<b>Other Governmental Funds</b>		<b>Total**</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Revenues and other financing sources	\$ 113.7	\$ 112.9	\$ 2.2	\$ 2.5	\$ 7.7	\$ 12.0	\$ 2.0	\$ 1.1	\$ 13.3	\$ -	\$ 133.6	\$ 123.6
Expenditures and other financing uses	108.4	104.8	3.4	8.9	7.5	11.6	1.9	1.0	6.4	0.0	122.3	121.3
Changes in Fund Balances	5.3	8.1	(1.2)	(6.3)	0.2	0.4	0.1	0.1	6.9	0.0	11.3	2.3
Fund balance at beginning of year	38.6	30.5	3.9	10.2	4.6	4.2	0.6	0.5	0.0	0.0	47.7	45.4
Fund balance at end of year	<b>\$ 43.9</b>	<b>\$ 38.6</b>	<b>\$ 2.7</b>	<b>\$ 3.9</b>	<b>\$ 4.8</b>	<b>\$ 4.6</b>	<b>\$ 0.7</b>	<b>\$ 0.6</b>	<b>\$ 6.9</b>	<b>\$ -</b>	<b>\$ 59.0</b>	<b>\$ 47.7</b>

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

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

**CITY OF FALLS CHURCH, VIRGINIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Fiscal Year Ended June 30, 2023**

The City Council adopted a target range of 12%-17% of General Fund expenditures for unassigned General Fund balance, with a requirement to meet the 12% minimum balance within 2 years of falling below it, and to meet the 17% balance within 3 additional years. The ending General Fund unassigned fund balance of \$27.3 million as of June 30, 2023 and \$21.7 million as of June 30, 2022 represents 25.9% and 21.3% of General Fund expenditures, respectively. The City has additional requirements for fund balance levels as discussed in the Long-Term Debt section of the MD&A.

**Proprietary Funds**

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

**GENERAL FUND BUDGETARY HIGHLIGHTS**

In FY2023, City Council's original appropriation of expenditures and transfers totaled \$107.1 million funded with revenues, debt issuance and transfers for a total of \$105.8 million, and the use of fund balance of \$1.2 million. Capital reserves were appropriated in FY2023 to be used primarily towards debt service as part of the financing plan for the capital improvements program.

Final amended budget appropriations for the General Fund, which include expenditures and other financing uses, were higher than the original budget by \$8.2 million or 7.7%. Primary uses and funding sources of the increases are as follows:

- \$3.4 million for grants received including the use of ARPA funds primarily for affordable housing (\$0.9 million), capital projects (\$1.3 million) and employee bonuses (\$0.3 million).
- \$2.7 million surplus from FY2022 for, among other things:
  - school expenditures (\$1.17 million),
  - for capital expenditures (\$0.6 million),
  - for additional infrastructure maintenance \$0.5 million)

Actual revenues and other financing sources were higher than final budget by \$4.3 million. Actual expenditures and other financing uses were lower than the final budget by \$7.1 million. Highlights of the comparison of final budget to actual figures for the fiscal year ended June 30, 2023 include the following:

- Personal property taxes came in over budget due to the high assessed values of vehicles. The City reduced the tax rate for vehicles from \$5.00 per \$100 of assessed values to \$4.30 of assessed values, however assessed values still came in higher than expected.
- Other local taxes, including meals tax and business license continued to grow at a pace that is higher than normal prior to the pandemic.
- Prior period payments of \$6.5 million from the West Falls Church developer were recognized as revenue in FY2022 but were previously committed to the Capital Reserves by City Council.
- Actual departmental expenditures shown in Schedule 1 were less than budgeted amounts by \$5.0 million. \$2.1 million of these have been encumbered for equipment and service contracts. Throughout the departments, vacancy contributed to the underspending.
- In FY2023, City Council appropriated the use of \$5.8 million fund balance to pay for debt service and other capital projects as part of the capital financing plan for the capital improvements program.

**CITY OF FALLS CHURCH, VIRGINIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Fiscal Year Ended June 30, 2023**

**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, 2023 and 2022, amounted to approximately \$289.5 million and \$278.7 million, respectively, as summarized in the following table:

<b>Capital Assets</b> <b>As of June 30, 2023 and 2022</b> <b>(\$ in Millions)</b>						
	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total Primary Government</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
<b>Nondepreciable</b>						
Land	\$ 14.6	\$ 14.1	\$ -	\$ -	\$ 14.6	\$ 14.1
Land improvements	4.3	1.9	0.0	0.0	4.3	1.9
Intangibles	0.3	0.1	0.1	0.0	0.4	0.1
Construction in progress	20.3	19.0	5.9	0.8	26.3	19.8
	<u>39.5</u>	<u>35.1</u>	<u>6.0</u>	<u>0.8</u>	<u>45.5</u>	<u>35.9</u>
<b>Depreciable</b>						
Buildings and system	209.0	208.4	16.2	16.2	225.2	224.7
Machinery and equipment	34.7	31.1	1.1	1.1	35.8	32.2
Improvements other than buildings	16.7	12.9	2.3	2.3	19.0	15.3
Purchased capacity	0.0	0.0	23.1	22.8	23.1	22.8
Infrastructure	14.4	13.5	10.0	8.7	24.4	22.2
Intangibles	3.9	3.6	0.0	0.0	3.9	3.6
Library collections	3.0	2.9	0.0	0.0	3.0	2.9
Leased assets - equipment	0.2	0.2	0.0	0.0	0.2	0.2
Subscription asset	0.2	0.1	0.1	0.1	0.2	0.1
Accumulated depreciation	(69.9)	(61.2)	(21.0)	(19.5)	(90.9)	(80.7)
	<u>212.1</u>	<u>211.5</u>	<u>31.9</u>	<u>31.8</u>	<u>244.0</u>	<u>243.2</u>
<b>Total Capital Assets, Net</b>	<u>251.7</u>	<u>246.6</u>	<u>37.9</u>	<u>32.5</u>	<u>289.5</u>	<u>279.1</u>
<i>Due to rounding, some totals may not correspond with the sum of the separate figures.</i> <i>*FY2022 amounts were restated. See Note 25.</i>						

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

- Transportation improvements are continuing at West Falls Church in anticipation of major development in the area. The City also 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.

**CITY OF FALLS CHURCH, VIRGINIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Fiscal Year Ended June 30, 2023**

**Long-Term Debt**

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

The City's legal limit for outstanding debt is 10% of taxable assessed real property within the City, which was \$513 million and \$459.0 million as of June 30, 2023 and June 30, 2022, respectively. The City's total long-term debt that is applicable to this limit was \$167.9 million as of June 30, 2023 and \$177.8 million as of June 30, 2022, 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, 2023, and 2022, total debt outstanding was 2.9% and 3.5%, 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 12% and 14% of General Fund expenditures in FY2023 and FY2022, 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, 2023 was 22.5% and 10-year payout ratio was 43.8%. The City's 5-year payout ratio and 10-year payout ratio as of June 30, 2022 were 22.4% and 42.5%, respectively.

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 15% and 20% of General Fund expenditures. Available fund balance consists of committed, assigned, and unassigned fund balances in the General Fund. As of June 30, 2023, available fund balance is \$43.6 million or 41.4% of General Fund expenditures.

During FY2023, the West Falls CDA issued long-term revenue bonds in the amount of \$13.0 million. This debt will be paid through the collection of special assessments to be levied on the taxable real properties within the West Falls District. See Note 10 in the notes to the financial statements for additional information relative to the City's long-term debt.

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

**CITY OF FALLS CHURCH, VIRGINIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Fiscal Year Ended June 30, 2023**

The following table shows a summary of the City's outstanding debt as of June 30, 2023 and 2022:

<b>Outstanding Long-Term Debts</b> <b>As of June 30, 2023 and 2022</b> <b>(\$ in Millions)</b>						
	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total Primary Government</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
General obligation bonds						
Principal	\$ 151.1	\$ 158.8	\$ 9.6	\$ 10.9	\$ 160.7	\$ 169.8
Premiums and discounts, net	6.2	6.6	0.2	0.2	6.4	6.9
Revenue bonds	13.0	0.0	0.0	0.0	13.0	0.0
Lease liabilities	0.2	0.2	0.0	0.0	0.2	0.2
Subscription liabilities	0.1	0.0	0.1	0.1	0.1	0.1
Compensated absences	2.4	2.6	0.1	0.1	2.5	2.6
Total long-term liabilities	<u>173.0</u>	<u>168.3</u>	<u>9.9</u>	<u>11.3</u>	<u>182.9</u>	<u>179.6</u>
<i>Due to rounding, some totals may not correspond with the sum of the separate figures.</i> <i>*FY2022 amounts were restated. See Note 25.</i>						

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City's General Fund budget for FY2024 is \$119.2 million, an increase of \$6.3 million over the FY2023 original budget or 5.6%.

The following are highlights of the City's General Fund budget for FY2024:

- Real estate assessed values are expected to increase by 5.6%, largely due to the construction of multi-family and commercial units of 10.6%, while residential property growth was 4.7%. City Council maintained real estate tax rates at \$1.23 per \$100 of assessed values.
- Personal property assessed values are projected to decrease by 18.3% largely as costs begin to stabilize. City Council increased the vehicle tax rates by 50 cents from \$4.30 per \$100 of assessed values to \$4.80 per \$100 of assessed values.
- Other taxes are budgeted at 7.4% increase over FY2023 budget, primarily from meals tax and business, professional, and occupancy tax.
- The general government operating budget (excluding debt service and transfers to Schools and other funds) will increase by \$4.2 million or 9.3% as compared to FY2023 original budget.
  - 6% across-the-board increase in salaries is provided for in the budget.
  - 14 new positions were added across several departments to support growth, maintain infrastructure and deliver capital projects.
  - Contractual increases with partner jurisdictions for the provision of judicial, public safety, and health and welfare services increased by \$600,000.
  - \$645,000 for aid to non-profits and individuals and other initiatives funded with CSLFRF grant.
  - Street and sidewalks maintenance was increased by \$800,000 funded with capital reserves.
- Debt service is projected to decrease by \$0.3 million or 2.7%. \$3.8 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 \$2.5 million or 5.3% which includes a transfer of \$374 thousand funded with CSLFRF grant.

**CITY OF FALLS CHURCH, VIRGINIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Fiscal Year Ended June 30, 2023**

**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

---

---

**THIS PAGE INTENTIONALLY BLANK**

# **BASIC FINANCIAL STATEMENTS**

---

---

---

**THIS PAGE INTENTIONALLY BLANK**

# **GOVERNMENT WIDE FINANCIAL STATEMENTS**

---

---

**THIS PAGE INTENTIONALLY BLANK**

## CITY OF FALLS CHURCH, VIRGINIA

## STATEMENT OF NET POSITION

June 30, 2023

	Primary Government			Discretely Presented Component Units	
	Governmental Activities	Business-Type Activities	Totals	School Board	Economic Development Authority
<b>ASSETS</b>					
Cash and investments (Note 4)	\$ 75,774,156	\$ 19,746,069	\$ 95,520,225	\$ 6,871,243	\$ 221,737
Lease receivables (Note 11)	-	-	-	-	29,515,001
Receivables, net (Note 5)	9,633,317	1,151,190	10,784,507	340,760	7,047
Internal balances	-	40,682	40,682	-	-
Due from pension/OPEB plans (Note 7)	309,689	-	309,689	56,376	-
Due from primary government (Note 7)	-	-	-	5,670,105	425,204
Due from other governments (Note 6)	3,613,903	215,738	3,829,641	1,026,239	-
Prepays	55,441	-	55,441	68,007	-
Inventories	121,113	18,536	139,649	-	-
Restricted cash and cash equivalents (Note 4)	15,055,137	-	15,055,137	-	-
Net OPEB asset (Note 21)	2,463,055	97,761	2,560,816	3,641,104	-
Net pension asset (Note 17)	19,945,961	758,526	20,704,487	2,924,538	-
Capital assets: (Note 8)					
Nondepreciable	39,529,525	5,956,880	45,486,405	1,888,090	2,839,549
Depreciable, net	212,110,593	31,914,713	244,025,306	5,783,452	1,340,910
Total assets	378,611,890	59,900,095	438,511,985	28,269,914	34,349,448
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred outflows related to pensions (Note 17)	6,052,730	378,922	6,431,652	9,371,908	-
Deferred outflows related to OPEB (Note 21)	2,100,762	61,755	2,162,517	2,100,023	-
Deferred amount on refunding, net	-	63,424	63,424	-	-
Total deferred outflows of resources	8,153,492	504,101	8,657,593	11,471,931	-
<b>LIABILITIES</b>					
Accounts payable and other liabilities	8,298,794	2,418,791	10,717,585	6,543,515	353,912
Accrued interest	2,435,118	102,262	2,537,380	14,180	-
Customer deposits	1,931,875	-	1,931,875	-	-
Unearned revenue (Note 9)	20,350,863	-	20,350,863	94,755	-
Due to other governments - custodial funds (Note 6)	20,156	-	20,156	-	-
Internal balances (Note 7)	40,682	-	40,682	-	-
Due to component unit (Note 7)	6,095,309	-	6,095,309	-	-
Due to other governments (Note 6)	273,361	-	273,361	-	-
Noncurrent liabilities:					
Due within one year (Note 10)	9,402,498	1,388,129	10,790,627	1,612,564	-
Due in more than one year:					
Net pension liability (Note 17)	-	-	-	29,447,212	-
Net OPEB liability (Note 21)	1,162,211	-	1,162,211	5,490,384	-
Other long-term liabilities (Note 10)	163,596,110	8,549,140	172,145,250	3,417,878	-
Total liabilities	213,606,977	12,458,322	226,065,299	46,620,488	353,912
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred inflows related to pensions (Note 17)	1,839,077	81,125	1,920,202	7,672,727	-
Deferred inflows related to OPEB (Note 21)	1,240,091	25,686	1,265,777	2,220,140	-
Deferred amount on refunding, net	161,577	-	161,577	-	-
Deferred inflows related to leases (Note 11)	-	-	-	-	38,372,748
Deferred property taxes (Note 9)	6,776,808	-	6,776,808	-	-
Total deferred inflows of resources	10,017,553	106,811	10,124,364	9,892,867	38,372,748
<b>NET POSITION</b>					
Net investment in capital assets	89,765,024	26,465,878	116,230,902	4,190,928	4,180,459
Restricted for:					
Pension and OPEB	22,409,016	856,287	23,265,303	6,565,642	-
Grants	5,008,716	-	5,008,716	-	-
Unrestricted	45,958,096	20,516,898	66,474,994	(27,528,080)	(8,557,671)
Total net position	\$ 163,140,852	\$ 47,839,063	\$ 210,979,915	\$ (16,771,510)	\$ (4,377,212)

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

## CITY OF FALLS CHURCH, VIRGINIA

STATEMENT OF ACTIVITIES  
Year Ended June 30, 2023

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
<b>Primary Government:</b>									
Governmental activities:									
General government	\$ 8,258,422	\$ 74,920	\$ 299,403	\$ 18,590	\$ (7,865,509)		\$ (7,865,509)		
Judicial administration	2,145,069	1,124,109	169,512	-	(851,448)		(851,448)		
Public safety	11,182,942	4,317,173	565,604	-	(6,300,165)		(6,300,165)		
Public works	7,703,936	460,449	1,389,895	6,339,050	485,458		485,458		
Health and welfare	3,020,935	6,000	51,266	-	(2,963,669)		(2,963,669)		
Parks, recreation, and cultural	6,040,970	2,347,435	235,687	-	(3,457,848)		(3,457,848)		
Community development	6,010,128	102,504	1,728,959	-	(4,178,665)		(4,178,665)		
Economic development	467,499	-	-	-	(467,499)		(467,499)		
Education	53,860,087	-	-	154,411	(53,705,676)		(53,705,676)		
Interest	6,122,328	-	120,233	-	(6,002,095)		(6,002,095)		
Total governmental activities	104,812,316	8,432,590	4,560,559	6,512,051	(85,307,116)		(85,307,116)		
Business-type activities:									
Sewer	3,509,848	12,094,496	-	-		8,584,648	8,584,648		
Stormwater	1,568,783	1,708,277	-	1,194,600		1,334,094	1,334,094		
Total business-type activities	5,078,631	13,802,773	-	1,194,600		9,918,742	9,918,742		
Total primary government	\$ 109,890,947	\$ 22,235,363	\$ 4,560,559	\$ 7,706,651	(85,307,116)	9,918,742	(75,388,374)		
<b>Discretely Presented Component Units:</b>									
School Board	\$ 56,869,313	\$ 3,709,986	\$ 12,749,270	\$ -				\$ (40,410,057)	\$ -
Economic Development Authority	5,086,875	-	-	-				-	(5,086,875)
Total component units	\$ 61,956,188	\$ 3,709,986	\$ 12,749,270	\$ -				(40,410,057)	(5,086,875)
General revenues:									
General property taxes					69,423,758	-	69,423,758	-	-
Other local taxes:									
Business licenses					5,047,192	-	5,047,192	-	-
Local sales and use					6,370,552	-	6,370,552	-	-
Consumer utility					1,935,544	-	1,935,544	-	-
Motor vehicle decals					310,779	-	310,779	-	-
Real estate recordation taxes					451,485	-	451,485	-	-
Occupancy, tobacco, and other					6,211,783	-	6,211,783	-	-
Payments from City					-	-	-	48,163,931	235,150
Payments from EDA					4,681,599	-	4,681,599	-	-
Intergovernmental, non-categorical aid					3,719,056	-	3,719,056	-	-
Revenue from use of money and property, unrestricted					1,716,549	348,681	2,065,230	435,070	1,429,102
Revenue from use of money and property, restricted					455,791	-	455,791	-	-
Miscellaneous					259,555	-	259,555	106,249	18,694
Transfers					(286,686)	286,686	-	-	-
Total general revenues and transfers					100,296,957	635,367	100,932,324	48,705,250	1,682,946
Change in net position					14,989,841	10,554,109	25,543,950	8,295,193	(3,403,929)
<b>NET POSITION AT JULY 1, AS RESTATED (Note 25)</b>					148,151,011	37,284,954	185,435,965	(25,066,703)	(973,283)
<b>NET POSITION AT JUNE 30</b>					\$ 163,140,852	\$ 47,839,063	\$ 210,979,915	\$ (16,771,510)	\$ (4,377,212)

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

# **FUND FINANCIAL STATEMENTS**

---

---

---

**THIS PAGE INTENTIONALLY BLANK**

## CITY OF FALLS CHURCH, VIRGINIA

**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2023**

	<u>General</u>	<u>Capital Projects</u>	<u>Special Transportation</u>	<u>Affordable Housing</u>	<u>Other Governmental</u>	<u>Total Governmental</u>
<b>ASSETS</b>						
Cash and investments	\$ 68,168,542	\$ 3,274,302	\$ 3,970,057	\$ 361,255	\$ -	\$ 75,774,156
Receivables, net	9,431,790	-	-	173,980	27,547	9,633,317
Due from other funds	-	98,251	-	22,074	-	120,325
Due from pension/OPEB plans (Note 7)	309,689	-	-	-	-	309,689
Due from other governments	1,533,189	314,188	1,675,026	-	-	3,522,403
Prepays	55,441	-	-	-	-	55,441
Inventories	121,113	-	-	-	-	121,113
Restricted cash and cash equivalents	116,636	837,384	-	6,105,634	7,995,483	15,055,137
Total assets	<u>\$ 79,736,400</u>	<u>\$ 4,524,125</u>	<u>\$ 5,645,083</u>	<u>\$ 6,662,943</u>	<u>\$ 8,023,030</u>	<u>\$ 104,591,581</u>
<b>LIABILITIES</b>						
Accounts payable and other liabilities	\$ 5,663,040	\$ 678,788	\$ 871,494	\$ -	\$ 1,085,472	\$ 8,298,794
Customer deposits	1,931,875	-	-	-	-	1,931,875
Unearned revenue (Note 9)	13,392,021	1,134,671	50,000	5,774,171	-	20,350,863
Due to other governments - custodial funds	20,156	-	-	-	-	20,156
Due to other funds (Note 7)	120,325	-	-	-	-	120,325
Internal balances (Note 7)	40,682	-	-	-	-	40,682
Due to component units	6,095,309	-	-	-	-	6,095,309
Due to other governments	273,361	-	-	-	-	273,361
Total liabilities	<u>27,536,769</u>	<u>1,813,459</u>	<u>921,494</u>	<u>5,774,171</u>	<u>1,085,472</u>	<u>37,131,365</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenue (Note 9)	8,246,506	-	-	173,980	-	8,420,486
Total deferred inflows of resources	<u>8,246,506</u>	<u>-</u>	<u>-</u>	<u>173,980</u>	<u>-</u>	<u>8,420,486</u>
<b>FUND BALANCES</b>						
Fund balances (Note 26):						
Nonspendable	176,554	-	-	-	-	176,554
Restricted	248,963	837,383	4,723,589	331,463	6,937,558	13,078,956
Committed	12,781,092	1,873,283	-	383,329	-	15,037,704
Assigned	3,475,148	-	-	-	-	3,475,148
Unassigned	27,271,368	-	-	-	-	27,271,368
Total fund balances	<u>43,953,125</u>	<u>2,710,666</u>	<u>4,723,589</u>	<u>714,792</u>	<u>6,937,558</u>	<u>59,039,730</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 79,736,400</u>	<u>\$ 4,524,125</u>	<u>\$ 5,645,083</u>	<u>\$ 6,662,943</u>	<u>\$ 8,023,030</u>	<u>\$ 104,591,581</u>

## CITY OF FALLS CHURCH, VIRGINIA

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
June 30, 2023**

<b>Total Fund Balance</b>		\$ 59,039,730
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	\$ 39,529,525	
Depreciable, net	<u>212,110,593</u>	
		251,640,118
Certain receivables are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		
		1,643,678
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	6,052,730	
Deferred outflows related to OPEB	2,100,762	
Deferred inflows related to pensions	(1,839,077)	
Deferred inflows related to OPEB	(1,240,091)	
Net pension asset - all plans	19,945,961	
Net OPEB liability - all plans	(1,162,211)	
Net OPEB asset - all plans	<u>2,463,055</u>	
		26,321,129
Long-term receivables, such as due from other governments, are not reported in the governmental funds.		
		91,500
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	(164,118,659)	
Premium and discounts, net of accumulated amortization	(6,222,599)	
Deferred amount on refunding, net of accumulated amortization	(161,577)	
Lease liabilities	(152,445)	
Subscription liabilities	(94,214)	
Compensated absences	<u>(2,410,691)</u>	
		(173,160,185)
Interest on long-term liabilities is not accrued in governmental funds, but is recognized as an expenditure when due.		
		<u>(2,435,118)</u>
<b>Total Net Position - Governmental Activities</b>		<u><u>\$ 163,140,852</u></u>

**CITY OF FALLS CHURCH, VIRGINIA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**Year Ended June 30, 2023**

	General	Capital Projects	Special Transportation	Affordable Housing	Other Governmental	Total Governmental
<b>REVENUES</b>						
General property taxes	\$ 69,421,812	\$ -	\$ -	\$ -	\$ -	\$ 69,421,812
Other local taxes	20,612,929	-	-	-	-	20,612,929
Permits, privilege fees, and regulatory licenses	4,148,597	-	-	-	-	4,148,597
Fines and forfeitures	337,073	-	-	-	-	337,073
Use of money and property	1,711,831	-	2,939	124,987	335,523	2,175,280
Charges for services	3,906,634	-	-	-	-	3,906,634
Miscellaneous	197,304	-	-	-	-	197,304
Gifts and contributions	106,439	171,001	-	-	-	277,440
Recovered costs	266,940	-	-	-	-	266,940
Intergovernmental						-
Commonwealth	4,590,282	84,180	4,949,731	1,725,829	-	11,350,022
Federal	1,923,754	120,421	1,115,189	-	-	3,159,364
EDA	4,681,599	-	-	-	-	4,681,599
Total revenues	111,905,194	375,602	6,067,859	1,850,816	335,523	120,534,994
<b>EXPENDITURES</b>						
Current:						
General government	8,898,228	-	-	-	-	8,898,228
Judicial administration	2,236,437	-	-	-	-	2,236,437
Public safety	12,059,814	-	-	-	-	12,059,814
Public works	7,218,056	-	-	-	-	7,218,056
Health and welfare	3,057,049	-	-	-	-	3,057,049
Parks, recreation, and cultural	5,581,674	-	-	-	-	5,581,674
Community development	4,480,225	-	-	1,940,987	88,543	6,509,755
Economic development	511,915	-	-	-	-	511,915
Education	48,198,265	-	-	-	-	48,198,265
Capital outlay	-	3,383,077	5,769,508	-	4,616,621	13,769,206
Debt service:						-
Principal retirement	7,804,530	-	-	-	-	7,804,530
Interest and fiscal charges	5,092,496	-	-	-	1,343,624	6,436,120
Total expenditures	105,138,689	3,383,077	5,769,508	1,940,987	6,048,788	122,281,049
Excess (deficiency) of revenues over expenditures	6,766,505	(3,007,475)	298,351	(90,171)	(5,713,265)	(1,746,055)
<b>OTHER FINANCING SOURCES (USES)</b>						
Issuance of debt	-	-	-	-	13,000,000	13,000,000
Issuance of leases	99,459	-	-	-	-	99,459
Transfers in	1,720,830	1,856,598	1,597,311	153,813	-	5,328,552
Transfers out	(3,258,545)	(3,830)	(1,717,000)	-	(349,177)	(5,328,552)
Total other financing sources (uses)	(1,438,256)	1,852,768	(119,689)	153,813	12,650,823	13,099,459
Net change in fund balance	5,328,249	(1,154,707)	178,662	63,642	6,937,558	11,353,404
<b>FUND BALANCES AT JULY 1</b>	38,624,876	3,865,373	4,544,927	651,150	-	47,686,326
<b>FUND BALANCES AT JUNE 30</b>	<u>\$ 43,953,125</u>	<u>\$ 2,710,666</u>	<u>\$ 4,723,589</u>	<u>\$ 714,792</u>	<u>\$ 6,937,558</u>	<u>\$ 59,039,730</u>

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

## 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, 2023**

**Net Change in Fund Balance - Governmental Funds** \$ 11,353,404

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

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

Capital outlays	\$ 14,978,427	
Depreciation and amortization expense	(9,881,100)	
		5,097,327

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.

(19,178)

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

Debt proceeds	(13,099,459)	
Change in deferred inflow of resources	(250,171)	
		(13,349,630)

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

68,512

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	175,404	
Employer OPEB contributions	313,345	
Non-employer OPEB contributions	1,899	
Pension expense	2,737,242	
OPEB expense	332,350	
		3,560,240

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.

7,804,530

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		160,844
--------------------------------	--	---------

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	393,744	
Amortization of deferred amount from refundings	6,566	
Change in accrued interest payable	(86,518)	
		313,792

**Change in Net Position - Governmental Activities** \$ 14,989,841

## CITY OF FALLS CHURCH, VIRGINIA

**STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
GENERAL FUND  
Year Ended June 30, 2023**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
General property taxes	\$ 68,338,360	\$ 68,338,360	\$ 69,421,812	\$ 1,083,452
Other local taxes	19,630,140	19,655,140	20,612,929	957,789
Permits, privilege fees, and regulatory licenses	1,289,925	1,289,925	4,148,597	2,858,672
Fines and forfeitures	325,000	325,000	337,073	12,073
Use of money and property	267,000	377,000	1,711,831	1,334,831
Charges for services	3,326,511	3,326,511	3,906,634	580,123
Miscellaneous	29,800	53,390	197,304	143,914
Gifts and contributions	6,300	89,950	87,850	(2,100)
Recovered costs	306,700	306,700	266,940	(39,760)
Intergovernmental				
Commonwealth	4,250,724	4,319,214	4,590,282	271,068
Federal	1,768,763	4,976,305	1,923,754	(3,052,551)
EDA	4,500,000	4,681,599	4,681,599	-
Total revenues	104,039,223	107,739,094	111,886,605	4,147,511
EXPENDITURES				
Current:				
General government	8,423,609	9,045,546	8,619,970	425,576
Judicial administration	2,474,716	2,575,658	2,236,437	339,221
Public safety	12,619,662	13,177,649	12,059,814	1,117,835
Public works	6,576,754	8,601,387	7,218,056	1,383,331
Health and welfare	3,767,565	3,827,984	3,057,049	770,935
Parks, recreation, and cultural	5,565,492	5,845,941	5,581,674	264,267
Community development	4,392,172	4,788,406	4,480,225	308,181
Economic development	879,114	708,986	511,915	197,071
Education	47,140,836	48,305,836	48,198,265	107,571
Debt service:				
Principal retirement	7,723,281	7,723,281	7,804,530	(81,249)
Interest and fiscal charges	5,221,028	5,221,028	5,092,496	128,532
Total expenditures	104,784,229	109,821,702	104,860,431	4,961,271
Excess (deficiency) of revenues over expenditures	(745,006)	(2,082,608)	7,026,174	9,108,782
OTHER FINANCING SOURCES (USES)				
Issuance of debt	75,000	75,000	-	(75,000)
Issuance of leases	-	-	99,459	99,459
Transfers in	1,717,000	1,717,000	1,720,830	3,830
Transfers out	(2,305,294)	(5,534,881)	(3,495,780)	2,039,101
Total other financing sources (uses)	(513,294)	(3,742,881)	(1,675,491)	2,067,390
Net change in fund balance	\$ (1,258,300)	\$ (5,825,489)	\$ 5,350,683	\$ 11,176,172

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, 2023

	Business-Type Activities – Enterprise Funds		
	Sanitary Sewer	Storm Water	Totals
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ 16,418,986	\$ 3,327,083	\$ 19,746,069
Receivables, net	1,124,497	26,693	1,151,190
Due from other funds	34,764	5,918	40,682
Due from other governments	215,738	-	215,738
Inventories	12,469	6,067	18,536
Total current assets	17,806,454	3,365,761	21,172,215
Noncurrent assets:			
Net OPEB asset	59,636	38,125	97,761
Net pension asset	377,256	381,270	758,526
Capital assets, net	29,202,419	8,669,174	37,871,593
Total noncurrent assets	29,639,311	9,088,569	38,727,880
Total assets	47,445,765	12,454,330	59,900,095
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pensions	166,616	212,306	378,922
Deferred outflows related to OPEB	37,671	24,084	61,755
Deferred amount on refunding, net	63,424	-	63,424
Total deferred outflows of resources	267,711	236,390	504,101
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and other liabilities	1,732,514	686,277	2,418,791
Accrued interest	72,316	29,946	102,262
Compensated absences, current	14,104	36,855	50,959
Subscription liability, current	14,068	14,068	28,136
Debt, current	1,138,987	170,047	1,309,034
Total current liabilities	2,971,989	937,193	3,909,182
Noncurrent liabilities:			
Compensated absences	-	15,102	15,102
Subscription liability	12,590	12,590	25,180
Debt	6,367,241	2,141,617	8,508,858
Total noncurrent liabilities	6,379,831	2,169,309	8,549,140
Total liabilities	9,351,820	3,106,502	12,458,322
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions	34,484	46,641	81,125
Deferred inflows related to OPEB	15,669	10,017	25,686
Total deferred inflows of resources	50,153	56,658	106,811
<b>NET POSITION</b>			
Net investment in capital assets	20,327,315	6,138,563	26,465,878
Restricted for pension and OPEB	436,892	419,395	856,287
Unrestricted	17,547,296	2,969,602	20,516,898
Total net position	\$ 38,311,503	\$ 9,527,560	\$ 47,839,063

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, 2023**

	<b>Business-Type Activities – Enterprise Funds</b>		
	<b>Sanitary Sewer</b>	<b>Storm Water</b>	<b>Totals</b>
<b>OPERATING REVENUES</b>			
Charges for fees and services	\$ 4,216,624	\$ 1,708,277	\$ 5,924,901
Total operating revenues	4,216,624	1,708,277	5,924,901
<b>OPERATING EXPENSES</b>			
Collection, conveyance, and disposal	1,597,099	673,245	2,270,344
Administration	436,338	466,572	902,910
Depreciation and amortization	1,298,876	370,911	1,669,787
Total operating expenses	3,332,313	1,510,728	4,843,041
Operating income	884,311	197,549	1,081,860
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Availability fees	7,877,872	-	7,877,872
Loss on sale of capital asset	(3,331)	-	(3,331)
Interest and investment gains	259,575	89,106	348,681
Interest expense	(174,204)	(58,055)	(232,259)
Net nonoperating revenues	7,959,912	31,051	7,990,963
<b>CAPITAL CONTRIBUTIONS</b>			
	-	1,481,286	1,481,286
Change in net position	8,844,223	1,709,886	10,554,109
<b>NET POSITION AT JULY 1, AS RESTATED (Note 25)</b>	29,467,280	7,817,674	37,284,954
<b>NET POSITION AT JUNE 30</b>	<u>\$ 38,311,503</u>	<u>\$ 9,527,560</u>	<u>\$ 47,839,063</u>

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, 2023**

	<b>Business-type Activities – Enterprise Funds</b>		
	<b>Sanitary Sewer</b>	<b>Storm water</b>	<b>Totals</b>
<b>OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 3,772,597	\$ 1,759,450	\$ 5,532,047
Interfund reimbursements	(169,021)	(170,491)	(339,512)
Payments to suppliers	(1,276,831)	(327,863)	(1,604,694)
Payments to employees	(582,853)	(740,447)	(1,323,300)
Net cash provided by operating activities	<u>1,743,892</u>	<u>520,649</u>	<u>2,264,541</u>
<b>NONCAPITAL FINANCING ACTIVITIES</b>			
Interfund borrowing	(34,764)	41,682	6,918
Net cash provided by (used in) noncapital financing activities	<u>(34,764)</u>	<u>41,682</u>	<u>6,918</u>
<b>CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Availability fees	7,877,872	-	7,877,872
Purchases of capital assets	(3,286,602)	(342,590)	(3,629,192)
Principal paid on capital debt	(1,141,832)	(180,927)	(1,322,759)
Interest paid on capital debt	(184,005)	(68,562)	(252,567)
Net cash provided by (used in) capital and related financing activities	<u>3,265,433</u>	<u>(592,079)</u>	<u>2,673,354</u>
<b>INVESTING ACTIVITIES</b>			
Interest and investment gains	259,575	89,106	348,681
Net increase in cash and cash equivalents	<u>5,234,136</u>	<u>59,358</u>	<u>5,293,494</u>
<b>CASH AND CASH EQUIVALENTS JULY 1</b>	<u>11,184,850</u>	<u>3,267,725</u>	<u>14,452,575</u>
<b>CASH AND CASH EQUIVALENTS JUNE 30</b>	<u><u>\$ 16,418,986</u></u>	<u><u>\$ 3,327,083</u></u>	<u><u>\$ 19,746,069</u></u>
<b>RECONCILIATION TO EXHIBIT 8</b>			
Cash and investments	\$ 16,418,986	\$ 3,327,083	\$ 19,746,069
Restricted cash and cash equivalents	-	-	-
Total	<u><u>\$ 16,418,986</u></u>	<u><u>\$ 3,327,083</u></u>	<u><u>\$ 19,746,069</u></u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>			
Operating income	\$ 884,311	\$ 197,549	\$ 1,081,860
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	1,298,876	370,911	1,669,787
Pension expense net of employer contributions	(45,299)	(36,879)	(82,178)
OPEB expense net of employer contributions	(21,487)	144	(21,343)
Change in assets and liabilities:			
(Increase) decrease in:			
Receivables, net	(444,027)	51,173	(392,854)
Increase (decrease) in:			
Accounts payable and other liabilities	82,202	(65,343)	16,859
Compensated absences	(10,684)	3,094	(7,590)
Net cash provided by operating activities	<u><u>\$ 1,743,892</u></u>	<u><u>\$ 520,649</u></u>	<u><u>\$ 2,264,541</u></u>
<b>NONCASH INVESTING AND FINANCING ACTIVITIES:</b>			
Capital asset purchases included in accounts payable	\$ 1,454,183	\$ 597,516	\$ 2,051,699
Subscription asset	46,060	46,060	92,120
Contributions of capital assets	-	1,481,286	1,481,286
Total noncash investing and financing activities	<u><u>\$ 1,500,243</u></u>	<u><u>\$ 2,124,862</u></u>	<u><u>\$ 3,625,105</u></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, 2023**

	<b>Post Employment Trust Funds</b>	<b>Custodial Fund</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 5,159,917	\$ 5,276,236
Investments:		
Domestic equity securities	94,211,614	-
Domestic fixed-income securities	24,147,672	-
International equity securities	34,952,498	-
Real estate Securities	15,353,074	-
Infrastructure	11,211,162	-
Other investments	-	334,160
Contributions receivable	10,116	-
Due from other governments	-	463,635
Due from general fund (Note 6)	-	20,156
Interest and dividends receivable	178,173	-
Receivables	-	515,758
Net pension asset	-	1,386,626
Capital assets, net	-	11,914,656
Total assets	<u>185,224,226</u>	<u>19,911,227</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred amount on refunding	-	27,257
Deferred outflows related to pensions	-	467,243
Deferred outflows related to OPEB	-	127,622
Total deferred outflows of resources	<u>-</u>	<u>622,122</u>
<b>LIABILITIES</b>		
Accounts payable and other liabilities	161,999	342,148
Lease liabilities	-	60,031
Bonds payable	-	2,739,896
Net OPEB liability	-	8,383
Due to City	366,065	-
Total liabilities	<u>528,064</u>	<u>3,150,458</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows related to leases	-	384,374
Deferred inflows related to pensions	-	76,651
Deferred inflows related to OPEB	-	32,694
Total deferred inflows of resources	<u>-</u>	<u>493,719</u>
<b>NET POSITION</b>		
Restricted for:		
Pension benefits	166,468,444	-
Other post-employment benefits	18,227,718	-
Individuals, organizations, and other governments	-	16,889,172
Total net position	<u>\$ 184,696,162</u>	<u>\$ 16,889,172</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, 2023**

	<b>Post Employment Trust Funds</b>	<b>Custodial Fund</b>
<b>ADDITIONS</b>		
Employer contributions	\$ 327,666	\$ -
Employee contributions	1,224,095	-
Investment earnings:		
Interest	123,167	-
Dividends	2,181,445	-
Net increase in fair value of investments	12,590,139	-
Total investment gains	14,894,751	-
Less: investment expenses	(483,296)	-
Net investment earnings	14,411,455	-
Charges for services	-	3,291,685
Grants and contributions	-	671,058
Debt service assessments	-	807,974
Lease revenue	-	152,886
Investment earnings	-	237,206
Miscellaneous	-	70,338
	<u>15,963,216</u>	<u>5,231,147</u>
<b>DEDUCTIONS</b>		
Benefits	8,291,439	-
Administration	129,756	-
Personnel services and benefits	-	2,038,505
Purchased services	-	1,162,579
Materials and supplies	-	522,069
Depreciation	-	977,458
Interest expense	-	99,041
Miscellaneous	-	20,202
	<u>8,421,195</u>	<u>4,819,854</u>
Change in net position	7,542,021	411,293
<b>NET POSITION AT JULY 1, AS RESTATED (Note 25)</b>	<u>177,154,141</u>	<u>16,477,879</u>
<b>NET POSITION AT JUNE 30</b>	<u><u>\$ 184,696,162</u></u>	<u><u>\$ 16,889,172</u></u>

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

**CITY OF FALLS CHURCH, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**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.

(Continued)

**CITY OF FALLS CHURCH, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**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. 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.

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

The City also reports the following fiduciary funds:

**Post-Employment 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 postemployment 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, 2023**

**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, 2023**

**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 leases and subscription liabilities are reported as other financing sources.

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

*Deposits and Investments*

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

*Fair Value Measurements*

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles (GAAP). The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

*Receivables and Payables*

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

All trade and property tax receivables, including those for the sanitary sewer and 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, 2023**

**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 2023 was \$1.320, 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 2022 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 GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

*Capital Assets*

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

(Continued)

**CITY OF FALLS CHURCH, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**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

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

*Deferred Outflows/Inflows of Resources*

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

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

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

- Deferred amount on refunding. A deferred amount on refunding is a deferred outflow or inflow, which results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Contributions subsequent to the measurement date for pensions and OPEB are always a deferred outflow; this will be applied to the net pension or OPEB liability in the next fiscal year.

(Continued)

**CITY OF FALLS CHURCH, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**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)*

- Differences between expected and actual experience for economic/demographic factors in the measurement of the total pension or OPEB liability. This difference will be recognized in pension or OPEB expense over the expected average remaining service life of all employees provided with benefits in the plan and may be reported as a deferred inflow or outflow as appropriate.
- Difference between projected and actual earnings on pension and OPEB plan investments. This difference will be recognized in pension or OPEB expense over the closed five-year period and may be reported as a deferred outflow or inflow as appropriate.
- Changes of assumptions. This difference will be recognized in pension or OPEB expense over the closed five-year period and may be reported as a deferred outflow or inflow as appropriate.
- Changes in proportionate share that will be recognized in the pension or OPEB expense over the average expected remaining service lives of all employees provided with benefits. This may be reported as a deferred outflow or a deferred inflow as appropriate.
- Unavailable revenue occurs only under the modified accrual basis of accounting and is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from property taxes and other receivables not collected within 60 days of year-end. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.
- Lease-related amounts are recognized at the inception of the lease in which the City is the lessor. The deferred inflow of resources is recorded at an amount equal to the corresponding lease receivable plus certain additional amounts received from the lessee at or before the commencement of the lease term that relate to future periods, less any lease incentives paid to, or on behalf of, the lessee at or before the commencement of the lease term. The inflow of resources is recognized in a systematic and rational manner over the term of the lease.

*Pensions and Other Postemployment Benefits (OPEB)*

For purposes of measuring all financial statement elements related to VRS-administered pension and OPEB plans, information about the fiduciary net position of the City's Plans and the additions to/deductions from the City's Plan's net fiduciary position have been determined on the same basis as they were reported by the Virginia Retirement System (VRS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

The City administers their own pension and 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.

(Continued)

**CITY OF FALLS CHURCH, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**Note 1. Summary of Significant Accounting Policies (Continued)**

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

*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.

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 \$315,000 as of June 30, 2023. 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, 2023**

**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, 2023**

**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 \$2,162,866 in the general fund.

*Net Position*

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

*School Board Debt/Capital Asset Reporting*

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

**Note 2. Intergovernmental Agreements**

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

*County of Fairfax*

The City, the County of Fairfax ("Fairfax"), and the City of Fairfax comprise the Fairfax-Falls Church Community Services Board (CSB), established under State mandate in 1969, to provide mental health, mental retardation, and drug and alcohol abuse treatment services to residents of the three jurisdictions. The CSB uses Fairfax as its fiscal agent. During 2023, the City paid the CSB approximately \$1.12 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 2023, the City paid approximately \$284,000 for these services.

The City uses Fairfax's landfills for waste disposal and charges are based on tipping fees. During 2023, the City paid approximately \$138,000 for these services.

(Continued)

**CITY OF FALLS CHURCH, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**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 2023, the City paid approximately \$711,000 for sewage treatment costs. In 2008, another upgrade was commenced at the Alexandria Sanitation Treatment Plant. The City paid approximately \$292,000 in 2023 for its share of the costs of the upgrade. All amounts relating to the City's share of these capital costs are recorded as capital assets in the Sanitary Sewer Fund.

*County of Arlington*

The City contracts its fire and rescue, jail, E-911, radio bandwidth, and certain judicial services, to Arlington County, Virginia ("Arlington"). During 2023, the City paid Arlington approximately \$2.5 million for fire and rescue services, \$332,000 for jail services, and \$745,000 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 2023 amounted to approximately \$499,000.

The City has an agreement with Arlington to share in the cost of its sewage treatment facilities. During 2023, the City paid Arlington approximately \$370,000 for operating costs.

*Fairfax Water*

Fairfax Water performs sanitary sewer billing and collection services. During 2023, Fairfax Water billed \$3.94 million in sanitary sewer fees and remitted \$3.93 million to the City. The City paid Fairfax Water \$109,000 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 2023, the City paid \$29,000 for maintenance costs; however, no amounts were received as refund for the contribution.

(Continued)

**CITY OF FALLS CHURCH, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**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 2023, the City paid NVCJA approximately \$51,000 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](http://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 2023, the City received approximately \$1.16 million of these taxes. Complete financial statements of NVTa may be obtained by visiting the Authority's website at [thenovaauthority.org/media/annual-reports](http://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 2023, the City's required contributions amounted to approximately \$4.6 million. The City received \$2.8 million from the Virginia Department of Rail and Public Transportation to pay for this obligation. The remaining \$1.8 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, 2023**

**Note 3. Stewardship, Compliance, and Accountability**

**Budgetary Information**

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

1. On a date fixed by the Council, the City Manager submits to Council a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Ordinance. Appropriated annual budgets are adopted for the General fund of the primary government and the School Operating, Community Service, and Food Service funds of the School Board. If for any reason, the Council fails to adopt the appropriation ordinance prior to July 1, the previous fiscal year's budget remains in effect on a month-to-month basis until the Council adopts the budgets.
4. The Appropriations Ordinance is adopted at the fund and department level. The appropriation for each department can be revised through resolution by the Council. The City Manager is authorized to transfer unencumbered balances within departments only.
5. Unencumbered appropriations lapse on June 30 except for those of the Capital Projects Fund, which are carried into the following year on a continuing appropriation basis unless there have been no expenditures in the project for the last three fiscal years. Encumbrance accounting is employed in governmental funds and proprietary funds. Encumbrances outstanding at year-end are reported as assignments of fund balances unless they are already restricted or committed, and do not constitute expenditures or liabilities because the expenses have not yet been incurred; rather, the commitments are automatically reappropriated and honored during the subsequent year.
6. Original and final budgeted amounts are shown. The City required budget amendments during the year, representing a net increase of approximately \$4.6 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, 2023**

**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><b>General Fund</b></u>
Net change in fund balance (non-GAAP budgetary basis)	\$ 5,350,683
Add: Net change in fund balance for FCCTV Fund	<u>(22,434)</u>
Net change in fund balance (GAAP basis)	<u><u>\$ 5,328,249</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, 2023**

**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, 3% of the portfolio was invested in SNAP, and 97% 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, 2023**

**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 &amp; P Credit Rating</u>
Primary Government:		
SNAP	\$ 2,196,538	AAAm
VML	<u>64,238,020</u>	AAAm
Primary government investments	<u>66,434,558</u>	
Component Unit – School Board:		
LGIP	6,470,577	AAAm
Component Unit – EDA:		
LGIP	<u>54,915</u>	AAAm
Component unit investments	<u>6,525,492</u>	
Total investments	<u><u>\$ 72,960,050</u></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	\$ 44,140,804	\$ 400,666	\$ 166,822
LGIP	-	6,470,577	54,915
SNAP	2,196,538	-	-
VML	<u>64,238,020</u>	<u>-</u>	<u>-</u>
	<u><u>\$ 110,575,362</u></u>	<u><u>\$ 6,871,243</u></u>	<u><u>\$ 221,737</u></u>

(Continued)

**CITY OF FALLS CHURCH, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**Note 4. Deposits and Investments (Continued)**

**Investments (Continued)**

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

	<b><u>Primary Government</u></b>	<b><u>School Board</u></b>	<b><u>Economic Development Authority</u></b>
Statement of net position:			
Cash and investments	\$ 95,520,225	\$ 6,871,243	\$ 221,737
Restricted cash and cash equivalents	<u>15,055,137</u>	<u>-</u>	<u>-</u>
	<u><u>\$ 110,575,362</u></u>	<u><u>\$ 6,871,243</u></u>	<u><u>\$ 221,737</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:

<b><u>Investment Type</u></b>	<b><u>Fair Value</u></b>
Money market funds	\$ 5,159,917
Domestic equities	94,211,614
Domestic fixed income	24,147,672
International equities	34,952,498
Real estate securities	15,353,074
Infrastructure	<u>11,211,162</u>
Total cash, cash equivalents, and investments	<u><u>\$ 185,035,937</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, 2023**

**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%	51.0%
International equities	15.0%	23.0%	20.0%
Domestic fixed income	12.0%	20.0%	13.0%
Real Estate	6.5%	10.0%	9.0%
Infrastructure	3.0%	7.0%	7.0%

**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, 2023**

**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%	61.0%
Domestic fixed income	18.0%	26.0%	20.0%
International equities	15.0%	23.0%	19.0%

**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, 2023**

**Note 4. Deposits and Investments (Continued)**

**Fair Value:**

The City and Schools categorize its fair value measurements within the fair value hierarchy established by GAAP. The City and Schools have the following recurring fair value measurements as of June 30, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common stocks/equity securities:				
Healthcare	\$ 2,491,695	\$ -	\$ -	\$ 2,491,695
Financial Services	466,608	-	-	466,608
Industrial Goods	2,286,439	-	-	2,286,439
Infrastructure	-	11,211,163	-	11,211,163
Information Technology	4,761,367	-	-	4,761,367
Consumer Goods	289,937	-	-	289,937
Consumer Cyclical	1,339,390	-	-	1,339,390
Consumer Defensive	443,984	-	-	443,984
Real Estate	5,898,106	-	9,454,968	15,353,074
International (MFS)	18,363,013	12,128,065	-	30,491,078
Fixed Income	300,957	-	-	300,957
Money Market	4,684,123	-	-	4,684,123
Mutual funds	90,587,107	-	-	90,587,107
	<u>\$ 131,912,726</u>	<u>\$ 23,339,228</u>	<u>\$ 9,454,968</u>	<u>\$ 164,706,922</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, 2023**

**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:

<b>Investment</b>	<b>Fair Value</b>	<b>Redemption Frequency</b>	<b>Redemption Notice Period</b>
US Bank Investments	\$ 20,127,758	Quarterly	3 - 5 days
MMLIC	201,258	Monthly	2 – 5 days

**Note 5. Receivables**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
Receivables:			
Accounts-Billed	\$ 563,196	\$ 447,190	\$ 1,010,386
Accounts-Unbilled	-	717,000	717,000
Other	1,198,939	-	1,198,939
Property taxes:			
Delinquent	1,607,796	-	1,607,796
Not yet due	6,776,808	-	6,776,808
Total receivables	10,146,739	1,164,190	11,310,929
Allowances for uncollectible:			
Accounts receivable	(203,022)	(13,000)	(216,022)
Property taxes:			
Delinquent	(243,400)	-	(243,400)
Not yet due	(67,000)	-	(67,000)
Total allowances for uncollectible	(513,422)	(13,000)	(526,422)
Total net receivables	\$ 9,633,317	\$ 1,151,190	\$ 10,784,507

(Continued)

**CITY OF FALLS CHURCH, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**Note 6. Due from/to Other Governments**

Amounts due from other governments are as follows:

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Component Unit – School Board</b>
Commonwealth of Virginia			
State sales tax	\$ -	\$ -	\$ 545,599
Local sales tax	1,195,409	-	-
Communication tax	94,726	-	-
Transportation funds	63,471	-	-
Grants for capital projects	259,517	-	355,790
Total	1,613,123	-	901,389
Federal			
Grants for capital projects	256,480	-	-
Other federal funds	681,040	-	124,850
Total	937,520	-	124,850
Other governments			
Fairfax County	-	215,738	-
Arlington County	111,086		
Other	952,174	-	-
Total	1,063,260	215,738	-
Total due from other governments	\$ 3,613,903	\$ 215,738	\$ 1,026,239

Amounts due to other governments of \$273,361 in governmental activities consist of amounts owed to Arlington, the Department of Motor Vehicles and other governments. Long-term receivables that are due to Arlington for various services, which are not reported in the general fund were \$91,500.

In addition, due to a custodial relationship between the City and NVCJTA, the City shows \$20,156 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, 2023**

**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, 2023, the City had a due to balance to the School Board of \$6,095,309 as a result of accounts payable balances to be refunded.

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

	<u><b>Due (to) from</b></u>
Major Fund:	
General	\$ 148,682
Capital improvements	98,251
Affordable housing	22,074
Sewer	34,764
Stormwater	5,918
Fiduciary Funds:	
Pension benefits	(148,002)
OPEB benefits	(161,687)
	<u>\$ -</u>

The amount due to the general fund is the net of amount due from the Pension , OPEB, Sewer, and Stormwater funds and the amount due to other funds.

Transfers consisted of the following:

	<u><b>Transfers In</b></u>	<u><b>Transfers Out</b></u>
General fund	\$ 1,720,830	\$ 3,258,545
Capital projects	1,856,598	3,830
Special transportation	1,597,311	1,717,000
Affordable housing	153,813	-
Non-Major fund:		
CDA	-	349,177
	<u>\$ 5,328,552</u>	<u>\$ 5,328,552</u>

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

(Continued)

**CITY OF FALLS CHURCH, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**Note 8. Capital Assets**

Capital asset activity was as follows:

**Primary Government**

	<b>Beginning Balance As Restated*</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
<b><u>Governmental Activities:</u></b>				
Capital asset, non-depreciable:				
Land	\$ 14,073,239	\$ 504,149	\$ -	\$ 14,577,388
Land improvements	1,862,000	2,453,311	-	4,315,311
Intangibles	121,690	189,585	-	311,275
Construction in progress	19,035,501	12,481,922	(11,191,872)	20,325,551
Total capital assets, non-depreciable	<u>35,092,430</u>	<u>15,628,967</u>	<u>(11,191,872)</u>	<u>39,529,525</u>
Capital assets, being depreciated or amortized:				
Buildings and systems	208,436,799	563,129	-	208,999,928
Machinery and equipment	31,092,357	4,448,009	(844,886)	34,695,480
Improvements other than buildings	12,919,340	3,777,043	-	16,696,383
Infrastructure	13,481,883	917,837	-	14,399,720
Intangibles	3,628,206	374,100	(69,189)	3,933,117
Library collections	2,852,967	361,755	(242,330)	2,972,392
Lease assets - equipment	200,314	-	-	200,314
Subscription asset	46,074	99,459	-	145,533
Total capital assets, depreciable	<u>272,657,940</u>	<u>10,541,332</u>	<u>(1,156,405)</u>	<u>282,042,867</u>
Less accumulated depreciation or amortization for:				
Buildings and systems	(33,934,790)	(6,250,788)	-	(40,185,578)
Machinery and equipment	(14,847,956)	(1,831,553)	825,708	(15,853,801)
Improvements other than buildings	(3,801,811)	(838,018)	-	(4,639,829)
Infrastructure	(4,775,416)	(357,124)	-	(5,132,540)
Intangibles	(1,796,460)	(213,313)	69,189	(1,940,584)
Library collections	(2,013,251)	(329,016)	242,330	(2,099,937)
Lease assets - equipment	(8,885)	(43,778)	-	(52,663)
Subscription asset	(9,832)	(17,510)	-	(27,342)
Total accumulated depreciation	<u>(61,188,401)</u>	<u>(9,881,100)</u>	<u>1,137,227</u>	<u>(69,932,274)</u>
Total capital assets, depreciable, net	<u>211,469,539</u>	<u>660,232</u>	<u>(19,178)</u>	<u>212,110,593</u>
Capital assets, net	<u>\$ 246,561,969</u>	<u>\$ 16,289,199</u>	<u>\$ (11,211,050)</u>	<u>\$ 251,640,118</u>

\*Amounts have been restated to include items related to the implementation of GASB 96, *Subscription-Based Information Technology Arrangements* (SBITAs). For more details, see Note 11.

(Continued)

**CITY OF FALLS CHURCH, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**Note 8. Capital Assets (Continued)**

**Primary Government (Continued)**

	<b>Beginning Balance As Restated*</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
<b><u>Business-Type Activities:</u></b>				
<b><u>Sanitary Sewer Fund:</u></b>				
Capital assets, non-depreciable:				
Intangibles	\$ -	\$ 40,000	\$ -	\$ 40,000
Construction in progress	331,152	4,105,367	-	4,436,519
Total capital assets, non-depreciable	331,152	4,145,367	-	4,476,519
Capital assets, being depreciated or amortized:				
Building and systems	16,144,775	-	-	16,144,775
Machinery and equipment	535,729	377,425	(349,713)	563,441
Purchased capacity	22,802,525	291,860	-	23,094,385
Intangibles	9,900	-	-	9,900
Subscription asset	46,060	-	-	46,060
Total capital assets, depreciable	39,538,989	669,285	(349,713)	39,858,561
Less accumulated depreciation or amortization for:				
Building and systems	(3,613,552)	(303,270)	-	(3,916,822)
Machinery and equipment	(237,747)	(56,155)	146,707	(147,195)
Purchased capacity	(10,109,464)	(927,470)	-	(11,036,934)
Intangibles	(9,900)	-	-	(9,900)
Subscription asset	(9,829)	(11,981)	-	(21,810)
Total accumulated depreciation	(13,980,492)	(1,298,876)	146,707	(15,132,661)
Total capital assets depreciable, net	25,558,497	(629,591)	(203,006)	24,725,900
Capital assets, net	\$ 25,889,649	\$ 3,515,776	\$ (203,006)	\$ 29,202,419

(Continued)

**CITY OF FALLS CHURCH, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**Note 8. Capital Assets (Continued)**

**Primary Government (Continued)**

	<b>Beginning Balance As Restated*</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
<b><u>Business-Type Activities:</u></b>				
<b><u>Storm Water Fund:</u></b>				
Capital asset, non-depreciable:				
Construction in progress	\$ 459,196	\$ 1,902,505	\$ (881,340)	\$ 1,480,361
Total capital assets, non-depreciable	459,196	1,902,505	(881,340)	1,480,361
Capital assets, being depreciated or amortized:				
Building and systems	86,499	-	-	86,499
Machinery and equipment	586,071	178,845	(189,447)	575,469
Improvements other than buildings	2,336,435	-	-	2,336,435
Infrastructure	8,656,486	1,301,168	-	9,957,654
Intangible	7,244	-	-	7,244
Subscription asset	46,060	-	-	46,060
Total capital assets, depreciable	11,718,795	1,480,013	(189,447)	13,009,361
Less accumulated depreciation or amortization for:				
Building and systems	(20,768)	(2,010)	-	(22,778)
Machinery and equipment	(315,443)	(43,410)	76,837	(282,016)
Improvements other than buildings	(770,920)	(125,049)	-	(895,969)
Infrastructure	(4,403,719)	(187,012)	-	(4,590,731)
Intangible	(5,795)	(1,449)	-	(7,244)
Subscription asset	(9,829)	(11,981)	-	(21,810)
Total accumulated depreciation	(5,526,474)	(370,911)	76,837	(5,820,548)
Total capital assets depreciable, net	6,192,321	1,109,102	(112,610)	7,188,813
Capital assets, net	6,651,517	3,011,607	(993,950)	8,669,174
Business-type capital assets, net	\$ 32,541,166	\$ 6,527,383	\$ (1,196,956)	\$ 37,871,593

(Continued)

**CITY OF FALLS CHURCH, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**Note 8. Capital Assets (Continued)**

**Component Unit – School Board:**

	<b>Beginning Balance As Restated*</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital asset, non-depreciable:				
Land	\$ 1,333,327	\$ -	\$ -	\$ 1,333,327
Construction in progress	-	554,763	-	554,763
Total capital assets, non-depreciable	<u>1,333,327</u>	<u>554,763</u>	<u>-</u>	<u>1,888,090</u>
Capital assets, being depreciated or amortized:				
Buildings and systems	262,836	-	-	262,836
Machinery and equipment	5,921,366	796,745	(253,645)	6,464,466
Improvements other than buildings	445,617	-	-	445,617
Library collections	473,615	61,462	(49,747)	485,330
Intangibles	26,152	-	(7,996)	18,156
Lease assets - buildings	2,021,263	-	-	2,021,263
Lease assets - equipment	800,304	-	-	800,304
Subscription asset	222,877	721,253	-	944,130
Total capital assets, depreciable	<u>10,174,030</u>	<u>1,579,460</u>	<u>(311,388)</u>	<u>11,442,102</u>
Less accumulated depreciation or amortization for:				
Buildings and systems	(121,330)	(16,791)	-	(138,121)
Machinery and equipment	(3,137,724)	(769,684)	235,860	(3,671,548)
Improvements other than buildings	(133,190)	(28,183)	-	(161,373)
Library collections	(324,583)	(44,491)	49,747	(319,327)
Intangibles	(26,152)	-	7,996	(18,156)
Lease assets - buildings	(551,254)	(183,751)	-	(735,005)
Lease assets - equipment	(133,384)	(160,061)	-	(293,445)
Subscription asset	(43,105)	(278,570)	-	(321,675)
Total accumulated depreciation	<u>(4,470,722)</u>	<u>(1,481,531)</u>	<u>293,603</u>	<u>(5,658,650)</u>
Total capital assets, depreciable, net	<u>5,703,308</u>	<u>97,929</u>	<u>(17,785)</u>	<u>5,783,452</u>
Capital assets, net	<u>\$ 7,036,635</u>	<u>\$ 652,692</u>	<u>\$ (17,785)</u>	<u>\$ 7,671,542</u>

(Continued)

**CITY OF FALLS CHURCH, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**Note 8. Capital Assets (Continued)**

**Component Unit – Economic Development Authority:**

	<b><u>Beginning Balance</u></b>	<b><u>Increases</u></b>	<b><u>Decreases</u></b>	<b><u>Ending Balance</u></b>
Capital asset, non-depreciable:				
Land	\$ 2,839,549	\$ -	\$ -	\$ 2,839,549
Total capital assets, non-depreciable	<u>2,839,549</u>	<u>-</u>	<u>-</u>	<u>2,839,549</u>
Capital assets, depreciable:				
Buildings and systems	1,089,001	-	-	1,089,001
Improvements other than buildings	<u>351,535</u>	<u>-</u>	<u>-</u>	<u>351,535</u>
Total capital assets, depreciable	<u>1,440,536</u>	<u>-</u>	<u>-</u>	<u>1,440,536</u>
Less accumulated depreciation for:				
Buildings and systems	(26,615)	(29,069)	-	(55,684)
Improvements other than buildings	<u>(8,788)</u>	<u>(35,154)</u>	<u>-</u>	<u>(43,942)</u>
Total accumulated depreciation	<u>(35,403)</u>	<u>(64,223)</u>	<u>-</u>	<u>(99,626)</u>
Total capital assets, depreciable, net	<u>1,405,133</u>	<u>(64,223)</u>	<u>-</u>	<u>1,340,910</u>
Capital assets, net	<u>\$ 4,244,682</u>	<u>\$ (64,223)</u>	<u>\$ -</u>	<u>\$ 4,180,459</u>

(Continued)

**CITY OF FALLS CHURCH, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**Note 8. Capital Assets (Continued)**

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

Primary Government - Governmental activities:	
General government	\$ 1,035,829
Judicial administration	82,797
Public safety	420,425
Public works	1,234,069
Health and welfare	21,080
Education	5,661,823
Parks, recreation, and cultural	1,261,632
Community development	163,445
Total governmental activities	<u>\$ 9,881,100</u>
Primary Government – Business-type activities:	
Sanitary Sewer	\$ 1,298,876
Storm Water	370,911
Total business-type activities	<u>\$ 1,669,787</u>
Component Unit – School Board:	
Education	<u>\$ 1,481,531</u>
Component Unit – EDA:	
Economic Development	<u>\$ 64,223</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	\$ -	\$ 1,087,013
Property taxes not yet due	6,776,808	6,776,808
Affordable housing	-	173,980
Other	-	382,685
Total unavailable revenue	<u>\$ 6,776,808</u>	<u>\$ 8,420,486</u>
Unearned		
Property taxes not yet due	\$ -	\$ -
ARPA funding	12,392,884	12,392,884
Amazon grants	5,774,171	5,774,171
Other	2,183,808	2,183,808
Total unearned revenue	<u>\$ 20,350,863</u>	<u>\$ 20,350,863</u>

(Continued)

**CITY OF FALLS CHURCH, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**Note 9. Unavailable/Unearned Revenue (Continued)**

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**

<b><u>Governmental Activities:</u></b>	<b><u>Beginning Balance As Restated*</u></b>	<b><u>Increases</u></b>	<b><u>Decreases</u></b>	<b><u>Ending Balance</u></b>	<b><u>Due within One Year</u></b>
General obligation bonds	\$ 158,841,969	\$ -	\$ 7,723,310	\$ 151,118,659	\$ 7,810,070
Revenue bonds	-	13,000,000	-	13,000,000	-
Bond premiums and discounts, net	6,616,343	-	393,744	6,222,599	-
Lease liabilities	190,711	-	38,266	152,445	39,430
Subscription liabilities	37,709	99,459	42,954	94,214	46,169
Compensated absences	2,571,535	2,110,799	2,271,643	2,410,691	1,506,829
<b>Total long-term liabilities</b>	<b>\$ 168,258,267</b>	<b>\$ 15,210,258</b>	<b>\$ 10,469,917</b>	<b>\$ 172,998,608</b>	<b>\$ 9,402,498</b>

**Business-type Activities:**

Sanitary Sewer fund:

General obligation bonds	\$ 8,511,439	\$ -	\$ 1,130,781	\$ 7,380,658	\$ 1,138,987
Bond premiums and discounts, net	139,357	-	13,787	125,570	-
Subscription liabilities	37,709	-	11,051	26,658	14,068
Compensated absences	24,788	34,024	44,708	14,104	14,104
	<u>8,713,293</u>	<u>34,024</u>	<u>1,200,327</u>	<u>7,546,990</u>	<u>1,167,159</u>

Storm water fund:

General obligation bonds	2,402,144	-	169,876	2,232,268	170,047
Bond premiums and discounts, net	86,749	-	7,353	79,396	-
Subscription liabilities	37,709	-	11,051	26,658	14,068
Compensated absences	48,863	58,147	55,053	51,957	36,855
	<u>2,575,465</u>	<u>58,147</u>	<u>243,333</u>	<u>2,390,279</u>	<u>220,970</u>

<b>Total long-term liabilities</b>	<b>\$ 11,288,758</b>	<b>\$ 92,171</b>	<b>\$ 1,443,660</b>	<b>\$ 9,937,269</b>	<b>\$ 1,388,129</b>
------------------------------------	----------------------	------------------	---------------------	---------------------	---------------------

(Continued)

**CITY OF FALLS CHURCH, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**Note 10. Long-Term Liabilities (Continued)**

\*Amounts have been restated to include items related to the implementation of GASB 96, *Subscription Based Information Technology Arrangements* (SBITAs). For more details, see Note 11.

<b><u>Component Unit- School Board:</u></b>	<b><u>Beginning Balance As Restated*</u></b>	<b><u>Increases</u></b>	<b><u>Decreases</u></b>	<b><u>Ending Balance</u></b>	<b><u>Due within One Year</u></b>
Termination benefits	\$ 410,000	\$ 15,000	\$ 110,000	\$ 315,000	\$ 65,000
Financed purchases	1,172,792	-	409,918	762,874	373,366
Lease liabilities	2,446,221	-	331,385	2,114,836	346,366
Subscription liabilities	171,732	721,253	290,081	602,904	273,208
Compensated absences	1,264,914	961,430	991,516	1,234,828	554,624
Total long-term liabilities	<u>\$ 5,465,659</u>	<u>\$ 1,697,683</u>	<u>\$ 2,132,900</u>	<u>\$ 5,030,442</u>	<u>\$ 1,612,564</u>

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

<b><u>Governmental Activities</u></b>							
<b><u>General Obligation and Revenue Bonds</u></b>		<b><u>Leases</u></b>		<b><u>Subscription Liabilities</u></b>			
<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>		
2024	\$ 7,810,070	\$ 5,463,768	\$ 39,430	\$ 4,034	\$ 46,169	\$ 2,826	
2025	7,676,574	5,166,332	40,629	2,835	41,348	1,441	
2026	6,134,440	4,898,199	39,103	1,633	6,697	201	
2027	6,276,994	4,644,082	33,283	457	-	-	
2028	6,326,976	4,384,111	-	-	-	-	
2029-2033	32,788,395	18,558,063	-	-	-	-	
2034-2038	29,980,210	13,697,981	-	-	-	-	
2039-2043	26,360,000	9,299,603	-	-	-	-	
2044-2048	30,120,000	4,797,903	-	-	-	-	
2049-2051	10,645,000	814,979	-	-	-	-	
	<u>\$ 164,118,659</u>	<u>\$ 71,725,021</u>	<u>\$ 152,445</u>	<u>\$ 8,959</u>	<u>\$ 94,214</u>	<u>\$ 4,468</u>	

**Defeasance of Debt**

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, 2023, was \$7,285,000.

(Continued)

**CITY OF FALLS CHURCH, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**Note 10. Long-Term Liabilities (Continued)**

Annual debt service requirements to maturity for the City are as follows (Continued):

<b>Business-type Activities</b>					
<b>General Obligation</b>					
<b>Bonds</b>			<b>Subscription Liabilities</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	
2024	\$ 1,309,034	\$ 218,867	\$ 28,136	\$ 1,599	
2025	1,321,213	188,445	11,786	755	
2026	930,629	162,342	13,394	402	
2027	836,859	140,221	-	-	
2028	839,981	118,668	-	-	
2029-2033	3,103,052	324,263	-	-	
2034-2038	1,063,406	85,067	-	-	
2039-2043	208,752	6,584	-	-	
	<u>\$ 9,612,926</u>	<u>\$ 1,244,457</u>	<u>\$ 53,316</u>	<u>\$ 2,756</u>	

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

<b>School Board</b>							
<b>Financed Purchases</b>				<b>Leases</b>		<b>Subscription Liabilities</b>	
	<b>Principal</b>	<b>Interest</b>		<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2024	\$ 373,366	\$ 16,860	\$ 346,366	\$ 49,723	\$ 273,208	\$ 17,245	
2025	389,508	717	361,903	40,297	157,155	9,891	
2026	-	-	378,016	30,464	130,993	5,176	
2027	-	-	292,543	20,792	27,751	1,246	
2028	-	-	232,671	15,034	13,797	414	
2029-2030	-	-	503,337	12,691	-	-	
	<u>\$ 762,874</u>	<u>\$ 17,577</u>	<u>\$ 2,114,836</u>	<u>\$ 169,001</u>	<u>\$ 602,904</u>	<u>\$ 33,972</u>	

(Continued)

**CITY OF FALLS CHURCH, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**Note 10. Long-Term Liabilities (Continued)**

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

	<b>Interest Rates</b>	<b>Date Issued</b>	<b>Final Maturity Date</b>	<b>Amount of Original Issue</b>	<b>Governmental Activities</b>	<b>Business-type Activities</b>
General obligation	2.00-4.00%	03/06/2012	08/01/2024	\$ 15,300,000	\$ 3,355,000	\$ -
General obligation	2.00-5.00%	12/18/2013	07/01/2033	\$ 17,620,000	925,000	90,000
General obligation	2.00-5.00%	12/23/2014	07/15/2030	\$ 11,740,000	6,240,000	780,000
General obligation	2.31%	08/31/2015	07/15/2035	\$ 5,360,000	2,225,457	1,194,543
General obligation 2016B	1.41%	11/16/2016	7/15/2026	\$ 4,071,000	64,000	1,099,000
General obligation 2016C	1.79%	11/16/2016	7/15/2031	\$ 2,511,000	159,000	1,884,000
General obligation	2.02-3.35%	06/06/2018	01/15/2048	\$ 22,305,000	16,620,000	445,000
VRA line of credit	3.35%	05/13/2009	09/01/2029	\$ 4,100,000	-	1,631,657
VP SA bond	4.10-5.10%	05/11/2006	07/15/2026	\$ 1,935,000	380,000	-
VP SA bond	4.25%	12/15/2011	12/01/2030	\$ 3,000,000	1,333,340	-
General obligation 2019B	3.00-5.00%	11/07/2019	7/15/2048	\$ 119,111,000	110,730,000	970,000
General obligation 2020A	2.24%	11/09/2020	7/01/2040	\$ 658,342	-	592,506
General obligation 2020B	1.351%	11/09/2020	7/01/2032	\$ 2,652,372	2,027,356	-
General obligation 2020C	1.88%	11/09/2020	7/01/2033	\$ 8,246,695	7,059,506	926,220
CDA Series 2022A	5.375%	6/27/2022	9/1/2052	13,000,000	13,000,000	-
					<u>\$ 164,118,659</u>	<u>\$ 9,612,926</u>

(Continued)

**CITY OF FALLS CHURCH, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**Note 11. Leases and Subscription Based Information Technology Arrangements**

**Leases**

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

*School Board as Lessee*

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

During 2019, the School Board entered a lease for office facilities for a term of 11 years. Minimum monthly lease payments in 2022 were \$18,024 and will increase annually at a rate of 2.75%. For the purposes of discounting future payments, the School Board imputed an interest rate of 2.39%.

During 2022, the School Board entered into an agreement and leasing arrangement, which allows a vendor to install solar panels on the Meridian High School building roof. Upon installation and full operation of the panels, the School Board is obligated to purchase the output of the panels for a term of 25 years. As of June 30, 2023, the panels had not been installed and no lease liability has been recorded.

*EDA as Lessor – West Falls Church Development*

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

The leased portion of the property is subject to non-cancellable lease agreements where the EDA leases 16 various lots to tenants for a term of 99 years. The EDA recognized a lease receivable and deferred inflow of resources in the government-wide and fund financial statements. At the commencement of the lease in May 2022, the EDA measured the lease receivable at the present value of payments expected to be received during the lease term. The discount rate used to determine the present value of the lease receivable and to recognize interest revenue was determined by management to be 2.75%. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources was initially equal to the lease receivable at the commencement of the lease and will be recognized as revenue using the straight-line method over the life of the lease term. The portion of deferred inflows amortized during 2023 was \$388,094.

(Continued)

**CITY OF FALLS CHURCH, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**Note 11. Leases and Subscription Based Information Technology Arrangements (Continued)**

**Leases (Continued)**

*EDA as Lessor – West Falls Church Development (Continued)*

Expected future minimum lease payments are summarized below:

	<b>Component Unit EDA Lease Receivable</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2024	\$ 3,896,542	\$ 785,057	\$ 4,681,599
2025	4,004,434	677,165	4,681,599
2026	792,625	588,974	1,381,599
2027	(80,794)	286,294	205,500
2028	* (363,659)	574,810	211,151
2029-2033	* (1,801,050)	3,024,248	1,223,198
2034-2038	* (1,815,081)	3,270,962	1,455,881
2039-2043	* (1,855,635)	3,523,017	1,667,382
2044-2048	* (1,869,665)	3,779,274	1,909,609
2049-2053	* (1,848,610)	4,035,634	2,187,024
2054-2058	* (1,781,981)	4,286,720	2,504,739
2059-2063	* (1,656,979)	4,525,589	2,868,610
2064-2068	* (1,458,048)	4,743,392	3,285,344
2069-2073	* (1,166,350)	4,928,967	3,762,617
2074-2078	* (759,129)	5,068,354	4,309,225
2079-2083	* (208,976)	5,144,217	4,935,241
2084-2088	517,040	5,135,158	5,652,198
2089-2093	1,458,411	5,014,901	6,473,312
2094-2098	2,662,382	4,751,330	7,413,712
2099-2103	4,185,384	4,305,343	8,490,727
2104-2108	6,094,700	3,629,503	9,724,203
2109-2113	8,470,435	2,666,437	11,136,872
2114-2118	11,407,805	1,346,958	12,754,763
2119	<u>2,691,200</u>	<u>74,005</u>	<u>2,765,205</u>
Total	<u>\$ 29,515,001</u>	<u>\$ 76,166,315</u>	<u>\$ 105,681,316</u>

*\*Negative amortization of the principal will occur between 2027 – 2081 due to payments being lower than the imputed interest calculated as required by GASB 87, Leases.*

The agreement specifies the EDA is to be the lessor and is responsible for carrying out the responsibilities set forth in the lease; however, the EDA is required to transfer all payments received by tenants to the City. This obligation only arises when payments are received and, therefore, the EDA is not obligated to pay the City in the event of tenant default. For this reason, no long-term obligations have been recorded for amounts to be transferred between the EDA and City. During the year ending June 30, 2023, the EDA transferred a total of \$4,681,599 to the City under the terms of this agreement.

(Continued)

**CITY OF FALLS CHURCH, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**Note 11. Leases and Subscription Based Information Technology Arrangements (Continued)**

**Subscription Based Information Technology Arrangements**

During 2023, GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* was implemented. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs). Similar to GASB 87, *Leases*, subscription asset information is disclosed in Note 8, while the corresponding liabilities and maturity schedules are provided in Note 10.

The City entered into various SBITA agreements starting in 2021 through 2023 with payments between \$15,000 to \$32,000 per year. The Schools agreements range from inception between 2020 and 2023 with payments ranging between \$2,400 to \$125,000 per year. These agreements did not have a material impact on the financial position of the City or Schools during 2023.

**Note 12. 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.

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

<b>Project</b>	<b>Amount Spent-to-Date</b>	<b>Remaining Commitment</b>
Governmental Activities:		
Street lights LED Conversion	\$ 11,429	\$ 123,571
Broad Street Pedestrian Crossing	-	688,600
West Falls Church Transportation Improvements	10,016,234	4,983,766
Tennis Court Lighting Secondary Campus	152,762	43,740
Dant Clayton Corp.	78,665	19,940
Shade Structure at Cherry Hill Playground	-	33,673
Basketball and Tennis Court Light Replacements	175,554	242,073
Oat Street Elementary School Improvements	56,161	1,134,671
	<u>\$ 10,490,805</u>	<u>\$ 7,270,034</u>

(Continued)

**CITY OF FALLS CHURCH, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**Note 12. Commitments and Contingent Liabilities**

Construction and Improvement Contracts (Continued):

<u>Project</u>	<u>Amount Spent-to-Date</u>	<u>Remaining Commitment</u>
Sewer Fund:		
Sewer Relining	\$ 595,900	\$ 70,809
Sewer Pipe bursting	<u>2,939,853</u>	<u>1,708,994</u>
	<u>\$ 3,535,753</u>	<u>1,779,803</u>
Storm Water Fund:		
Trammel Branch	<u>\$ 288,169</u>	<u>\$ 2,067,828</u>
School Board:		
Mary Ellen Henderson Middle School HVAC	<u>\$ 554,763</u>	<u>1,119,126</u>

**Note 13. Basic and Police Pension Plans**

The City administers two pension plans. Fiduciary information for these plans as of June 30, 2023, is provided in Note 18. The net pension liability is based on a measurement date of June 30, 2022, 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, 2023**

**Note 13. 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 was vested and eligible for early or regular retirement at time of death, the designated beneficiary would receive a monthly retirement allowance.

The City's membership in the Basic and Police Pension Plans as of July 1, 2022, were as follows:

	<u>Basic</u>	<u>Police</u>
Retirees and beneficiaries	267	36
Terminated vested members	109	11
Active members	<u>268</u>	<u>34</u>
Total	<u><u>644</u></u>	<u><u>81</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 2023 and 2022, the total contributions rate was 1.54% and 1.18% 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 2.57% and 2.35% for 2023 and 2022, 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, 2023 and 2022 amounted to \$245,779 and \$205,635, 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 1.54% and 1.18% of covered payroll for the years 2023 and 2022, respectively.

(Continued)

**CITY OF FALLS CHURCH, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**Note 13. Basic and Police Pension Plans (Continued)**

**Contributions (Continued)**

Total employer contributions to the Police Pension Plan for the years ended June 30, 2023 and 2022 amounted to \$81,726 and \$65,877, 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 2.57% and 2.35% of covered payroll for the years 2023 and 2022, respectively.

**Investments**

For the year ended June 30, 2022, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was (8.85%) for the basic plan and (8.86%) 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, 2022, actuarial valuation, the return on the actuarial value of assets was 8.38% and 8.34% for the Basic and Police Plans, respectively.

**Actuarial Assumptions**

The total pension liability was determined by an actuarial valuation as of June 30, 2022, using the following relevant actuarial information:

	<b>Basic</b>	<b>Police</b>
Actuarial valuation date	June 30, 2022	June 30, 2022
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	4.00%	4.00%
Inflation	2.25%	2.25%
Cost of living adjustments	1.125%	1.125%

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

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

(Continued)

**CITY OF FALLS CHURCH, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**Note 13. 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**

	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability/ (Asset) (a) – (b)</b>
Balances at June 30, 2021	\$ 100,891,657	\$ 137,689,362	\$ (36,797,705)
Changes for the year:			
Service cost	1,520,767	-	1,520,767
Interest	6,466,646	-	6,466,646
Differences between expected and actual experience	(139,877)	-	(139,877)
Changes of assumptions	216,934	-	216,934
Contributions – employer	-	205,635	(205,635)
Contributions – employee	-	871,483	(871,483)
Net investment income	-	(11,916,344)	11,916,344
Benefit payments	(5,851,122)	(5,851,122)	-
Administrative expenses	-	(85,354)	85,354
Net changes	2,213,348	(16,775,702)	18,989,050
Balances at June 30, 2022	\$ 103,105,005	\$ 120,913,660	\$ (17,808,655)

(Continued)

**CITY OF FALLS CHURCH, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**Note 13. Basic and Police Pension Plans (Continued)**

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

	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability/ (Asset) (a) – (b)</b>
Balances at June 30, 2021	\$ 31,983,085	\$ 45,066,663	\$ (13,083,578)
Changes for the year:			
Service cost	599,401	-	599,401
Interest	2,062,981	-	2,062,981
Differences between expected and actual experience	875,234	-	875,234
Changes of assumptions	55,564	-	55,564
Contributions – employer	-	65,877	(65,877)
Contributions – employee	-	196,480	(196,480)
Net investment income	-	(3,909,750)	3,909,750
Benefit payments	(1,688,631)	(1,688,631)	-
Administrative expenses	-	(27,896)	27,896
Net changes	1,904,549	(5,363,920)	7,268,469
Balances at June 30, 2022	\$ 33,887,634	\$ 39,702,473	\$ (5,815,109)

(Continued)

**CITY OF FALLS CHURCH, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**Note 13. 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, 2022, calculated using the discount rate of 6.50%, as well as what the net pension liability (asset) would be if it was calculated using a discount rate that is 1-percentage point lower (5.50%) or 1-percentage point higher (7.50%) than the current rate:

	1% Decrease 5.50%	Discount Rate 6.50%	1% Increase 7.50%
<b>Basic Plan</b>			
Net pension liability (asset)	\$ (5,651,361)	\$ (17,808,653)	\$ (27,938,609)
Plan fiduciary net position as a percentage of the total pension liability (asset)	104.90%	117.27%	130.05%
<b>Police Plan</b>			
Net pension liability (asset)	\$ (1,651,197)	\$ (5,815,109)	\$ (9,286,960)
Plan fiduciary net position as a percentage of the total pension	104.34%	117.16%	130.53%

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

For the year ended June 30, 2023, pension expense (income) was \$(2,496,287) and \$(1,097,061) for the Basic and Police Plans, respectively. At June 30, 2023, deferred outflows of resources and deferred inflows of resources related to the Plans arose from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
<b>Basic Plan:</b>		
Differences between expected and actual experience	\$ -	\$ 760,165
Change in assumptions	474,909	224,275
Net difference between projected and actual earnings on pension plan investments	4,216,202	-
Change in proportion during measurement period	465,636	465,636
Employer contributions subsequent to the measurement date	245,779	-
	<u>\$ 5,402,526</u>	<u>\$ 1,450,076</u>

(Continued)

**CITY OF FALLS CHURCH, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**Note 13. Basic and Police Pension Plans (Continued)**

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

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
<b>Police Plan:</b>		
Differences between expected and actual experience	\$ 882,294	\$ 356,683
Change in assumptions	209,111	85,578
Net difference between projected and actual earnings on pension plan investments	1,422,554	-
Employer contributions subsequent to the measurement date	<u>81,726</u>	<u>-</u>
	<u><u>\$ 2,595,685</u></u>	<u><u>\$ 442,261</u></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, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ending June 30,</b>	<b>Increase (Decrease) to Pension Expense</b>	
	<b>Basic</b>	<b>Police</b>
2024	\$ 35,432	\$ 133,122
2025	105,631	201,575
2026	(576,037)	(56,947)
2027	4,141,645	1,467,295
2028	-	108,930
Thereafter	-	217,723

(Continued)

**CITY OF FALLS CHURCH, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**Note 14. Allocation of Basic Pension Plan**

The City and Component Unit – School Board portions of the cost-sharing multiple-employer defined benefit pension plan are noted below and represent 75% and 17% 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 13.

**Membership**

Membership in the Basic Pension Plan as of July 1, 2022, was as follows:

	<u>City</u>	<u>Schools</u>
Retirees and beneficiaries	202	44
Terminated vested members	83	18
Active members	203	44
Total	<u>488</u>	<u>106</u>

**Contributions**

Total contributions to the basic pension plan for the year ended June 30, 2023, amounted to \$93,686 for the City and \$99,645 for the Schools. Contributions made by the City and Schools represent 0.65% and 3.30% of covered payroll for the year, respectively.

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

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability/ (Asset) (a) – (b)</u>
<b>Basic Plan - City</b>			
Balances at June 30, 2021	\$ 73,656,287	\$ 101,209,176	\$ (27,552,889)
Changes for the year:			
Service cost	1,138,700	-	1,138,700
Interest	4,842,011	-	4,842,011
Differences between expected and actual experience	(104,735)	-	(104,735)
Changes of assumptions	162,433	-	162,433
Contributions – employer	-	63,863	(63,863)
Contributions – employee	-	652,538	(652,538)
Net investment income	-	(8,669,482)	8,669,482
Benefit payments, including refunds of employee contributions	(4,381,126)	(4,381,126)	-
Administrative expenses	-	(63,910)	63,910
Net changes	<u>1,657,283</u>	<u>(12,398,117)</u>	<u>14,055,400</u>
Balances at June 30, 2022	<u>\$ 75,313,570</u>	<u>\$ 88,811,059</u>	<u>\$ (13,497,489)</u>

(Continued)

**CITY OF FALLS CHURCH, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**Note 14. Allocation of Basic Pension Plan (Continued)**

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

	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (Asset) (a) – (b)</b>
<b>Basic Plan - Schools</b>			
Balances at June 30, 2021	\$ 18,412,672	\$ 24,781,828	\$ (6,369,156)
Changes for the year:			
Service cost	263,222	-	263,222
Interest	1,119,279	-	1,119,279
Differences between expected and actual experience	(24,211)	-	(24,211)
Changes of assumptions	37,548	-	37,548
Contributions – employer	-	96,173	(96,173)
Contributions – employee	-	150,841	(150,841)
Net investment income	-	(2,281,021)	2,281,021
Benefit payments, including refunds of employee contributions	(1,012,741)	(1,012,741)	-
Administrative expenses	-	(14,773)	14,773
Net changes	383,097	(3,061,521)	3,444,618
Balances at June 30, 2022	\$ 18,795,769	\$ 21,720,307	\$ (2,924,538)

(Continued)

**CITY OF FALLS CHURCH, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**Note 14. 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, 2022, calculated using the discount rate of 6.50%, as well as what the net pension liability (asset) would be if it was calculated using a discount rate that is 1-percentage-point lower (5.50%) or 1-percentage point higher (7.50%) than the current rate:

	1% Decrease 5.50%	Discount Rate 6.50%	1% Increase 7.50%
<b>Basic Plan - City</b>			
Net pension liability (asset)	\$ (4,283,265)	\$ (13,497,489)	\$ (21,175,159)
Plan fiduciary net position as a percentage of the total pension liability (asset)	104.9%	117.3%	130.0%
<b>Basic Plan - Schools</b>			
Net pension liability (asset)	\$ (928,067)	\$ (2,924,538)	\$ (4,588,080)
Plan fiduciary net position as a percentage of the total pension liability (asset)	104.9%	117.3%	130.0%

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

For the year ended June 30, 2023, the City and Schools recognized pension expense (income) of \$(1,970,252) and \$(353,706), respectively. At June 30, 2023, the City and Schools reported deferred outflows of resources and deferred inflows of resources related to the Plans from the following sources:

	<b>Deferred Outflows of Resources</b>		<b>Deferred Inflows of Resources</b>	
	City	Schools	City	Schools
Differences between expected and actual experience	\$ -	\$ -	\$ 576,143	\$ 124,834
Change in assumptions	359,941	77,990	169,982	36,830
Change in proportion	164,997	251,106	448,910	16,726
Net investment differences	3,195,533	692,385	-	-
Employer contributions subsequent to the measurement date	93,686	99,645	-	-
	<u>\$ 3,814,157</u>	<u>\$ 1,121,126</u>	<u>\$ 1,195,035</u>	<u>\$ 178,390</u>

(Continued)

**CITY OF FALLS CHURCH, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**Note 14. 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, 2024. 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>	
	<u>Basic - City</u>	<u>Basic - Schools</u>
2024	\$ (126,976)	\$ 127,509
2025	(27,285)	110,288
2026	(459,327)	(74,848)
2027	3,139,024	680,142
Thereafter	-	-

**Note 15. Defined Benefit Pension Plan – Constitutional Officers Plan**

**Plan Description**

Constitutional officers and their employees of the City of Falls Church, Virginia, (the “Political Subdivision”) are automatically covered by VRS Retirement Plan upon employment. This multi-employer agent plan is administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the *Code of Virginia*, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

(Continued)

**CITY OF FALLS CHURCH, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**Note 15. 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, 2021, actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<b><u>Members</u></b>
Inactive members or their beneficiaries currently receiving benefits	<u>21</u>
Inactive members:	
Vested inactive members	5
Non-vested inactive members	9
Inactive members active elsewhere in VRS	<u>4</u>
Total inactive members	18
Active members	<u>17</u>
Total covered employees	<u><u>56</u></u>

(Continued)

**CITY OF FALLS CHURCH, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**Note 15. 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, 2023, was 1.43% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021.

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 \$21,810 and \$49,968 for the years ended June 30, 2023, and June 30, 2022, respectively.

**Net Pension (Asset)/Liability**

The net pension liability is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. For political subdivisions, the net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2021, rolled forward to the measurement date of June 30, 2022.

**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, 2020, 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, 2022.

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, 2023**

**Note 15. Defined Benefit Pension Plan – Constitutional Officers Plan (Continued)**

**Actuarial Assumptions (Continued)**

Mortality rates: General employees – 15 to 20% of deaths are assumed to be service-related. Public Safety Employees – 455 to 70% of deaths are assumed to be service-related. Mortality is projected using the applicable Pub-2010 Mortality Table with various setbacks or set forwards for both males and females.

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 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): Updated mortality table; adjusted retirement rates; adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service; no change to disability rates; no change to salary scale; no change to line of duty disability; and no change to discount rate.

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

**Long-Term Expected Rate of Return**

The long-term expected rate of return on pension System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by 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, 2023**

**Note 15. 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 %	5.71 %	1.94 %
Fixed Income	15.00	2.04	0.31
Credit Strategies	14.00	4.78	0.67
Real Assets	14.00	4.47	0.63
Private Equity	14.00	9.73	1.36
MAPS – Multi-Asset Public Strategies	6.00	3.73	0.22
PIP – Private Investment Partnership	3.00	6.55	0.20
Total	100.00 %		<u>5.33 %</u>
	Inflation		<u>2.50 %</u>
	*Expected arithmetic nominal return		<u>7.83 %</u>

\* The above allocation provides for a one-year return of 7.83%. 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 6.72%, 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 at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

**Discount Rate**

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. 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, 2023, 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, 2021, actuarial valuations, whichever was greater.

(Continued)

**CITY OF FALLS CHURCH, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**Note 15. Defined Benefit Pension Plan – Constitutional Officers Plan (Continued)**

**Discount Rate (Continued)**

From July 1, 2022 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)**

	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension (Asset) (a) – (b)</b>
Balances at June 30, 2021	\$ 5,429,450	\$ 7,058,685	\$ (1,629,235)
Changes for the year:			
Service cost	137,974	-	137,974
Interest	365,611	-	365,611
Differences between expected and actual experience	(177,684)	-	(177,684)
Contributions – employer	-	35,445	(35,445)
Contributions – employee	-	61,949	(61,949)
Net investment income	-	(4,568)	4,568
Benefit payments, including refunds of employee contributions	(301,932)	(301,932)	-
Administrative expenses	-	(4,432)	4,432
Other changes	-	161	(161)
Net changes	23,969	(213,377)	237,346
Balances at June 30, 2022	<u>\$ 5,453,419</u>	<u>\$ 6,845,308</u>	<u>\$ (1,391,889)</u>

(Continued)

**CITY OF FALLS CHURCH, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**Note 15. 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 was calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	<b>1.00% Decrease (5.75%)</b>	<b>Current Discount Rate (6.75%)</b>	<b>1.00% Increase (7.75%)</b>
Political subdivision's net pension liability (asset)	\$ (807,787)	\$ (1,391,889)	\$ (1,880,485)

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

For the year ended June 30, 2023, the political subdivision recognized pension expense (income) of \$(187,511). At June 30, 2023, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 76,150
Net difference between projected and actual earnings on pension plan investments	-	206,756
Employer contributions subsequent to the measurement date	21,810	-
Total	<u>\$ 21,810</u>	<u>\$ 282,906</u>

(Continued)

**CITY OF FALLS CHURCH, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**Note 15. 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 \$21,810 reported as deferred outflows of resources related to pensions resulting from the Political Subdivision’s contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the Fiscal Year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Increase (Decrease) to Pension Expense</u>
2024	\$ (155,856)
2025	(83,337)
2026	(138,511)
2027	94,798

**Pension Plan Data**

Information about the VRS Political Subdivision Retirement Plans is also available in the separately issued VRS 2022 Comprehensive Annual Financial Report. A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2022-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

**Note 16. Defined Benefit Pension Plan – Teacher Cost Sharing Plan**

**General Information about the Teacher Cost Sharing Plan**

***Plan Description***

All full-time, salaried permanent (professional) employees of Virginia public school divisions, including Falls Church Public Schools, (the “School Division”), are automatically covered by the VRS Teacher Retirement Plan upon employment. This multiple-employer, cost sharing plan is administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employers pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the *Code of Virginia*, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously funded service.

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

(Continued)

**CITY OF FALLS CHURCH, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**Note 16. 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, 2023, was 16.62% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. 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 \$5,026,763 and \$4,592,819 for the years ended June 30, 2023, and June 30, 2022, respectively.

In June 2022, the Commonwealth made a special contribution of approximately \$442.4 million to the VRS Teacher Employee Plan. This special payment was authorized by a budget amendment included in Chapter 1 of the 2022 Appropriation Act, and is classified as a non-employer contribution.

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

At June 30, 2023, the school division reported a liability of \$29,447,212 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2022, and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation performed as of June 30, 2021, and rolled forward to the measurement date of June 30, 2022. 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, 2022, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2022, the school division's proportion was 0.30930% as compared to 0.31188% at June 30, 2021.

For the year ended June 30, 2023, the school division recognized pension expense (income) of \$(3,884,482). Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions. Beginning with the June 30, 2022, measurement date, the difference between the expected and actual contributions is included with the pension expense calculation.

(Continued)

**CITY OF FALLS CHURCH, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**Note 16. 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)***

At June 30, 2023, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Differences between expected and actual experience	\$ -	\$ 2,030,502
Change of assumptions	2,776,279	-
Net difference between projected and actual earnings on pension plan investments	-	3,839,300
Changes in proportion and differences between Employer contributions and proportionate share of contributions	447,740	1,624,535
Employer contributions subsequent to the measurement date	<u>5,026,763</u>	<u>-</u>
Total	<u>\$ 8,250,782</u>	<u>\$ 7,494,337</u>

(Continued)

**CITY OF FALLS CHURCH, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**Note 16. 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 \$5,026,763 reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the Fiscal Year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ended June 30,</b>	<b>Increase (Decrease) to Pension Expense</b>
2024	\$ (1,249,794)
2025	(1,712,200)
2026	(2,985,750)
2027	1,677,426
2028	-

***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, 2022, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

	<b>Teacher Employee Retirement Plan</b>
Total Pension Liability	\$ 54,732,329
Plan Fiduciary Net Position	<u>45,211,731</u>
Employers' Net Pension Liability (Asset)	<u>\$ 9,520,598</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.61%

(Continued)

**CITY OF FALLS CHURCH, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**Note 16. 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 was calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	<b><u>1.00% Decrease (5.75%)</u></b>	<b><u>Current Discount Rate (6.75%)</u></b>	<b><u>1.00% Increase (7.75%)</u></b>
School division's proportionate share of the VRS Teacher Employee Retirement plan net pension liability	\$ 52,594,974	\$ 29,447,212	\$ 10,599,843

***Pension Plan Fiduciary Net Position***

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2022 Annual Comprehensive Financial Report (Annual Report). A copy of the 2022 VRS ACFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2022-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, 2023, approximately \$628,600 was payable to the Virginia Retirement System for the legally required contributions related to June 2023 payroll.

**CITY OF FALLS CHURCH, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**Note 17. Summary of Pension Elements**

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

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total Primary Government</b>	<b>School Board</b>
Net pension asset				
Basic Pension Plan	\$ 12,738,963	\$ 758,526	\$ 13,497,489	\$ 2,924,538
Police Pension Plan	5,815,109	-	5,815,109	-
VRS – Constitutional Officers	1,391,889	-	1,391,889	-
Total net pension asset	<u>\$ 19,945,961</u>	<u>\$ 758,526</u>	<u>\$ 20,704,487</u>	<u>\$ 2,924,538</u>
Deferred outflows of resources				
Change in assumptions –				
Basic Pension Plan	\$ 339,714	\$ 20,227	\$ 359,941	\$ 77,990
Police Pension Plan	209,111	-	209,111	-
VRS – Teacher Cost Sharing Pool	-	-	-	2,776,279
Net difference between projected and actual earnings on plan investments -				
Basic Pension Plan	3,015,952	179,581	3,195,533	692,385
Police Pension Plan	1,422,554	-	1,422,554	-
Differences between expected and actual experience –				
Police Pension Plan	882,294	-	882,294	-
Change in proportion –				
Basic Pension Plan	7,701	157,296	164,997	251,106
VRS – Teacher Cost Sharing Pool	-	-	-	447,740
Pension contributions subsequent to measurement date-				
Basic Pension Plan	71,868	21,818	93,686	99,645
Police Pension Plan	81,726	-	81,726	-
VRS – Constitutional Officers	21,810	-	21,810	-
VRS – Teacher Cost Sharing Pool	-	-	-	5,026,763
Total deferred outflows of resources	<u>\$ 6,052,730</u>	<u>\$ 378,922</u>	<u>\$ 6,431,652</u>	<u>\$ 9,371,908</u>
Net pension liability				
VRS – Teacher Cost Sharing Pool	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,447,212</u>
Deferred inflows of resources				
Differences between expected and actual experience –				
Basic Pension Plan	\$ 543,765	\$ 32,378	\$ 576,143	\$ 124,834
Police Pension Plan	356,683	-	356,683	-
VRS – Constitutional Officers	76,150	-	76,150	-
VRS – Teacher Cost Sharing Pool	-	-	-	2,030,502
Change in assumptions –				
Basic Pension Plan	160,429	9,553	169,982	36,830
Police Pension Plan	85,578	-	85,578	-
Net difference between projected and actual earnings on plan investments -				
VRS – Constitutional Officers	206,756	-	206,756	-
VRS – Teacher Cost Sharing Pool	-	-	-	3,839,300
Change in proportion –				
Basic Pension Plan	409,716	39,194	448,910	16,726
VRS – Teacher Cost Sharing Pool	-	-	-	1,624,535
Total deferred inflows of resources	<u>\$ 1,839,077</u>	<u>\$ 81,125</u>	<u>\$ 1,920,202</u>	<u>\$ 7,672,727</u>

(Continued)

**CITY OF FALLS CHURCH, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**Note 17. Summary of Pension Elements (Continued)**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total Primary Government</b>	<b>School Board</b>
Pension Expense (Income)				
Basic Pension Plan	\$ (1,888,074)	\$ (82,178)	\$ (1,970,252)	\$ (353,706)
Police Pension Plan	(837,061)	-	(837,061)	-
VRS – Constitutional Officers	(187,511)	-	(187,511)	-
VRS – Teacher Cost Sharing Pool	-	-	-	(3,884,482)
Total net pension expense (income)	<u>\$ (2,912,646)</u>	<u>\$ (82,178)</u>	<u>\$ (2,994,824)</u>	<u>\$ (4,238,188)</u>

**Note 18. Basic and Police Pension Plans – Fiduciary Information**

As described in Note 13, the City offers Basic and Police Pension Plans to certain employees. As permitted by GASB No. 68, the pension-related assets, liabilities and other financial statement elements recorded in the accompanying basic financial statements for June 30, 2023, are based on a pension plan measurement date of June 30, 2022. 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, 2021, measurement date. Therefore, all amounts summarized in Note 17 – Summary of Pension Elements, are based on a measurement date of June 30, 2022.

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, 2023, 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, 2023.

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

**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, 2023**

**Note 18. 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, 2023, the date of the most recent valuation, were as follows:

	<u>Basic</u>	<u>Police</u>
Retirees and beneficiaries	272	37
Terminated vested members	109	11
Active members	<u>291</u>	<u>34</u>
Total	<u><u>672</u></u>	<u><u>82</u></u>

**Contributions**

For 2023, the total contribution rate was 1.30% of annual covered payroll for the Basic Pension Plan, with employees contributing 5.0% and the City contributing 1.30%. The total contribution rate was 2.57% for the Police Pension Plan, with employees contributing 7.0% and the City contributing 2.57%. Other contribution information for 2023 is disclosed in Note 13.

**Investments**

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

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

<u>Investment</u>	<u>Market Value</u>	<u>Percent of Net Position</u>
MFS Growth (US Bank)	\$24,893,512	20%
Vanguard (US Bank)	11,643,625	9
JP Morgan (US Bank)	11,477,067	9
TIF International Equity Series	9,222,551	7
MFS International Growth Fund (US Bank)	9,211,520	7
Clarion Lion (US Bank)	7,102,777	6
Lazard Global Listed Infrastructure (US Bank)	8,856,136	7
MFB NT Collective Intermediate Government	7,661,252	6
MFB NT Collective Aggregate Bond Index	7,475,657	6

(Continued)

**CITY OF FALLS CHURCH, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**Note 18. 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:

<b><u>Investment</u></b>	<b><u>Market Value</u></b>	<b><u>Percent of Net Position</u></b>
MFS Growth (US Bank)	\$8,091,659	20%
Vanguard (US Bank)	4,210,506	10
JP Morgan (US Bank)	4,079,525	10
TIF International Equity Series	2,978,559	7
MFS International Growth (US Bank)	2,916,545	7
MFB NT Collective Intermediate Government	2,528,606	6
MFB NT Collective Aggregate Bond Index	2,462,243	6
Lazard Global Listed Infrastructure (US Bank)	2,355,026	6
Clarion Lion (US Bank)	2,352,191	6
Principal Midcap (I)	2,199,826	5

For the year ended June 30, 2023, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 7.79% for the basic plan and 7.83% 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, 2023, were as follows:

	<b><u>Basic</u></b>	<b><u>Police</u></b>
Total pension liability	\$ 106,863,368	\$ 35,733,973
Plan fiduciary net position	125,187,384	41,281,060
Plan's net pension liability/ (asset)	<u>\$ (18,324,016)</u>	<u>\$ (5,547,087)</u>
Plan fiduciary net position as a percentage of the total pension asset	117.15%	115.52%

(Continued)

**CITY OF FALLS CHURCH, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**Note 18. Basic and Police Pension Plans – Fiduciary Information (Continued)**

**Actuarial Assumptions**

The total pension liability was determined by an actuarial valuation as of June 30, 2023, using the following relevant actuarial information:

	<b>Basic</b>	<b>Police</b>
Actuarial valuation date	June 30, 2023	June 30, 2023
Actuarial cost method	Entry Age Normal	Entry Age Normal
Amortization method	Level Percentage of Payroll	Level Percentage of Payroll
Amortization period	10 years	15 years
Actuarial assumptions:		
Investment rate of return	6.50%	6.50%
Projected salary increases	4.00%	4.00%
Cost of living adjustments	1.125%	1.125%
Inflation	2.25%	2.25%

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

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

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

(Continued)

**CITY OF FALLS CHURCH, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**Note 18. 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, 2023, calculated using the discount rate of 6.50%, as well as what the net pension liability (asset) would be if it was calculated using a discount rate that is 1-percentage-point lower (5.50%) or 1-percentage point higher (7.50%) than the current rate:

	<b>1% Decrease 5.50%</b>	<b>Discount Rate 6.50%</b>	<b>1% Increase 7.50%</b>
<b>Basic Plan</b>			
Net pension liability (asset)	\$ (5,773,437)	\$ (18,324,016)	\$ (28,783,680)
Plan fiduciary net position as a percentage of the total pension liability	104.83%	117.15%	129.86%
<b>Police Plan</b>			
Net pension liability (asset)	\$ (1,207,540)	\$ (5,547,087)	\$ (9,170,257)
Plan fiduciary net position as a percentage of the total pension liability	103.01%	115.52%	128.56%

(Continued)

**CITY OF FALLS CHURCH, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**Note 18. Basic and Police Pension Plans – Fiduciary Information (Continued)**

**Statement of Fiduciary Net Position**

	<u>Basic Plan</u>	<u>Police Plan</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 3,584,296	\$ 1,301,084
Investments:		
Domestic equity securities	61,988,705	21,132,115
Domestic fixed-income securities	15,136,909	5,291,806
International equity securities	24,150,294	7,436,226
RE Securities	11,559,124	3,793,950
Infrastructure	8,856,136	2,355,026
Total investments	<u>121,691,168</u>	<u>40,009,123</u>
Contribution receivable:		
Employer	4,022	-
Employee	6,094	-
Total contributions receivable	<u>10,116</u>	<u>-</u>
Interest and dividends receivable	<u>134,105</u>	<u>43,994</u>
Total assets	<u>125,419,685</u>	<u>41,354,201</u>
<b>LIABILITIES</b>		
Accounts payable	119,759	37,681
Due to City	<u>112,542</u>	<u>35,460</u>
Total liabilities	<u>232,301</u>	<u>73,141</u>
<b>NET POSITION</b>		
Held in trust for:		
Pension benefits	<u>125,187,384</u>	<u>41,281,060</u>
Total net position restricted for pension	<u><u>\$ 125,187,384</u></u>	<u><u>\$ 41,281,060</u></u>

(Continued)

**CITY OF FALLS CHURCH, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**Note 18. Basic and Police Pension Plans – Fiduciary Information (Continued)**

**Statement of Changes in Fiduciary Net Position**

	<u>Basic Plan</u>	<u>Police Plan</u>
<b>ADDITIONS</b>		
Employer contributions	\$ 245,940	\$ 81,726
Employee contributions	948,396	275,699
Investment earnings:		
Interest	77,839	44,949
Dividends	1,443,631	407,046
Net increase in fair value	8,052,825	2,730,830
Total investments earnings	9,574,295	3,155,825
Less: investment expenses	(359,117)	(113,098)
Net investment earnings	9,215,178	3,042,727
Total additions	10,409,514	3,400,152
<b>DEDUCTIONS</b>		
Benefits	6,048,261	1,792,546
Administration	87,529	29,288
Total deductions	6,135,790	1,821,834
Change in net position	4,273,724	1,578,318
<b>NET POSITION AT JULY 1</b>	120,913,660	39,702,742
<b>NET POSITION AT JUNE 30</b>	<u>\$ 125,187,384</u>	<u>\$ 41,281,060</u>

(Continued)

**CITY OF FALLS CHURCH, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**Note 19. 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, 2023**

**Note 19. 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 Fiscal Year 2012. The employer contributions are determined by the VRS actuary using anticipated program costs and the number of covered individuals associated with all participating employers. The LODA is considered a multiple-employer, cost sharing plan.

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

**Contributions**

Contributions to the VRS OPEB programs were based on actuarially determined rates from actuarial valuations as of June 30, 2021. 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 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.</i>
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, 2023 Contribution- City	\$8,258
June 30, 2022 Contribution- City	\$7,330
June 30, 2023 Contribution- Schools	\$173,241
June 30, 2022 Contribution- Schools	\$156,803

In June 2022, the Commonwealth made a special contribution of approximately \$30.4 million to the Group Life Insurance plan. This special payment was authorized by a Budget Amendment included in Chapter 1 of the 2022 Appropriation Act.

(Continued)

**CITY OF FALLS CHURCH, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**Note 19. 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, 2023 Contribution	\$387,383
June 30, 2022 Contribution	\$350,457

In June 2022, the Commonwealth made a special contribution of approximately \$12 million to the VRS Teacher Health Insurance Credit Program. This special payment was authorized by a budget amendment included in Chapter 1 of the 2022 Appropriation Act and is classified as a non-employer contribution.

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:	\$681.84 per covered full-time-equivalent employee. Based on pay-as-you-go funding rate.
June 30, 2023 Contribution	\$38,013
June 30, 2022 Contribution	\$39,560

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

The net OPEB liabilities were measured as of June 30, 2022, and the total OPEB liabilities used to calculate the net OPEB liabilities were determined by actuarial valuations performed as of June 30, 2021, and rolled forward to the measurement date of June 30, 2022. 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, 2022, 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.

(Continued)

**CITY OF FALLS CHURCH, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**Note 19. 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- City

June 30, 2023 proportionate share of liability	\$75,136
June 30, 2022 proportion	0.00624 %
June 30, 2021 proportion	0.00581 %
June 30, 2023 expense (income)	(\$8,877)

Group Life Insurance Program- Schools

June 30, 2023 proportionate share of liability	\$1,607,348
June 30, 2022 proportion	0.13349%
June 30, 2021 proportion	0.13490%
June 30, 2023 expense (income)	\$(133,388)

Teacher Health Insurance Credit Program

June 30, 2023 proportionate share of liability	\$3,883,036
June 30, 2022 proportion	0.31088%
June 30, 2021 proportion	0.31389%
June 30, 2023 expense (income)	\$(103,251)

Line of Duty Act Program

June 30, 2023 proportionate share of liability	\$1,087,075
June 30, 2022 proportion	0.28724 %
June 30, 2021 proportion	0.27484 %
June 30, 2023 expense (income)	\$110,882

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, 2023**

**Note 19. 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, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources.

Group Life Insurance Program- City

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 5,950	\$ 3,014
Change in assumptions	2,802	7,319
Net difference between projected and actual earnings on OPEB plan investments	-	4,695
Changes in proportion and contribution differences	5,061	10,322
Employer contributions subsequent to the measurement date	8,258	-
Total	<u>\$ 22,071</u>	<u>\$ 25,350</u>

Group Life Insurance Program- Schools

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 127,285	\$ 64,483
Change in assumptions	59,952	156,562
Net difference between projected and actual earnings on OPEB plan investments	-	100,436
Changes in proportion and contribution differences	34,583	90,671
Employer contributions subsequent to the measurement date	173,241	-
Total	<u>\$ 395,061</u>	<u>\$ 412,152</u>

(Continued)

**CITY OF FALLS CHURCH, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**Note 19. 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

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected & actual experience	\$ -	\$ 158,279
Change in assumptions	113,443	9,916
Net difference between projected and actual earnings on OPEB plan investments	-	3,897
Changes in proportion and contribution differences	78,918	212,539
Employer contributions subsequent to the measurement date	387,383	-
Total	<u>\$ 579,744</u>	<u>\$ 384,631</u>

Line of Duty Act Program

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected & actual experience	\$ 83,517	\$ 203,172
Change in assumptions	303,155	268,123
Net difference between projected and actual earnings on OPEB plan investments	-	4,649
Changes in proportion and contribution differences	98,272	91,628
Employer contributions subsequent to the measurement date	38,013	-
Total	<u>\$ 522,957</u>	<u>\$ 567,572</u>

(Continued)

**CITY OF FALLS CHURCH, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**Note 19. 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 fiscal year ending June 30, 2024. 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

<b>Year Ended June 30,</b>	<b>Increase (Reduction) to OPEB Expense</b>
2024	\$ (4,336)
2025	(3,494)
2026	(4,811)
2027	668
2028	436
Thereafter	-

Group Life Insurance Program- Schools

<b>Year Ended June 30,</b>	<b>Increase (Reduction) to OPEB Expense</b>
2024	\$ (39,657)
2025	(34,854)
2026	(97,176)
2027	(3,375)
2028	(15,270)
Thereafter	-

(Continued)

**CITY OF FALLS CHURCH, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**Note 19. 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

<b>Year Ended June 30,</b>	<b>Increase (Reduction) to OPEB Expense</b>
2024	\$ (37,902)
2025	(34,729)
2026	(28,791)
2027	(24,373)
2028	(42,701)
Thereafter	(23,774)

Line of Duty Act Program

<b>Year Ended June 30,</b>	<b>Increase (Reduction) to OPEB Expense</b>
2024	\$ 2,699
2025	2,798
2026	2,904
2027	(2,400)
2028	(11,603)
Thereafter	(77,026)

(Continued)

**CITY OF FALLS CHURCH, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**Note 19. 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, 2021, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022:

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	5.25 – 4.75%
Investment rate of return, net of expenses, including inflation*	GLI & HIC: 6.75%; LODA 3.69%

- \* Since LODA is funded on a current-disbursement basis, the assumed annual rate of return of 3.69% was used since it approximates the risk-free rate of return.

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

**CITY OF FALLS CHURCH, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**Note 19. 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, 2022, net OPEB liability amounts for the various VRS OPEB programs are as follows (amounts expressed in thousands):

	<b>Group Life Insurance Program</b>	<b>Teacher Employee HIC OPEB Plan</b>	<b>Line of Duty Act Program</b>
Total OPEB Liability	\$ 3,672,085	\$ 1,470,891	\$ 385,669
Plan fiduciary net position	2,467,989	221,845	7,214
Employers' net OPEB liability (asset)	\$ 1,204,096	\$ 1,249,046	\$ 378,455
Plan fiduciary net position as a percentage of total OPEB liability	67.21%	15.08%	1.87%

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.

(Continued)

**CITY OF FALLS CHURCH, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**Note 19. 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 %	5.71 %	1.94 %
Fixed Income	15.00	2.04	0.31
Credit Strategies	14.00	4.78	0.67
Real Assets	14.00	4.47	0.63
Private Equity	14.00	9.73	1.36
MAPS – Multi-Asset Public Strategies	6.00	3.73	0.22
PIP – Private Investment Partnership	3.00	6.55	0.20
Total	100.00 %		<u>5.33 %</u>
Inflation		<u>2.50 %</u>	
*Expected arithmetic nominal return		<u>7.83 %</u>	

\* The above allocation provides for a one-year return of 7.83%. 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 6.72%, 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 at that time, providing a median return of 7.11, including inflation of 2.50%.

(Continued)

**CITY OF FALLS CHURCH, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**Note 19. 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 3.69% for this valuation. Since LODA is funded on a current-disbursement basis, it is not able to use the VRS pooled investments 6.75% assumption noted above. Instead, the assumed annual rate of return of 3.69% 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, 2022.

**Discount Rate**

The discount rate used to measure the GLI and HIC OPEB liabilities was 6.75%. The discount rate used to measure the LODA OPEB liability was 3.69%. 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, 2022, 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 was calculated using a discount rate that is one percentage point lower (5.75% HIC; GLI/ 2.69% LODA) or one percentage point higher (7.75% HIC; GLI/ 4.69% LODA) than the current discount rate:

	<b>1.00% Decrease (5.75%)</b>	<b>Current Discount Rate (6.75%)</b>	<b>1.00% Increase (7.75%)</b>
GLI Net OPEB liability- City	\$ 109,331	\$ 75,136	\$ 47,501
GLI Net OPEB liability- Schools	\$ 2,338,880	\$ 1,607,348	\$ 1,016,171
Teacher HIC Net OPEB liability	\$ 4,376,226	\$ 3,883,036	\$ 3,464,971
	<b>(2.69%)</b>	<b>(3.69%)</b>	<b>(4.69%)</b>
LODA Net OPEB liability	\$ 1,240,886	\$ 1,087,075	\$ 961,240

(Continued)

**CITY OF FALLS CHURCH, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**Note 19. 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 was 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:

	<b>1.00% Decrease (6.00% decreasing to 3.75%)</b>	<b>Current Healthcare Cost Trend Rates (7.00% decreasing to 4.75%)</b>	<b>1.00% Increase (8.00% decreasing to 5.75%)</b>
Net LODA OPEB liability	\$ 916,097	\$ 1,087,075	\$ 1,301,679

**OPEB Plan Fiduciary Net Position**

Information about the various VRS OPEB plan fiduciary net position is available in the separately issued VRS 2022 Annual Comprehensive Financial Report (Annual Report). A copy of the 2022 VRS ACFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2022-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, 2023, the following amounts were payable to the Virginia Retirement System for the legally required contributions related to June 2023 payroll.

- Group Life Insurance - City \$1,720
- Group Life Insurance - Schools \$40,978
- Teacher Employee Health Insurance Credit \$37,002

**CITY OF FALLS CHURCH, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**Note 20. 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 June 30, 2022, the date of the latest actuarial valuation:

	<u>City</u>	<u>Schools</u>
Retirees and beneficiaries	200	84
Active members	226	424
	<u>426</u>	<u>508</u>

**Net OPEB Liability (Asset)**

The City's total net OPEB asset of \$2,560,816 and the School's net OPEB asset of \$3,641,104 were measured as of June 30, 2022, and were determined by an actuarial valuation performed as of June 30, 2022.

(Continued)

**CITY OF FALLS CHURCH, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**Note 20. 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:

	<u>City and Schools</u>
Actuarial valuation date	June 30, 2022
Actuarial cost method	Entry Age Normal
Amortization method	Level Percentage of Pay, Closed
Remaining Amortization period	14 years
Actuarial assumptions:	
Discount Rate	6.50%
Healthcare Cost Trend Rates	3.00% - 7.25%

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

**Long-Term Expected Rate of Return**

The most recent actuarial valuation of June 30, 2022, 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, 2023**

**Note 20. Other Post-employment Benefits- Local Plan (Continued)**

**Changes in Net OPEB Liability (Asset)**

	<b>Increase (Decrease)</b>		
	<b>Total OPEB Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net OPEB Liability (Asset) (a) – (b)</b>
<b>City Plan</b>			
Balances at June 30, 2021	\$ 6,963,170	\$ 11,484,162	\$ (4,520,992)
Changes for the year:			
Service cost	147,219	-	147,219
Interest	438,674	-	438,674
Differences between expected and actual experience	704,400	-	704,400
Changes in assumptions	(364,960)	-	(364,960)
Contributions – employer	-	507,863	(507,863)
Net investment income	-	(1,533,567)	1,533,567
Benefit payments	(734,676)	(734,676)	-
Administrative expenses	-	(9,139)	9,139
Net changes	190,657	(1,769,519)	1,960,176
Balances at June 30, 2022	\$ 7,153,827	\$ 9,714,643	\$ (2,560,816)

	<b>Increase (Decrease)</b>		
	<b>Total OPEB Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net OPEB Liability (Asset) (a) – (b)</b>
<b>School Plan</b>			
Balances at June 30, 2021	\$ 2,901,461	\$ 7,894,534	\$ (4,993,073)
Changes for the year:			
Service cost	75,500	-	75,500
Interest	190,042	-	190,042
Differences between expected and actual experience	412,568	-	412,568
Changes in assumptions	(289,391)	-	(289,391)
Contributions – employer	-	115,269	(115,269)
Net investment income	-	(1,072,431)	1,072,431
Benefit payments	(108,188)	(108,188)	-
Administrative expenses	-	(6,088)	6,088
Net changes	280,531	(1,071,438)	1,351,969
Balances at June 30, 2022	\$ 3,181,992	\$ 6,823,096	\$ (3,641,104)

(Continued)

**CITY OF FALLS CHURCH, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**Note 20. 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 was calculated using a discount rate that is one percentage point lower (5.50%) or one percentage point higher (7.50%) than the current discount rate:

	<b><u>1.00% Decrease (5.50%)</u></b>	<b><u>Current Discount Rate (6.50%)</u></b>	<b><u>1.00% Increase (7.50%)</u></b>
Net OPEB (asset) - City	\$ (1,817,748)	\$ (2,560,816)	\$ (3,186,776)
Net OPEB (asset) - Schools	(3,231,189)	(3,641,104)	(3,978,104)

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

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

	<b><u>1.00% Decrease</u></b>	<b><u>Current Healthcare Cost Trend Rates</u></b>	<b><u>1.00% Increase</u></b>
Net OPEB (asset)- City	\$ (3,144,806)	\$ (2,560,816)	\$ (1,859,755)
Net OPEB (asset)- Schools	(3,990,867)	(3,641,104)	(3,212,049)

**OPEB Plan Fiduciary Net Position**

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

**CITY OF FALLS CHURCH, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**Note 20. 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, 2023, the City and Schools recognized OPEB expense (income) of \$(769,043) and \$(517,326), respectively. At June 30, 2023, the City and Schools reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>		<b>Deferred Inflows of Resources</b>	
	<b>City</b>	<b>Schools</b>	<b>City</b>	<b>Schools</b>
Differences between expected and actual experience	\$ 963,345	\$ 671,145	\$ -	\$ 237,563
Changes in assumptions	-	18,283	672,855	1,185,794
Net difference between projected and actual earnings on OPEB plan investments	376,463	380,013	-	-
Employer contributions subsequent to the measurement date	277,681	55,777	-	-
	<u>\$ 1,617,489</u>	<u>\$ 1,125,218</u>	<u>\$ 672,855</u>	<u>\$ 1,423,357</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, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ended June 30,</b>	<b>Increase (Decrease) to OPEB Expense</b>	
	<b>City</b>	<b>Schools</b>
2024	\$ 58,889	\$ (193,368)
2025	134,394	(198,740)
2026	(40,873)	(174,075)
2027	514,543	219,856
2028	-	(23,259)
Thereafter	-	15,670

(Continued)

**CITY OF FALLS CHURCH, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**Note 21. Summary of Other Postemployment Benefits Elements**

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

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total Primary Government</b>	<b>School Board</b>
Net OPEB asset				
Local Plan	\$ 2,463,055	\$ 97,761	\$ 2,560,816	\$ 3,641,104
Total net OPEB asset	<u>\$ 2,463,055</u>	<u>\$ 97,761</u>	<u>\$ 2,560,816</u>	<u>\$ 3,641,104</u>
Deferred outflows of resources				
Differences between expected and actual experience –				
Local Plan	\$ 926,569	\$ 36,776	\$ 963,345	\$ 671,145
VRS – Group Life Insurance	5,950	-	5,950	127,285
VRS – LODA	83,517	-	83,517	-
Net difference between projected and actual earnings on plan investments -				
Local Plan	362,091	14,372	376,463	380,013
Change in proportion –				
VRS – Group Life Insurance	5,061	-	5,061	34,583
VRS – LODA	98,272	-	98,272	-
VRS – Teacher Health Insurance Credit	-	-	-	78,918
Change in assumptions –				
Local Plan	-	-	-	18,283
VRS – Group Life Insurance	2,802	-	2,802	59,952
VRS – LODA	303,155	-	303,155	-
VRS – Teacher Health Insurance Credit	-	-	-	113,443
OPEB contributions subsequent to measurement date-				
Local Plan	267,074	10,607	277,681	55,777
VRS – Group Life Insurance	8,258	-	8,258	173,241
VRS – LODA	38,013	-	38,013	-
VRS – Teacher Health Insurance Credit	-	-	-	387,383
Total deferred outflows of resources	<u>\$ 2,100,762</u>	<u>\$ 61,755</u>	<u>\$ 2,162,517</u>	<u>\$ 2,100,023</u>
Net OPEB liability				
VRS – Group Life Insurance	\$ 75,136	\$ -	\$ 75,136	\$ 1,607,348
VRS – LODA	1,087,075	-	1,087,075	-
VRS – Teacher Health Insurance Credit	-	-	-	3,883,036
Total net OPEB liability	<u>\$ 1,162,211</u>	<u>\$ -</u>	<u>\$ 1,162,211</u>	<u>\$ 5,490,384</u>
Deferred inflows of resources				
Differences between expected and actual experience –				
Local Plan	\$ -	\$ -	\$ -	\$ 237,563
VRS – Group Life Insurance	3,014	-	3,014	64,483
VRS – LODA	203,172	-	203,172	-
VRS – Teacher Health Insurance Credit	-	-	-	158,279
Net difference between projected and actual earnings on plan investments -				
VRS – Group Life Insurance	4,695	-	4,695	100,436
VRS – LODA	4,649	-	4,649	-
VRS – Teacher Health Insurance Credit	-	-	-	3,897
Change in assumptions –				
Local Plan	647,169	25,686	672,855	1,185,794
VRS – Group Life Insurance	7,319	-	7,319	156,562
VRS – LODA	268,123	-	268,123	-
VRS – Teacher Health Insurance Credit	-	-	-	9,916

(Continued)

**CITY OF FALLS CHURCH, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**Note 21. Summary of Other Postemployment Benefits Elements (Continued)**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total Primary Government</b>	<b>School Board</b>
Deferred inflows of resources (Continued)				
Change in proportion –				
VRS – Group Life Insurance	\$ 10,322	\$ -	\$ 10,322	\$ 90,671
VRS – Teacher Health Insurance Credit	-	-	-	212,539
VRS – LODA	91,628	-	91,628	-
Total deferred inflows of resources	<u>\$ 1,240,091</u>	<u>\$ 25,686</u>	<u>\$ 1,265,777</u>	<u>\$ 2,220,140</u>
OPEB Expense (Income)				
Local Plan	\$ (747,700)	\$ (21,343)	\$ (769,043)	\$ (517,326)
VRS – Group Life Insurance	(8,877)	-	(8,877)	(133,388)
VRS – LODA	110,882	-	110,882	-
VRS – Teacher Health Insurance Credit	-	-	-	(103,251)
Total net OPEB expense (income)	<u>\$ (645,695)</u>	<u>\$ (21,343)</u>	<u>\$ (667,038)</u>	<u>\$ (753,965)</u>

**Note 22. OPEB Plan – Fiduciary Information**

**Summary of Significant Accounting Policies**

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

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

**Plan Description**

The City's membership in the Plan as of June 30, 2023, the date of the most recent valuation, was as follows:

	<b>City</b>	<b>Schools</b>
Retirees and beneficiaries	200	84
Active members	226	424
Total	<u>426</u>	<u>508</u>

**Contributions**

For 2023, the total contribution rate was 1.52% and 0.18% of annual covered payroll for City and Schools, respectively. Other contribution information for 2023 is disclosed in Note 20.

(Continued)

**CITY OF FALLS CHURCH, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**Note 22. 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:

<b><u>Investment</u></b>	<b><u>Market Value</u></b>	<b><u>Percent of Net Position</u></b>
Short-term Bond Index Adm (Vanguard)	\$3,787,330	21%
Mid-Cap Index Fund Adm (Vanguard)	1,572,060	9
Small-cap Index Fund Adm (Vanguard)	1,482,969	8

For the year ended June 30, 2023, the annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expense, was 13.03% and 13.12% for the City and Schools plans, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Net OPEB Asset**

The components of the net OPEB liability (asset) of the Plan at June 30, 2023, were as follows:

	<b><u>City</u></b>	<b><u>Schools</u></b>
Total OPEB liability	\$ 7,311,063	\$ 3,343,577
Plan fiduciary net position	10,582,218	7,645,500
Plans net OPEB liability (asset)	<u>\$ (3,271,155)</u>	<u>\$ (4,301,923)</u>
Plan fiduciary net position as a percentage of the total OPEB liability	144.74%	228.66%

**CITY OF FALLS CHURCH, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**Note 22. OPEB Plan – Fiduciary Information (Continued)**

**Actuarial Assumptions**

The total OPEB liability was determined by an actuarial valuation as of June 30, 2023, measured at June 30, 2023, using the following relevant actuarial information:

	<u>City and Schools</u>
Actuarial valuation date	June 30, 2023
Actuarial cost method	Entry Age Normal
Asset valuation method	Adjusted Market Value
Amortization method	Level Percentage of pay, closed
Amortization period	13 years
Actuarial assumptions:	
Discount rate	6.50%
Healthcare Cost Trend Rates:	3.00% - 7.25%

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, 2023, calculated using the discount rate of 6.50%, as well as what the net OPEB liability (asset) would be if it was calculated using a discount rate that is 1-percentage-point lower (5.50%) or 1-percentage point higher (7.50%) than the current rate:

	<u>1% Decrease 5.50%</u>	<u>Discount Rate 6.50%</u>	<u>1% Increase 7.50%</u>
<b>City Plan</b>			
Net OPEB liability (asset)	\$ (2,501,601)	\$ (3,271,155)	\$ (3,919,343)
Plan fiduciary net position as a percentage of the total OPEB liability	130.96%	144.74%	158.82%
<b>School Plan</b>			
Net OPEB liability (asset)	\$ (3,873,885)	\$ (4,301,923)	\$ (4,653,889)
Plan fiduciary net position as a percentage of the total OPEB liability	202.71%	228.66%	255.56%

(Continued)

**CITY OF FALLS CHURCH, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**Note 22. 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 was 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>
<b>City Plan</b>			
Net OPEB liability (asset)	\$ (3,915,726)	\$ (3,271,155)	\$ (2,496,527)
Plan fiduciary net position as a percentage of the total OPEB liability	158.74%	144.74%	130.88%
<b>School Plan</b>			
Net OPEB liability (asset)	\$ (4,667,586)	\$ (4,301,923)	\$ (3,853,819)
Plan fiduciary net position as a percentage of the total OPEB liability	256.74%	228.66%	201.64%

**Statement of Fiduciary Net Position**

	<u>City OPEB</u>	<u>School Board OPEB</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 159,902	\$ 114,635
Investments:		
Domestic equity securities	6,459,741	4,631,053
Domestic fixed-income securities	2,166,076	1,552,881
International equity securities	1,960,486	1,405,492
Total investments	10,586,303	7,589,426
Interest and dividends receivable	43	31
Total assets	10,746,248	7,704,092
<b>LIABILITIES</b>		
Accounts payable	2,343	2,216
Due to City	161,687	56,376
Total liabilities	164,030	58,592
<b>NET POSITION</b>		
Held in trust for:		
Pension benefits	10,582,218	7,645,500
Total net position restricted for OPEB	<u>\$ 10,582,218</u>	<u>\$ 7,645,500</u>

(Continued)

**CITY OF FALLS CHURCH, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**Note 22. OPEB Plan – Fiduciary Information (Continued)**

**Statement of Changes in Fiduciary Net Position**

	<b>City OPEB</b>	<b>School Board OPEB</b>
<b>ADDITIONS</b>		
Investment earnings:		
Interest	\$ 220	\$ 158
Dividends	193,537	137,231
Net increase in fair value	<u>1,071,405</u>	<u>762,079</u>
Total investments earnings	1,265,162	899,468
Less: investment expenses	<u>(6,892)</u>	<u>(4,189)</u>
Net investment earnings	<u>1,258,270</u>	<u>895,279</u>
Total additions	<u>1,258,270</u>	<u>895,279</u>
<b>DEDUCTIONS</b>		
Benefits	382,967	67,665
Administration	<u>7,728</u>	<u>5,211</u>
Total deductions	390,695	72,876
Change in net position	867,575	822,403
<b>NET POSITION AT JULY 1</b>	<u>9,714,643</u>	<u>6,823,097</u>
<b>NET POSITION AT JUNE 30</b>	<u><u>\$ 10,582,218</u></u>	<u><u>\$ 7,645,500</u></u>

**Note 23. Risk Management**

The City participates in the Commonwealth of Virginia’s Law Enforcement Liability Plan, called VARisk2, operated by the Division of Risk Management of the Commonwealth’s Department of General Services. It was created in accordance with Sec. 2.1-526.8:1 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, 2023**

**Note 23. 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 24. Self-Insurance**

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

(Continued)

**CITY OF FALLS CHURCH, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**Note 25. Prior Period Restatements**

As described in Note 11, the City and School Board adopted GASB 96, *Subscription Based Information Technology Arrangements*, during 2023. Additionally, the City has an agreement with Fairfax County to share the operating and major project cost of sewage treatment facilities. An accrual is estimated at the end of the year based on prior year consumption data. Once consumption reports are available, a true-up is performed. Combined with the current year true-up, the City has increased prior year expense in the sanitary sewer fund. Finally, the NVCJTA custodial fund required an adjustment during 2023 related to a missed lease during the prior year implementation of GASB 87, Leases.

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

	<b>City Governmental Activities</b>	<b>Business Type Activities</b>	<b>School Board Governmental Activities</b>
Net position, June 30, 2023, as previously reported	\$ 148,152,478	\$ 37,353,179	\$ (25,074,743)
Fairfax County adjustment	-	(65,269)	-
GASB 96 implementation	(1,467)	(2,956)	8,040
Net position, June 30, 2023, as restated	<u>\$ 148,151,011</u>	<u>\$ 37,284,954</u>	<u>\$ (25,066,703)</u>

	<b>Sanitary Sewer Fund</b>	<b>Storm Water Fund</b>	<b>NVCJTA</b>
Net position, June 30, 2023, as previously reported	\$ 29,534,027	\$ 7,819,152	\$ 16,478,371
Fairfax County adjustment	(65,269)	-	-
GASB 87 adjustment	-	-	(492)
GASB 96 implementation	(1,478)	(1,478)	-
Net position, June 30, 2023, as restated	<u>\$ 29,467,280</u>	<u>\$ 7,817,674</u>	<u>\$ 16,477,879</u>

**CITY OF FALLS CHURCH, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**Note 26. Fund Balances**

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

	<b>General Fund</b>	<b>Other Governmental Funds</b>
Nonspendable:		
Prepays	\$ 55,441	\$ -
Inventories	121,113	-
Total nonspendable	<u>176,554</u>	<u>-</u>
Restricted for:		
Capital projects	214,949	8,106,404
Grants	34,014	-
Special transportation	-	4,723,589
Total restricted	<u>248,963</u>	<u>12,829,993</u>
Committed to:		
Capital projects	11,705,940	1,873,283
Future development costs	1,075,152	-
Affordable housing	-	383,329
Total committed	<u>12,781,092</u>	<u>2,256,612</u>
Assigned to:		
Capital reserve	1,312,282	-
Departmental programs	2,162,866	-
Total assigned	<u>3,475,148</u>	<u>-</u>
Unassigned	<u>27,271,368</u>	<u>-</u>
Total fund balance	<u>\$ 43,953,125</u>	<u>\$ 15,086,605</u>

(Continued)

**CITY OF FALLS CHURCH, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**Note 27. Tax Abatement and Incentive Programs**

Rehabilitated Commercial Properties

Section 40-352 to 40-360 of the City Code provides for the partial exemption of real estate taxes for rehabilitated commercial properties that meet certain eligibility criteria. These criteria include: (1) the structure must be no less than 20 years of age; (2) the structure must be substantially rehabilitated or renovated such that the assessed value of the structure is increased by no less than 100 percent over its assessed value on the date of the application, or replaced resulting in an increase or improvement of at least 10,000 square feet of office space by adding new office space, renovating or rehabilitating existing office space, or converting other uses to office space; (3) the structure must not contain residential rental units, condominium units, townhouses, or a single-family attached unit; and (4) the rehabilitation, renovation or replacement must be the result of a single project with all work undertaken pursuant to a single building permit or combination of permits issued within a 60-day period and completed within 24 months from the date the initial construction permit was issued. The partial exemption shall be the amount of real estate taxes resulting from the increase in assessed value attributable to the substantial rehabilitation, renovation, or replacement of the structure and will be applicable to subsequent assessments commencing on January 1 of the year following completion of the rehabilitation, renovation or replacement. 100% of the partial exemption shall be applicable for the first five years and 50% shall be applicable for the next five years. In FY2023, no properties received this credit.

Wilson Retail Center

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 FY2023, the City paid \$250,000 of local tax revenues generated by the Retail Center and site with the Developer.

(Continued)

**CITY OF FALLS CHURCH, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**Note 27. Tax Abatement and Incentive Programs (Continued)**

West Falls Church Development

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

- Tax years 1 – 2 (FY23 and FY24): the incentive will equal 100% of the amount of real estate taxes paid timely by the lessee/owner;
- Tax year 3 (FY25): 100% of the amount of taxes paid timely by the lessee/owner, less \$1 million allocated to each lessee/owner based on the agreement;
- Tax year 4 (FY26): 100% of the amount of real estate paid timely by the lessee/owner, less \$1.5 million allocated to each lessee/owner based on the agreement;
- Tax year 5 (FY27): 100% of the amount of real estate paid timely by the lessee/owner, less \$2 million allocated to each lessee/owner based on the agreement;
- Tax year 6 (FY28): 100% of the amount of real estate paid timely by the lessee/owner, less \$3 million allocated to each lessee/owner based on the agreement. Tax year 6 is the final year for making tax incentive payments.

**Note 28. Conduit Debt**

During 2013, the EDA entered into a conduit debt arrangement with Easter Seals Greater Washington-Baltimore Region Inc. (“Easter Seals”). Under this agreement, the EDA issued revenue bonds totaling \$3,008,000 for the purpose of financing costs associated with the acquisition, renovation, and furnishings of a property to be utilized by Easter Seals. Easter Seals executed a promissory note to show obligation of payment for the bonds, which are due to be paid off in 2037. The agreement specified the EDA is in no way obligated to make principal or interest payments on the bonds. As of June 30, 2023, the total remaining principal outstanding was \$2,234,088.

Also during 2013, the EDA entered into a conduit debt arrangement with Tax Analysts. The EDA issued refunding revenue bonds totaling \$15,020,000 for the purpose of refinancing a portion of the costs associated with the acquisition and improvement of a facility used by Tax Analysts. Tax Analysts issued a promissory note to show obligation of payment of the bonds, which are due to be paid off in 2027. The agreement specified the EDA is in no way obligated to make principal or interest payments on the bonds. As of June 30, 2023, the total remaining principal outstanding was \$6,779,065.

(Continued)

**CITY OF FALLS CHURCH, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**Note 29. New Accounting Standards**

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

In April 2022, the GASB issued **Statement No. 99, *Omnibus 2022***. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance. The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

In June 2022, the GASB issued **Statement No. 100, *Accounting Changes and Error Corrections***. This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

In June 2022, the GASB issued **Statement No. 101, *Compensated Absences***. This statement updates the recognition and measurement guidance for compensated absences and amends certain previously required disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2023.

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

## **REQUIRED SUPPLEMENTARY INFORMATION**

---

## 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, 2023**

	Measurement Dates - Plan Year									
	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
<b>Total Pension Liability</b>										
Service Cost	\$ 1,658,115	\$ 1,520,767	\$ 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)	6,613,034	6,466,646	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	1,535,475	(139,877)	(1,591,398)	(275,762)	(260,268)	1,069,324	(1,068,167)	(595,377)	(523,443)	(1,621,231)
Changes of assumptions	-	216,934	(561,529)	3,270,602	-	(521,422)	(1,009,938)	3,155,541	-	4,182,659
Benefit payments, including refunds of member contributions	(6,048,261)	(5,851,122)	(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	3,758,363	2,213,348	298,660	5,749,022	2,285,722	3,200,197	831,188	5,311,322	2,427,930	3,818,393
<b>Total pension liability - beginning</b>	<b>103,105,005</b>	<b>100,891,657</b>	<b>100,592,997</b>	<b>94,843,975</b>	<b>92,558,253</b>	<b>89,358,056</b>	<b>88,526,868</b>	<b>83,215,546</b>	<b>80,787,616</b>	<b>76,969,223</b>
<b>Total pension liability - ending</b>	<b>\$ 106,863,368</b>	<b>\$ 103,105,005</b>	<b>\$ 100,891,657</b>	<b>\$ 100,592,997</b>	<b>\$ 94,843,975</b>	<b>\$ 92,558,253</b>	<b>\$ 89,358,056</b>	<b>\$ 88,526,868</b>	<b>\$ 83,215,546</b>	<b>\$ 80,787,616</b>
<b>Plan fiduciary net position</b>										
Contributions - employer	\$ 245,940	\$ 205,635	\$ 224,613	\$ 273,869	\$ 251,480	\$ 1,257,789	\$ 1,160,820	\$ 1,972,956	\$ 8,345,532	\$ 4,021,770
Contributions - member	948,396	871,483	809,750	826,874	773,972	759,047	755,822	789,920	724,853	727,295
Net investment income	9,215,178	(11,916,344)	30,723,343	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	(6,048,261)	(5,851,122)	(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	(87,529)	(85,354)	(73,862)	(106,970)	(42,261)	(53,716)	(70,173)	(77,649)	(70,902)	(58,740)
Net change in plan fiduciary net position	4,273,724	(16,775,702)	26,131,055	(1,106,929)	2,827,928	10,148,836	10,446,403	(1,368,584)	7,808,632	10,602,707
<b>Plan fiduciary net position - beginning</b>	<b>120,913,660</b>	<b>137,689,362</b>	<b>111,558,307</b>	<b>112,665,236</b>	<b>109,837,308</b>	<b>99,688,472</b>	<b>89,242,069</b>	<b>90,610,653</b>	<b>82,802,021</b>	<b>72,199,314</b>
<b>Plan fiduciary net position - ending</b>	<b>\$ 125,187,384</b>	<b>\$ 120,913,660</b>	<b>\$ 137,689,362</b>	<b>\$ 111,558,307</b>	<b>\$ 112,665,236</b>	<b>\$ 109,837,308</b>	<b>\$ 99,688,472</b>	<b>\$ 89,242,069</b>	<b>\$ 90,610,653</b>	<b>\$ 82,802,021</b>
<b>Net pension liability (asset) - ending</b>	<b>\$ (18,324,016)</b>	<b>\$ (17,808,655)</b>	<b>\$ (36,797,705)</b>	<b>\$ (10,965,310)</b>	<b>\$ (17,821,261)</b>	<b>\$ (17,279,055)</b>	<b>\$ (10,330,416)</b>	<b>\$ (715,201)</b>	<b>\$ (7,395,107)</b>	<b>\$ (2,014,405)</b>
Plan fiduciary net position as a percentage of total pension liability	117.15%	117.27%	136.47%	110.90%	118.79%	118.67%	111.56%	100.81%	108.89%	102.49%
Covered payroll	\$ 18,967,847	\$ 17,429,613	\$ 16,170,632	\$ 16,601,604	\$ 15,859,634	\$ 15,180,552	\$ 15,111,938	\$ 15,023,723	\$ 14,488,440	\$ 13,776,586
Net pension liability (asset) as a percentage of covered payroll	-96.61%	-102.17%	-227.56%	-66.05%	-112.37%	-113.82%	-68.36%	-4.76%	-51.04%	-14.62%

**Notes to Schedule:**

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, 2023**

	Measurement Dates - Plan Year									
	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
<b>Total Pension Liability</b>										
Service Cost	\$ 576,104	\$ 599,401	\$ 573,982	\$ 555,633	\$ 638,468	\$ 644,642	\$ 647,878	\$ 550,412	\$ 493,645	\$ 451,780
Interest (includes interest on service cost)	2,181,885	2,062,981	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	880,896	875,234	(322,756)	174,824	(500,341)	(407,298)	(140,892)	85,941	(57,083)	(162,138)
Changes of assumptions	-	55,564	(113,454)	253,554	-	(141,013)	(287,168)	609,562	-	1,319,923
Benefit payments, including refunds of member contributions	(1,792,546)	(1,688,631)	(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	1,846,339	1,904,549	747,187	1,694,198	1,000,704	919,081	1,038,064	1,932,106	1,093,696	2,247,614
<b>Total pension liability - beginning</b>	<b>33,887,634</b>	<b>31,983,085</b>	<b>31,235,898</b>	<b>29,541,700</b>	<b>28,540,996</b>	<b>27,621,915</b>	<b>26,583,851</b>	<b>24,651,745</b>	<b>23,558,049</b>	<b>21,310,435</b>
<b>Total pension liability - ending</b>	<b>\$ 35,733,973</b>	<b>\$ 33,887,634</b>	<b>\$ 31,983,085</b>	<b>\$ 31,235,898</b>	<b>\$ 29,541,700</b>	<b>\$ 28,540,996</b>	<b>\$ 27,621,915</b>	<b>\$ 26,583,851</b>	<b>\$ 24,651,745</b>	<b>\$ 23,558,049</b>
<b>Plan fiduciary net position</b>										
Contributions - employer	\$ 81,726	\$ 65,877	\$ 78,835	\$ 196,880	\$ 309,263	\$ 625,820	\$ 600,676	\$ 751,332	\$ 3,593,989	\$ 625,670
Contributions - member	275,699	196,480	189,685	186,453	198,404	198,118	296,901	250,909	177,685	166,846
Net investment income	3,042,726	(3,909,750)	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	(1,792,546)	(1,688,631)	(1,412,327)	(1,349,395)	(1,140,085)	(1,116,820)	(1,051,184)	(1,041,507)	(991,773)	(958,185)
Administrative expenses	(29,288)	(27,896)	(23,448)	(37,179)	(29,536)	(16,968)	(21,978)	(27,185)	(22,126)	(19,151)
Net change in plan fiduciary net position	1,578,317	(5,363,920)	8,774,979	118,875	1,670,657	3,782,472	3,843,515	136,317	3,629,092	3,132,036
<b>Plan fiduciary net position - beginning</b>	<b>39,702,743</b>	<b>45,066,663</b>	<b>36,291,684</b>	<b>36,172,809</b>	<b>34,502,152</b>	<b>30,719,680</b>	<b>26,876,165</b>	<b>26,739,848</b>	<b>23,110,756</b>	<b>19,978,720</b>
<b>Plan fiduciary net position - ending</b>	<b>\$ 41,281,060</b>	<b>\$ 39,702,743</b>	<b>\$ 45,066,663</b>	<b>\$ 36,291,684</b>	<b>\$ 36,172,809</b>	<b>\$ 34,502,152</b>	<b>\$ 30,719,680</b>	<b>\$ 26,876,165</b>	<b>\$ 26,739,848</b>	<b>\$ 23,110,756</b>
<b>Net pension liability (asset) - ending</b>	<b>\$ (5,547,087)</b>	<b>\$ (5,815,109)</b>	<b>\$ (13,083,578)</b>	<b>\$ (5,055,786)</b>	<b>\$ (6,631,109)</b>	<b>\$ (5,961,156)</b>	<b>\$ (3,097,765)</b>	<b>\$ (292,314)</b>	<b>\$ (2,088,103)</b>	<b>\$ 447,293</b>
Plan fiduciary net position as a percentage of total pension liability	115.52%	117.16%	140.91%	116.19%	122.45%	120.89%	111.21%	101.10%	108.47%	98.10%
Covered payroll	\$ 3,178,847	\$ 2,806,864	\$ 2,709,767	\$ 2,685,250	\$ 2,872,324	\$ 2,830,258	\$ 2,713,990	\$ 2,542,578	\$ 2,538,363	\$ 2,351,051
Net pension liability (asset) as a percentage of covered payroll	-174.50%	-207.17%	-482.83%	-188.28%	-230.86%	-210.62%	-114.14%	-11.50%	-82.26%	19.03%

**Notes to Schedule:**

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, 2023**

## Measurement Dates - Plan Year

	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
<b>Total Pension Liability</b>									
Service Cost	\$ 137,974	\$ 122,932	\$ 135,870	\$ 123,847	\$ 126,438	\$ 113,858	\$ 115,519	\$ 125,830	\$ 115,154
Interest (includes interest on service cost)	365,611	340,213	307,625	301,441	312,070	307,203	273,085	255,657	239,734
Changes of assumptions	-	214,063	-	108,916	-	(99,592)	-	-	-
Differences between expected and actual experience	(177,684)	(127,768)	337,943	(18,370)	(364,497)	(33,717)	288,621	11,357	-
Benefit payments, including refunds of member contributions	(301,932)	(320,371)	(276,925)	(252,525)	(199,201)	(237,225)	(142,431)	(145,323)	(109,503)
Net change in total pension liability	23,969	229,069	504,513	263,309	(125,190)	50,527	534,794	247,521	245,385
<b>Total pension liability - beginning</b>	<u>5,429,450</u>	<u>5,200,381</u>	<u>4,695,868</u>	<u>4,432,559</u>	<u>4,557,749</u>	<u>4,507,222</u>	<u>3,972,428</u>	<u>3,724,907</u>	<u>3,479,522</u>
<b>Total pension liability - ending</b>	<u>\$ 5,453,419</u>	<u>\$ 5,429,450</u>	<u>\$ 5,200,381</u>	<u>\$ 4,695,868</u>	<u>\$ 4,432,559</u>	<u>\$ 4,557,749</u>	<u>\$ 4,507,222</u>	<u>\$ 3,972,428</u>	<u>\$ 3,724,907</u>
<b>Plan fiduciary net position</b>									
Contributions - employer	\$ 35,445	\$ 34,950	\$ 10,641	\$ 11,660	\$ 18,642	\$ 20,809	\$ 30,313	\$ 32,780	\$ 74,651
Contributions - member	61,949	71,142	58,587	60,409	62,844	65,328	66,058	59,345	59,778
Net investment income	(4,568)	1,546,009	110,624	370,585	395,513	595,283	85,110	216,702	645,679
Benefit payments, including refunds of member contributions	(301,932)	(320,371)	(276,925)	(252,525)	(199,201)	(237,225)	(142,431)	(145,323)	(109,503)
Administrative expenses	(4,432)	(3,951)	(3,871)	(3,780)	(3,444)	(3,521)	(3,080)	(3,022)	(3,389)
Other changes	161	145	(129)	(233)	(350)	(525)	-	-	-
Net change in plan fiduciary net position	(213,377)	1,327,924	(101,073)	186,116	274,004	440,149	35,970	160,482	667,216
<b>Plan fiduciary net position - beginning</b>	<u>7,058,685</u>	<u>5,730,761</u>	<u>5,831,834</u>	<u>5,645,718</u>	<u>5,371,714</u>	<u>4,931,565</u>	<u>4,895,595</u>	<u>4,735,113</u>	<u>4,067,897</u>
<b>Plan fiduciary net position - ending</b>	<u>\$ 6,845,308</u>	<u>\$ 7,058,685</u>	<u>\$ 5,730,761</u>	<u>\$ 5,831,834</u>	<u>\$ 5,645,718</u>	<u>\$ 5,371,714</u>	<u>\$ 4,931,565</u>	<u>\$ 4,895,595</u>	<u>\$ 4,735,113</u>
<b>Net pension liability (asset) - ending</b>	<u>\$ (1,391,889)</u>	<u>\$ (1,629,235)</u>	<u>\$ (530,380)</u>	<u>\$ (1,135,966)</u>	<u>\$ (1,213,159)</u>	<u>\$ (813,965)</u>	<u>\$ (424,343)</u>	<u>\$ (923,167)</u>	<u>\$ (1,010,206)</u>
Plan fiduciary net position as a percentage of total pension liability	125.52%	130.01%	110.20%	124.19%	127.37%	117.86%	109.41%	123.24%	127.12%
Covered payroll	<u>\$ 1,357,817</u>	<u>\$ 1,199,406</u>	<u>\$ 1,251,345</u>	<u>\$ 1,266,107</u>	<u>\$ 1,319,818</u>	<u>\$ 1,364,445</u>	<u>\$ 1,344,074</u>	<u>\$ 1,086,779</u>	<u>\$ 1,196,317</u>
Net pension liability (asset) as a percentage of covered payroll	-102.51%	-135.84%	-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, 2023**

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
<b>Basic Plan - Total Plan</b>					
2023	\$ 245,779	\$ 245,779	\$ -	\$ 18,967,847	1.30 %
2022	205,635	205,635	-	17,429,613	1.18
2021	224,613	343,629	(119,016)	16,170,632	2.13
2020	273,762	273,762	-	16,601,604	1.65
2019	251,480	251,480	-	15,859,634	1.59
2018	1,263,956	1,257,789	6,167	15,180,552	8.29
2017	1,160,277	1,160,820	(543)	15,111,938	7.68
2016	1,972,956	1,972,956	-	15,023,723	13.13
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
<b>Police Plan</b>					
2023	\$ 81,726	\$ 81,726	\$ -	\$ 3,178,847	2.57 %
2022	65,877	65,877	-	2,806,864	2.35
2021	78,835	78,835	-	2,709,767	2.91
2020	196,880	196,880	-	2,685,250	7.33
2019	309,263	309,263	-	2,872,324	10.77
2018	625,820	673,820	(48,000)	2,830,258	23.81
2017	624,490	600,676	23,814	2,713,990	22.13
2016	751,332	751,332	-	2,542,578	29.55
2015	693,989	3,593,989	(2,900,000)	2,538,363	141.59
2014	625,670	625,670	-	2,351,051	26.61
<b>Constitutional Officers</b>					
2023	\$ 21,810	\$ 21,810	\$ -	\$ 1,528,199	1.43 %
2022	49,968	49,968	-	1,357,817	3.68
2021	34,950	34,950	-	1,199,406	2.91
2020	9,600	9,600	-	1,251,345	0.77
2019	14,607	14,607	-	1,266,107	1.15
2018	19,111	19,111	-	1,319,818	1.45
2017	20,809	20,809	-	1,364,445	1.53
2016	45,257	45,257	-	1,344,074	3.37
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, 2023**

	<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, 2023	7.79%	7.83%	13.03%	13.12%
June 30, 2022	-8.85%	-8.86%	-13.48%	-13.44%
June 30, 2021	28.37%	28.12%	33.38%	37.49%
June 30, 2020	2.69%	2.82%	3.52%	3.52%
June 30, 2019	6.36%	6.48%	6.34%	6.37%
June 30, 2018	13.79%	13.71%	9.37%	9.37%
June 30, 2017	15.16%	14.92%	13.97%	13.88%
June 30, 2016	0.71%	0.88%	N/A	N/A
June 30, 2015	3.69%	3.59%	N/A	N/A
June 30, 2014	16.50%	16.73%	N/A	N/A

## CITY OF FALLS CHURCH, VIRGINIA

**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY (ASSET)**  
**June 30, 2023**

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

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, 2023**

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
<b>Basic Plan - City</b>					
2023	\$ 93,686	\$ 93,686	\$ -	\$ 14,354,147	0.65 %
2022	63,863	63,863	-	13,176,641	0.48
2021	165,409	165,409	-	12,112,537	1.37
2020	85,789	85,789	-	12,223,636	0.70
2019	79,457	79,457	-	11,459,245	0.69
2018	888,463	883,450	5,013	10,979,441	8.05
2017	835,101	852,360	(17,259)	11,056,426	7.71
2016	1,445,007	1,446,667	(1,660)	10,939,965	13.22
2015	1,874,821	7,771,386	(5,896,565)	10,420,367	74.58
<b>Basic Plan - Schools</b>					
2023	\$ 99,645	\$ 99,645	\$ -	\$ 3,019,572	3.30 %
2022	96,173	96,173	-	2,862,201	3.36
2021	115,035	115,035	-	2,808,383	4.10
2020	132,005	132,005	-	3,014,547	4.38
2019	114,044	114,044	-	2,994,367	3.81
2018	258,305	258,101	204	2,892,548	8.92
2017	218,122	206,553	11,569	2,840,908	7.27
2016	352,614	346,038	6,576	2,685,735	12.88
2015	472,312	384,313	87,999	2,867,047	13.40
<b>VRS Teacher Retirement Plan</b>					
2023	\$ 5,026,763	\$ 5,026,763	\$ -	\$ 32,015,366	15.70 %
2022	4,592,819	4,592,819	-	28,963,437	15.86
2021	4,412,210	4,412,210	-	27,759,621	15.89
2020	4,303,928	4,303,928	-	28,578,319	15.06
2019	4,214,000	4,214,000	-	27,738,714	15.19
2018	4,094,000	4,094,000	-	25,755,203	15.90
2017	3,654,087	3,654,087	-	25,447,924	14.36
2016	3,426,047	3,426,047	-	24,618,277	13.92
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, 2023**

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

**Notes to Schedule:**

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

## CITY OF FALLS CHURCH, VIRGINIA

**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY (ASSET) AND RELATED RATIOS -**  
**SCHOOL LOCAL PLAN**  
**For the Year Ended June 30, 2023**

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

**Notes to Schedule:**

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

## CITY OF FALLS CHURCH, VIRGINIA

**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF OPEB CONTRIBUTIONS- LOCAL PLANS**  
**For the Year Ended June 30, 2023**

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
<b>OPEB Plan- City</b>					
2023	\$ 277,681	\$ 277,681	\$ -	\$ 18,304,121	1.52 %
2022	115,361	507,863	(392,502)	17,770,991	2.86
2021	-	578,997	(578,997)	16,737,491	3.46
2020	235,900	588,389	(352,489)	16,249,991	3.62
2019	380,218	578,656	(198,438)	14,528,545	3.98
2018	400,842	584,118	(183,276)	14,139,703	4.13
2017	754,906	805,464	(50,558)	13,970,500	5.77
<b>OPEB Plan- Schools</b>					
2023	\$ 55,777	\$ 55,777	\$ -	\$ 30,250,015	0.18 %
2022	59,579	115,269	(55,690)	29,368,947	0.39
2021	-	44,006	(44,006)	28,194,127	0.16
2020	29,334	74,418	(45,084)	27,372,939	0.27
2019	97,111	107,769	(10,658)	31,111,688	0.35
2018	123,595	225,027	(101,432)	30,279,015	0.74
2017	486,812	510,079	(23,267)	29,036,463	1.76

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

## CITY OF FALLS CHURCH, VIRGINIA

**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY- COST SHARING PLANS**  
**June 30, 2023**

<b>Plan Year Ended June 30</b>	<b>Employer's Proportion of the Net OPEB Liability (Asset)</b>	<b>Employer's Proportionate Share of the Net OPEB Liability (Asset)</b>	<b>Employer's Covered Payroll</b>	<b>Employer's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll</b>	<b>Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability</b>
<b>Virginia Retirement System - Health Insurance Credit - Teachers</b>					
2022	0.31%	\$ 3,883,036	\$ 32,015,366	12.13%	15.08%
2021	0.31%	4,028,996	28,963,437	13.91%	13.15%
2020	0.33%	4,254,000	28,583,333	14.88%	9.95%
2019	0.33%	4,341,000	27,317,073	15.89%	8.97%
2018	0.32%	4,043,000	25,755,203	15.70%	8.08%
<b>Virginia Retirement System - Group Life Insurance - General Employees</b>					
2022	0.01%	\$ 75,136	\$ 1,528,199	4.92%	67.21%
2021	0.01%	67,644	1,356,449	4.99%	67.45%
2020	0.01%	101,000	1,251,345	8.07%	52.64%
2019	0.01%	106,000	1,266,107	8.37%	52.00%
2018	0.01%	105,000	1,320,064	7.95%	51.22%
<b>Virginia Retirement System - Group Life Insurance - Schools</b>					
2022	0.13%	\$ 1,607,348	\$ 32,081,770	5.01%	67.21%
2021	0.13%	1,570,602	29,037,223	5.41%	67.45%
2020	0.14%	2,319,000	28,582,043	8.11%	52.64%
2019	0.14%	2,313,000	27,741,133	8.34%	52.00%
2018	0.14%	2,068,000	25,756,084	8.03%	51.22%
<b>Virginia Retirement System - Line of Duty Act</b>					
2022	0.29%	\$ 1,087,075	\$ 3,484,825	31.19%	1.87%
2021	0.27%	1,212,021	3,021,055	40.12%	1.68%
2020	0.27%	1,131,011	3,070,268	36.84%	1.02%
2019	0.30%	1,080,000	3,617,026	29.86%	0.79%
2018	0.32%	989,000	3,550,588	27.85%	0.60%

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

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

## CITY OF FALLS CHURCH, VIRGINIA

**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF OPEB CONTRIBUTIONS- COST SHARING PLANS**  
**June 30, 2023**

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
<b>Virginia Retirement System - Health Insurance Credit - Teachers</b>					
2023	\$ 387,383	\$ 387,383	\$ -	\$ 32,015,366	1.21%
2022	350,457	350,457	-	28,963,437	1.21%
2021	336,000	336,000	-	27,759,621	1.21%
2020	343,000	343,000	-	28,583,333	1.20%
2019	336,000	336,000	-	27,317,073	1.23%
2018	317,000	317,000	-	25,755,203	1.23%
<b>Virginia Retirement System - Group Life Insurance - General Employees</b>					
2023	\$ 8,258	\$ 8,258	\$ -	\$ 1,528,199	0.54%
2022	7,330	7,330	-	1,356,449	0.54%
2021	6,470	6,470	-	1,198,239	0.54%
2020	7,000	7,000	-	1,251,345	0.56%
2019	7,000	7,000	-	1,266,107	0.55%
2018	7,000	7,000	-	1,320,064	0.53%
<b>Virginia Retirement System - Group Life Insurance - Schools</b>					
2023	\$ 173,241	\$ 173,241	\$ -	\$ 32,081,770	0.54%
2022	156,803	156,803	-	29,037,223	0.54%
2021	150,000	150,000	-	27,824,647	0.54%
2020	149,000	149,000	-	28,582,043	0.52%
2019	144,000	144,000	-	27,741,133	0.52%
2018	135,000	135,000	-	25,756,084	0.52%
<b>Virginia Retirement System - Line of Duty Act</b>					
2023	\$ 38,013	\$ 38,013	\$ -	\$ 3,484,825	1.09%
2022	39,560	39,560	-	3,021,055	1.31%
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, 2023**

**Note 1. Changes of Benefit Terms**

Pension

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

Other Postemployment Benefits (OPEB)

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

**Note 2. Changes of Assumptions**

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 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 PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Scape MP-2020.
- Adjusted retirement rates to better fit experience for Plan 1; set separate rates based on experience for Plan2/Hybrid; changed final retirement age.
- Adjusted withdrawal rates to better fit experience at each age and service through 9 years of service.
- Applicable to: Pension, GLI OPEB, and HIC OPEB

(Continued)

**CITY OF FALLS CHURCH, VIRGINIA**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**June 30, 2023**

**Note 2. Changes of Assumptions (Continued)**

**Largest 10 – Hazardous Duty/Public Safety Employees:**

- Update mortality table to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Scape MP-2020.
- Adjusted retirement rates to better fit experience and changed final retirement age from 65 to 70.
- Decreased withdrawal rates
- Applicable to: Pension, GLI OPEB, HIC OPEB, and LODA OPEB

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

- Update mortality table to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Scape MP-2020.
- Adjusted retirement rates to better fit experience for Plan 1; set separate rates based on experience for Plan2/Hybrid; changed final retirement age.
- Adjusted withdrawal rates to better fit experience at each age and service through 9 years of service.
- Applicable to: Pension GLI OPEB, and HIC OPEB

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

- Update mortality table to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Scape MP-2020.
- Adjusted retirement rates to better fit experience and changed final retirement age from 65 to 70.
- Decreased withdrawal rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Largest 10 Hazardous Duty.
- Applicable to: Pension, GLI OPEB, HIC OPEB, and LODA OPEB

**Teacher cost-sharing pool**

- Update mortality table to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Scape MP-2020.
- Adjusted retirement rates to better fit experience for Plan 1; set separate rates based on experience for Plan2/Hybrid; changed final retirement age from 75 to 80 for all.
- Adjusted withdrawal rates to better fit experience at each age and service through 9 years of service.
- Applicable to: Pension, GLI OPEB, and HIC OPEB

(Continued)

**CITY OF FALLS CHURCH, VIRGINIA**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**June 30, 2023**

**Note 2      Changes of Assumptions (Continued)**

The following changes in actuarial assumptions were made effective June 30, 2021, valuation date:

Basic and Police Pension Plans

- Salary increases were increased from 3.00% to 4.00%
- Update mortality table

OPEB – Local Plan

- Update mortality table
- Update medical, prescription drug, and dental trend rates to the current schedules.

## **OTHER SUPPLEMENTARY INFORMATION**

---

---

---

**THIS PAGE INTENTIONALLY BLANK**

## **BUDGET TO ACTUAL – GENERAL FUND**

---

## SCHEDULE 1

## 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, 2023**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
General property taxes	\$ 68,338,360	\$ 68,338,360	\$ 69,421,812	\$ 1,083,452
Other local taxes	19,630,140	19,655,140	20,612,929	957,789
Permits, privilege fees, and regulatory licenses	1,289,925	1,289,925	4,148,597	2,858,672
Fines and forfeitures	325,000	325,000	337,073	12,073
Use of money and property	267,000	377,000	1,711,831	1,334,831
Charges for services	3,326,511	3,326,511	3,906,634	580,123
Miscellaneous	29,800	53,390	197,304	143,914
Gifts and contributions	6,300	89,950	87,850	(2,100)
Recovered costs	306,700	306,700	266,940	(39,760)
Intergovernmental				
Commonwealth	4,250,724	4,319,214	4,590,282	271,068
Federal	1,768,763	4,976,305	1,923,754	(3,052,551)
EDA	4,500,000	4,681,599	4,681,599	-
Total revenues	<u>104,039,223</u>	<u>107,739,094</u>	<u>111,886,605</u>	<u>4,147,511</u>
<b>EXPENDITURES</b>				
Current:				
Clerk of Court	38,031	38,031	31,369	6,662
Commissioner of Revenue	892,681	901,321	847,364	53,957
Community Planning and Economic Development Services	4,135,767	4,415,832	3,870,185	545,647
Executive Management	2,059,228	2,416,020	2,300,863	115,157
Finance	3,850,646	4,003,795	3,822,096	181,699
Human Services	5,544,985	5,499,011	4,421,720	1,077,291
Legislative	1,255,608	1,475,811	1,441,494	34,317
Library Services	2,288,556	2,454,578	2,410,133	44,445
Public Safety	10,397,517	11,145,460	10,372,937	772,523
Public Works	6,981,831	9,044,681	7,554,901	1,489,780
Recreation and Parks	3,695,993	3,839,147	3,613,486	225,661
Registrar	403,527	420,523	414,090	6,433
Sheriff	1,303,982	1,314,253	1,231,398	82,855
Treasurer	631,876	656,232	655,694	538
Non-departmental	61,304,001	62,197,007	61,872,701	324,306
Total expenditures	<u>104,784,229</u>	<u>109,821,702</u>	<u>104,860,431</u>	<u>4,961,271</u>
Excess (deficiency) of revenues over expenditures	<u>(745,006)</u>	<u>(2,082,608)</u>	<u>7,026,174</u>	<u>9,108,782</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from issuance of bonds	75,000	75,000	-	(75,000)
Issuance of leases	-	-	99,459	99,459
Transfers in	1,717,000	1,717,000	1,720,830	3,830
Transfers out	(2,305,294)	(5,534,881)	(3,495,780)	2,039,101
Total other financing sources (uses)	<u>(513,294)</u>	<u>(3,742,881)</u>	<u>(1,675,491)</u>	<u>2,067,390</u>
Net change in fund balance	<u>\$ (1,258,300)</u>	<u>\$ (5,825,489)</u>	<u>\$ 5,350,683</u>	<u>\$ 11,176,172</u>

# NONMAJOR GOVERNMENTAL FUND

---

## Community Development Fund (“CDA”)

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

**SCHEDULE 2****CITY OF FALLS CHURCH, VIRGINIA****BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUND  
June 30, 2023**

	<u>CDA</u>
<b>ASSETS</b>	
Restricted cash and investments	\$ 7,995,483
Receivables, net	<u>27,547</u>
Total assets	<u><u>\$ 8,023,030</u></u>
<b>LIABILITIES</b>	
Accounts payable and other liabilities	<u>\$ 1,085,472</u>
Total liabilities	<u>1,085,472</u>
<b>FUND BALANCE</b>	
Restricted	<u>6,937,558</u>
Total fund balances	<u>6,937,558</u>
Total liabilities and fund balance	<u><u>\$ 8,023,030</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, 2023**

	<u>CDA</u>
<b>REVENUES</b>	
Use of money and property	\$ 335,523
Total revenues	<u>335,523</u>
<b>EXPENDITURES</b>	
Current:	
Community development	88,543
Capital outlay	4,616,621
Debt service:	
Interest and fiscal charges	<u>1,343,624</u>
Total expenditures	<u>6,048,788</u>
 Excess of revenues over (under) expenditures	 <u>(5,713,265)</u>
<b>OTHER FINANCING SOURCES (USES)</b>	
Issuance of debt	13,000,000
Transfers out	<u>(349,177)</u>
Total other financing sources	<u>12,650,823</u>
 Net change in fund balance	 6,937,558
<b>FUND BALANCES AT JULY 1</b>	<u>-</u>
<b>FUND BALANCES AT JUNE 30</b>	<u><u>\$ 6,937,558</u></u>

---

---

**THIS PAGE INTENTIONALLY BLANK**

# 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.

## CITY OF FALLS CHURCH, VIRGINIA

**COMBINING STATEMENT OF FIDUCIARY NET POSITION**  
**POST-EMPLOYMENT BENEFIT TRUST FUNDS**  
**June 30, 2023**

	City			School Board	
	Basic Plan	Police Plan	Other Post-Employment Benefits	Other Post-Employment Benefits	Total
<b>ASSETS</b>					
Cash and cash equivalents	\$ 3,584,296	\$ 1,301,084	\$ 159,902	\$ 114,635	\$ 5,159,917
Investments:					
Domestic equity securities	61,988,705	21,132,115	6,459,741	4,631,053	94,211,614
Domestic fixed-income securities	15,136,909	5,291,806	2,166,076	1,552,881	24,147,672
International equity securities	24,150,294	7,436,226	1,960,486	1,405,492	34,952,498
RE Securities	11,559,124	3,793,950	-	-	15,353,074
Infrastructure	8,856,136	2,355,026	-	-	11,211,162
Total investments	121,691,168	40,009,123	10,586,303	7,589,426	179,876,020
Contributions receivable:					
Employer	4,022	-	-	-	4,022
Employee	6,094	-	-	-	6,094
Total contributions receivable	10,116	-	-	-	10,116
Interest and dividends receivable	134,105	43,994	43	31	178,173
Total assets	125,419,685	41,354,201	10,746,248	7,704,092	185,224,226
<b>LIABILITIES</b>					
Accounts payable	119,759	37,681	2,343	2,216	161,999
Due to City (Note 7)	112,542	35,460	161,687	56,376	366,065
Total liabilities	232,301	73,141	164,030	58,592	528,064
<b>NET POSITION</b>					
Held in trust for:					
Pension benefits	125,187,384	41,281,060	-	-	166,468,444
Other post-employment benefits	-	-	10,582,218	7,645,500	18,227,718
Total net position restricted for pension and other post-employment benefits	\$ 125,187,384	\$ 41,281,060	\$ 10,582,218	\$ 7,645,500	\$ 184,696,162

## CITY OF FALLS CHURCH, VIRGINIA

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
POST-EMPLOYMENT TRUST FUNDS  
Year Ended June 30, 2023**

	City		Other Post- Employment Benefits	School Board Other Post- Employment Benefits	Total
	Basic Plan	Police Plan			
<b>ADDITIONS</b>					
Employer contributions	\$ 245,940	\$ 81,726	\$ -	\$ -	\$ 327,666
Employee contributions	948,396	275,699	-	-	1,224,095
Investment earnings:					
Interest	77,839	44,949	220	159	123,167
Dividends	1,443,631	407,046	193,537	137,231	2,181,445
Net increase in fair value of investments	8,052,825	2,703,830	1,071,405	762,079	12,590,139
Total investment earnings	9,574,295	3,155,825	1,265,162	899,469	14,894,751
Less: investment expenses	(359,117)	(113,098)	(6,892)	(4,189)	(483,296)
Net investment earnings	9,215,178	3,042,727	1,258,270	895,280	14,411,455
Total additions	10,409,514	3,400,152	1,258,270	895,280	15,963,216
<b>DEDUCTIONS</b>					
Benefits	6,048,261	1,792,546	382,967	67,665	8,291,439
Administration	87,529	29,288	7,728	5,211	129,756
Total deductions	6,135,790	1,821,834	390,695	72,876	8,421,195
Change in net position	4,273,724	1,578,318	867,575	822,404	7,542,021
<b>NET POSITION AT JULY 1</b>	120,913,660	39,702,742	9,714,643	6,823,096	177,154,141
<b>NET POSITION AT JUNE 30</b>	<u>\$ 125,187,384</u>	<u>\$ 41,281,060</u>	<u>\$ 10,582,218</u>	<u>\$ 7,645,500</u>	<u>\$ 184,696,162</u>

---

---

**THIS PAGE INTENTIONALLY BLANK**

## **CUSTODIAL FUND**

---

### **Northern Virginia Criminal Justice Training Academy Fund**

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

## CITY OF FALLS CHURCH, VIRGINIA

**COMBINING STATEMENT OF FIDUCIARY NET POSITION  
CUSTODIAL FUND  
June 30, 2023**

	<b>Northern Virginia Criminal Justice Academy</b>
<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Cash and cash equivalents	5,276,236
Receivables	157,436
Due from general fund	20,156
Due from Prince William County	154,240
Total current assets	<u>5,608,068</u>
<b>NONCURRENT ASSETS</b>	
Receivables	358,322
Investments	334,160
Net pension asset	1,386,626
Due from Prince William County	309,395
Capital assets:	
Non-depreciable	1,164,347
Depreciable, net	10,750,309
Total noncurrent assets	<u>14,303,159</u>
Total assets	<u>19,911,227</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred amount on refunding	27,257
Deferred outflows related to pensions	467,243
Deferred outflows related to OPEB	127,622
Total deferred outflows of resources	<u>622,122</u>
<b>LIABILITIES</b>	
<b>CURRENT LIABILITIES</b>	
Accounts payable and accrued liabilities	115,864
Accrued interest expense	5,411
Compensated absences, current portion	133,295
Lease liabilities	34,831
Bonds payable, current portion	905,744
Total current liabilities	<u>1,195,145</u>
<b>NONCURRENT LIABILITIES</b>	
Compensated absences	87,578
Lease liabilities	25,200
Net OPEB liability	8,383
Bonds payable	1,834,152
Total noncurrent liabilities	<u>1,955,313</u>
Total liabilities	<u>3,150,458</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows related to pensions	76,651
Deferred inflows related to OPEB	32,694
Deferred inflows related leases	384,374
Total deferred inflows of resources	<u>493,719</u>
<b>NET POSITION</b>	
Restricted for:	
Individuals, organizations, and other governments	16,889,172
Total net position	<u><u>\$ 16,889,172</u></u>

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

CITY OF FALLS CHURCH, VIRGINIA

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
CUSTODIAL FUND  
Year Ended June 30, 2023

	Northern Virginia Criminal Justice Academy
	<hr/>
<b>ADDITIONS</b>	
Charges for services	\$ 3,291,685
Grants and contributions	671,058
Debt service assessments	807,974
Lease revenue	152,886
Investment earnings	237,206
Miscellaneous	70,338
	<hr/>
Total additions	\$ 5,231,147
	<hr/>
<b>DEDUCTIONS</b>	
Personnel services and benefits	2,038,505
Purchased services	1,162,579
Materials and supplies	522,069
Depreciation	977,458
Interest expense	99,041
Miscellaneous	20,202
	<hr/>
Total deductions	4,819,854
	<hr/>
Change in net position	411,293
<b>NET POSITION AT JULY 1, AS RESTATED (Note 25)</b>	16,477,879
	<hr/>
<b>NET POSITION AT JUNE 30</b>	<u><u>\$ 16,889,172</u></u>

---

---

**THIS PAGE INTENTIONALLY BLANK**

# **DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD**

---

## **Major Governmental Funds**

### **School Operating Fund**

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

### **School Community Service Fund**

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

## **Nonmajor Governmental Funds**

### **School Food Service Fund**

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

### **School Activity Funds**

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

## CITY OF FALLS CHURCH, VIRGINIA

**DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**June 30, 2023**

	<b>Major</b>		<b>Nonmajor</b>		
	<b>School Operating</b>	<b>School Community Service</b>	<b>School Food Service</b>	<b>School Activity Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>					
Cash and investments	\$ 4,702,530	\$ 906,283	\$ 864,264	\$ 398,166	\$ 6,871,243
Accounts receivable	135,920	204,840	-	-	340,760
Due from fiduciary funds	56,376	-	-	-	56,376
Due from primary government	5,541,065	125,960	3,080	-	5,670,105
Due from other governments	971,961	-	54,278	-	1,026,239
Prepays	59,555	8,452	-	-	68,007
Total assets	<u>\$ 11,467,407</u>	<u>\$ 1,245,535</u>	<u>\$ 921,622</u>	<u>\$ 398,166</u>	<u>\$ 14,032,730</u>
<b>LIABILITIES</b>					
Accounts payable and other liabilities	\$ 6,404,411	\$ 77,589	\$ 61,515	\$ -	\$ 6,543,515
Unearned revenue	-	30,342	64,413	-	94,755
Total liabilities	<u>6,404,411</u>	<u>107,931</u>	<u>125,928</u>	<u>-</u>	<u>6,638,270</u>
<b>FUND BALANCES</b>					
Nonspendable:					
Prepays	59,555	8,452	-	-	68,007
Assigned:					
Education	<u>5,003,441</u>	<u>1,129,152</u>	<u>795,694</u>	<u>398,166</u>	<u>7,326,453</u>
Total fund balances	<u>5,062,996</u>	<u>1,137,604</u>	<u>795,694</u>	<u>398,166</u>	<u>7,394,460</u>
Total liabilities and fund balances	<u>\$ 11,467,407</u>	<u>\$ 1,245,535</u>	<u>\$ 921,622</u>	<u>\$ 398,166</u>	<u>\$ 14,032,730</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, 2023**

<b>Total Fund Balance - Governmental Funds</b>		\$ 7,394,460
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	\$ 1,888,090	
Depreciable, net	<u>5,783,452</u>	7,671,542
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	9,371,908	
Deferred outflows related to OPEB	2,100,023	
Deferred inflows related to pensions	(7,672,727)	
Deferred inflows related to OPEB	(2,220,140)	
Net pension asset - basic pension plan	2,924,538	
Net pension liability - teacher cost sharing pool	(29,447,212)	
Net OPEB asset - all plans	3,641,104	
Net OPEB liability - all plans	<u>(5,490,384)</u>	(26,792,890)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Termination benefits	(315,000)	
Compensated absences	(1,234,828)	
Financed purchases	(762,874)	
Lease liabilities	(2,114,836)	
Subscription liabilities	<u>(602,904)</u>	(5,030,442)
Interest on long-term liabilities is not accrued in governmental funds, but is recognized as an expenditure when due.		
		<u>(14,180)</u>
<b>Total Net Position - Governmental Activities</b>		<u><u>\$ (16,771,510)</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, 2023**

	<b>Major</b>		<b>Nonmajor</b>		<b>Total</b>
	<b>School Operating</b>	<b>School Community Service</b>	<b>School Food Service</b>	<b>School Activity Funds</b>	<b>Governmental Funds</b>
<b>REVENUES</b>					
Revenue from use of money and property	\$ 143,010	\$ 267,443	\$ 24,617	\$ -	\$ 435,070
Charges for services	730,597	1,336,125	866,334	557,904	3,490,960
Fines	219,025	-	-	-	219,025
Miscellaneous	80,738	24,963	548	-	106,249
Gifts and contributions	-	182,190	-	-	182,190
Intergovernmental:					
Federal	1,756,434	-	346,505	-	2,102,939
Commonwealth	8,991,359	-	26,550	-	9,017,909
Payments from City	48,056,431	107,500	-	-	48,163,931
Total revenues	<u>59,977,594</u>	<u>1,918,221</u>	<u>1,264,554</u>	<u>557,904</u>	<u>63,718,273</u>
<b>EXPENDITURES</b>					
Current:					
Education	57,102,584	1,527,907	1,169,152	636,057	60,435,700
Capital outlay	2,129,563	4,660	-	-	2,134,223
Debt service:					
Principal retirement	1,031,384	-	-	-	1,031,384
Interest and fiscal charges	51,538	-	-	-	51,538
Total expenditures	<u>60,315,069</u>	<u>1,532,567</u>	<u>1,169,152</u>	<u>636,057</u>	<u>63,652,845</u>
Excess (deficiency) of revenues over expenditures	<u>(337,475)</u>	<u>385,654</u>	<u>95,402</u>	<u>(78,153)</u>	<u>65,428</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Issuance of SBITAs and financed purchases	721,253	-	-	-	721,253
Transfers in	130,000	-	30,000	-	160,000
Transfers out	(30,000)	(130,000)	-	-	(160,000)
Total other financing sources (uses)	<u>821,253</u>	<u>(130,000)</u>	<u>30,000</u>	<u>-</u>	<u>721,253</u>
Net change in fund balance	483,778	255,654	125,402	(78,153)	786,681
<b>FUND BALANCE AT JULY 1</b>	<u>4,579,218</u>	<u>881,950</u>	<u>670,292</u>	<u>476,319</u>	<u>6,607,779</u>
<b>FUND BALANCE AT JUNE 30</b>	<u>\$ 5,062,996</u>	<u>\$ 1,137,604</u>	<u>\$ 795,694</u>	<u>\$ 398,166</u>	<u>\$ 7,394,460</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, 2023**

**Net Change in Fund Balance - Governmental Funds** \$ 786,681

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 and amortization expense.

Capital outlays	\$ 2,134,223	
Depreciation and amortization expense	<u>(1,481,531)</u>	652,692

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.

(17,785)

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

Issuance of financed purchases and SBITAs		(721,253)
---	--	-----------

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	5,126,408	
Non-employer pension contributions	1,446,232	
Employer OPEB contributions	616,401	
Pension expense	(966,201)	
OPEB expense	<u>215,548</u>	6,438,388

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	95,000	
Change in compensated absences	<u>30,086</u>	125,086

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.

1,031,384

**Change in Net Position - Governmental Activities** \$ 8,295,193

## CITY OF FALLS CHURCH, VIRGINIA

**DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - BUDGET AND ACTUAL - SCHOOL OPERATING FUND**  
**Year Ended June 30, 2023**

	<b>Budgeted Amounts</b>			<b>Variance with Final Budget - Favorable (Unfavorable)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>REVENUES</b>				
Revenue from use of money and property	\$ 43,000	\$ 43,000	\$ 143,010	\$ 100,010
Charges for services	405,000	405,000	730,597	325,597
Fines	55,000	55,000	219,025	164,025
Miscellaneous	283,986	283,986	80,738	(203,248)
Intergovernmental:				
Federal	585,572	1,440,188	1,756,434	316,246
Commonwealth	8,961,329	8,961,329	8,991,359	30,030
Primary government	46,624,671	48,164,002	48,056,431	(107,571)
Total revenues	56,958,558	59,352,505	59,977,594	625,089
<b>EXPENDITURES</b>				
Current:				
Education	55,540,772	57,886,550	57,102,584	783,966
Capital outlay	921,728	2,654,524	2,129,563	524,961
Debt service:				
Principal retirement	500,058	1,211,638	1,031,384	180,254
Interest and fiscal charges	-	-	51,538	(51,538)
Reserves	151,000	(3,178,022)	-	(3,178,022)
Total expenditures	57,113,558	58,574,690	60,315,069	(1,740,379)
Excess (deficiency) of revenues over expenditures	(155,000)	777,815	(337,475)	(1,115,290)
<b>OTHER FINANCING SOURCES (USES)</b>				
Issuance of SBITAs and financed purchases	-	-	721,253	721,253
Transfers in	100,000	100,000	130,000	30,000
Transfers in (out)	-	-	(30,000)	(30,000)
Total other financing sources (uses)	100,000	100,000	821,253	721,253
Net change in fund balances	\$ (55,000)	\$ 877,815	\$ 483,778	\$ (394,037)

## 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, 2023**

	<b>Budgeted Amounts</b>			<b>Variance with Final Budget - Favorable (Unfavorable)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>REVENUES</b>				
Revenue from use of money and property	\$ 95,500	\$ 95,500	\$ 267,443	\$ 171,943
Charges for services	1,647,700	1,647,700	1,336,125	(311,575)
Miscellaneous	(147,000)	(147,000)	24,963	171,963
Gifts and contributions	177,000	177,000	182,190	5,190
Intergovernmental:				
Payments from City	107,500	107,500	107,500	-
Total revenues	1,880,700	1,880,700	1,918,221	37,521
<b>EXPENDITURES</b>				
Current:				
Education	1,987,200	2,004,815	1,527,907	476,908
Capital outlay	40,500	40,500	4,660	35,840
Total expenditures	2,027,700	2,045,315	1,532,567	512,748
Excess (deficiency) of revenues over expenditures	(147,000)	(164,615)	385,654	550,269
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(130,000)	(130,000)	(130,000)	-
Total other financing uses (sources)	(130,000)	(130,000)	(130,000)	-
Net change in fund balances	\$ (277,000)	\$ (294,615)	\$ 255,654	\$ 550,269

## CITY OF FALLS CHURCH, VIRGINIA

**DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - BUDGET AND ACTUAL - SCHOOL FOOD SERVICE FUND**  
**Year Ended June 30, 2023**

	<b>Budgeted Amounts</b>			<b>Variance with Final Budget - Favorable (Unfavorable)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>REVENUES</b>				
Revenue from use of money and property	\$ 4,000	\$ 4,000	\$ 24,617	\$ 20,617
Charges for services	822,394	822,394	866,334	43,940
Miscellaneous	1,000	1,000	548	(452)
Intergovernmental:				
Federal	155,000	155,000	346,505	191,505
Commonwealth	17,806	17,806	26,550	8,744
Total revenues	1,000,200	1,000,200	1,264,554	264,354
<b>EXPENDITURES</b>				
Current:				
Education	1,105,200	1,105,200	1,169,152	(63,952)
Total expenditures	1,105,200	1,105,200	1,169,152	(63,952)
Excess (deficiency) of revenues over expenditures	(105,000)	(105,000)	95,402	200,402
<b>OTHER FINANCING USES</b>				
Transfers in	30,000	30,000	30,000	-
Total other financing uses	30,000	30,000	30,000	-
Net change in fund balances	\$ (75,000)	\$ (75,000)	\$ 125,402	\$ 200,402

# **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.

**SCHEDULE 15****CITY OF FALLS CHURCH, VIRGINIA****DISCRETELY PRESENTED COMPONENT UNIT - ECONOMIC DEVELOPMENT AUTHORITY  
BALANCE SHEET - GOVERNMENTAL FUND****June 30, 2023****ASSETS**

Cash and investments	\$ 221,737
Lease receivable	29,515,001
Accounts receivable	7,047
Due from primary government	425,204
Total assets	<u>\$ 30,168,989</u>

**LIABILITIES**

Accounts payable and other liabilities	<u>\$ 353,912</u>
Total liabilities	<u>353,912</u>

**DEFERRED INFLOWS OF RESOURCES**

Deferred inflows related to leases	<u>38,372,748</u>
Total deferred inflows of resources	<u>38,372,748</u>

**FUND BALANCE**

Assigned	<u>(8,557,671)</u>
Total fund balance	<u>(8,557,671)</u>
Total liabilities and fund balance	<u>\$ 30,168,989</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, 2023**

<b>Total Fund Balance - Governmental Funds</b>	\$ (8,557,671)
--	----------------

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

\$ 2,839,549

Depreciable, net

1,340,910

4,180,459

<b>Total Net Position - Governmental Activities</b>	<b>\$ (4,377,212)</b>
---	-----------------------

\$ (4,377,212)

**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, 2023**

**REVENUES**

Use of money and property	\$ 1,429,102
Payments from City	235,150
Miscellaneous	<u>18,694</u>
Total revenue	<u>1,682,946</u>

**EXPENDITURES**

## Current:

Economic development	294,431
Payments to City (Note 11)	4,681,599
Capital outlay	<u>46,622</u>
Total expenditures	<u>5,022,652</u>
Deficiency of expenditures over revenues	<u>(3,339,706)</u>
Net change in fund balance	(3,339,706)

**FUND BALANCE AT JULY 1**(5,217,965)**FUND BALANCE AT JUNE 30**\$ (8,557,671)

**CITY OF FALLS CHURCH, VIRGINIA**  
**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, 2023**

**Net Change in Fund Balance - Governmental Funds** **\$ (3,339,706)**

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	\$	-	
Depreciation expense		(64,223)	
		(64,223)	(64,223)

**Change in Net Position - Governmental Activities** **\$ (3,403,929)**

---

---

**THIS PAGE INTENTIONALLY BLANK**

## STATISTICAL SECTION

---

---

---

**THIS PAGE INTENTIONALLY BLANK**

# 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.*

<b><u>Contents</u></b>	<b><u>Pages</u></b>
<b><i>Financial Trends – Tables 1 – 4</i></b>	
These tables contain financial trend information to help the reader understand how the government's financial performance and well-being have changed over time.	153-157
<b><i>Revenue Capacity – Tables 5 – 8</i></b>	
These tables contain information to help the reader assess the government's most significant local revenue source, real estate and personal property taxes.	158-161
<b><i>Debt Capacity – Tables 9 – 11</i></b>	
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.	162-164
<b><i>Demographic and Economic Information – Tables 12 – 13</i></b>	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place	165-166
<b><i>Operating Information – Tables 14 – 16</i></b>	
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	167-170

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

---

---

**THIS PAGE INTENTIONALLY BLANK**

TABLE 1

## CITY OF FALLS CHURCH, VIRGINIA

## NET POSITION BY COMPONENT

## Last Ten Fiscal Years

(accrual basis of accounting)

(unaudited)

	2023	2022	2021	2020	2019**	2018	2017	2016	2015*	2014
<b>Governmental activities</b>										
Net investment in capital assets	\$ 89,765,024	\$ 88,772,216	\$ 65,320,324	\$ 67,833,215	\$ 61,809,131	\$ 48,269,980	\$ 41,537,609	\$ 38,820,954	\$ 36,184,034	\$ 38,525,915
Restricted	27,417,732	27,735,016	20,290,406	17,994,576	10,282,371	8,563,128	1,167,594	425,551	758,208	12,342,829
Unrestricted	45,958,096	31,645,325	32,363,230	33,045,450	34,735,298	38,477,078	51,092,020	49,025,639	47,032,297	30,793,497
Total governmental activities net position	<u>\$ 163,140,852</u>	<u>\$ 148,152,557</u>	<u>\$ 117,973,960</u>	<u>\$ 118,873,241</u>	<u>\$ 106,826,800</u>	<u>\$ 95,310,186</u>	<u>\$ 93,797,223</u>	<u>\$ 88,272,144</u>	<u>\$ 83,974,539</u>	<u>\$ 81,662,241</u>
<b>Business-type activities</b>										
Net investment in capital assets	\$ 26,465,878	\$ 21,897,051	\$ 21,221,376	\$ 19,646,688	\$ 14,674,620	\$ 12,463,534	\$ 12,247,022	\$ 11,597,722	\$ 12,134,206	\$ 10,278,011
Restricted	856,287	1,086,632	643,109	577,129	441,735	348,515	-	-	-	-
Unrestricted	20,516,898	14,369,496	13,381,320	13,562,151	14,477,470	15,209,915	14,059,299	11,667,833	7,225,779	7,024,540
Total business-type activities net position	<u>\$ 47,839,063</u>	<u>\$ 37,353,179</u>	<u>\$ 35,245,805</u>	<u>\$ 33,785,968</u>	<u>\$ 29,593,825</u>	<u>\$ 28,021,964</u>	<u>\$ 26,306,321</u>	<u>\$ 23,265,555</u>	<u>\$ 19,359,985</u>	<u>\$ 17,302,551</u>
<b>Primary government</b>										
Net investment in capital assets	\$ 116,230,902	\$ 110,669,267	\$ 86,541,700	\$ 87,479,903	\$ 76,483,751	\$ 60,733,514	\$ 53,784,631	\$ 50,418,676	\$ 48,318,240	\$ 48,803,926
Restricted	28,274,019	28,821,648	20,933,515	18,571,705	10,724,106	8,911,643	1,167,594	425,551	758,208	12,342,829
Unrestricted	66,474,994	46,014,821	45,744,550	46,607,601	49,212,768	53,686,993	65,151,319	60,693,472	54,258,076	37,818,037
Total primary government net position	<u>\$ 210,979,915</u>	<u>\$ 185,505,736</u>	<u>\$ 153,219,765</u>	<u>\$ 152,659,209</u>	<u>\$ 136,420,625</u>	<u>\$ 123,332,150</u>	<u>\$ 120,103,544</u>	<u>\$ 111,537,699</u>	<u>\$ 103,334,524</u>	<u>\$ 98,964,792</u>

**Notes:**

The City restated net position as of June 30, 2014, 2015, 2017, 2019, 2021, 2022, and 2023. 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)

	2023	2022	2021	2020	2019**	2018	2017	2016	2015*	2014
<b>Expenses</b>										
<b>Governmental activities</b>										
General government	\$8,258,422	\$ 8,083,919	\$ 7,857,170	\$ 6,506,295	\$ 6,759,570	\$ 6,830,072	\$ 7,093,808	\$ 6,909,252	\$ 6,702,227	\$ 6,002,133
Judicial administration	2,145,069	1,825,208	1,849,656	1,862,314	1,785,143	2,056,960	2,313,556	2,068,457	2,004,502	2,010,133
Public safety	11,182,942	8,466,157	9,510,699	10,042,113	10,831,092	11,441,556	11,376,143	11,411,724	10,833,749	10,908,109
Public works	7,703,936	7,081,711	7,228,170	5,645,614	5,885,225	6,841,110	7,084,612	7,872,682	6,507,428	6,648,977
Health and welfare	2,670,935	2,524,825	3,384,583	2,482,283	2,346,246	2,678,982	2,261,565	2,161,544	2,064,532	2,021,528
Education and payments to schools	6,040,970	51,078,946	46,990,686	45,638,880	44,801,558	42,836,993	41,479,234	40,197,569	38,558,239	35,381,445
Parks, recreation, and cultural	6,360,128	5,043,343	4,598,173	4,439,119	5,606,037	5,372,211	5,339,143	5,044,608	4,970,253	4,892,129
Community development	467,499	3,553,744	4,601,130	4,889,246	3,990,673	3,757,139	2,676,887	2,276,387	2,053,265	3,486,360
Economic development	53,860,087	2,719,066	877,182	455,154	296,976	267,549	453,829	457,658	396,685	353,517
Interest	6,122,328	4,814,132	5,388,538	4,959,807	2,167,112	1,718,404	1,580,885	1,791,263	1,800,681	1,501,342
Total governmental activities	\$ 104,812,316	\$ 95,191,051	\$ 92,285,987	\$ 86,920,825	\$ 84,469,632	\$ 83,800,976	\$ 81,659,662	\$ 80,191,144	\$ 75,891,561	\$ 73,205,673
<b>Business-type activities</b>										
Water	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,885,901
Sewer	3,509,848	3,085,571	3,355,839	3,266,935	3,258,103	3,140,822	3,146,582	2,872,497	3,126,518	2,805,228
Storm water	1,568,783	997,889	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	5,078,631	4,083,460	4,943,497	4,876,322	4,672,459	4,289,911	4,462,576	4,183,167	4,366,888	17,876,433
Total primary government expenses	\$ 109,890,947	\$ 99,274,511	\$ 97,229,484	\$ 91,797,147	\$ 89,142,091	\$ 88,090,887	\$ 86,122,238	\$ 84,374,311	\$ 80,258,449	\$ 91,082,106
<b>Program revenues</b>										
<b>Governmental activities</b>										
Charges for services										
Parks and recreation	\$ 2,347,435	\$ 1,909,948	\$ 1,085,435	\$ 878,419	\$ 2,129,444	\$ 2,076,168	\$ 2,029,253	\$ 2,030,695	\$ 1,988,182	\$ 1,925,368
Judicial administration	1,124,109	1,128,521	454,160	1,083,386	1,026,814	890,898	697,794	986,955	997,514	1,067,969
Public safety	4,317,173	1,636,377	936,544	2,035,121	2,012,631	1,339,397	979,683	1,320,831	1,656,508	2,021,982
Other activities	643,873	2,629,124	765,389	959,697	1,048,771	930,109	641,851	577,572	896,479	936,543
Operating grants and contributions	4,560,559	3,642,417	2,898,629	3,295,493	2,573,333	2,319,112	3,046,976	2,511,069	2,174,784	3,756,117
Capital grants and contributions	6,512,051	14,496,774	4,377,526	4,800,676	2,765,794	4,256,317	3,464,841	4,286,565	1,591,495	1,276,720
Total governmental activities program revenues	\$ 19,505,200	\$ 25,443,161	\$ 10,517,683	\$ 13,052,792	\$ 11,556,787	\$ 11,812,001	\$ 10,860,398	\$ 11,713,687	\$ 9,304,962	\$ 10,984,699
<b>Business-type activities</b>										
Charges for services										
Water	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,017,794
Sewer	12,094,496	4,273,265	4,154,578	5,555,833	4,377,024	4,389,685	5,710,832	6,198,048	3,898,179	3,603,322
Storm water	1,708,277	1,684,220	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	1,194,600	393,224	584,245	1,335,763	-	18,750	-	103,500	865,968	328,214
Total business-type activities program revenues	\$ 14,997,373	\$ 6,350,709	\$ 6,413,924	\$ 8,555,984	\$ 5,971,317	\$ 5,984,075	\$ 7,306,000	\$ 7,873,244	\$ 6,305,127	\$ 18,713,781
Total primary government program revenues	\$ 34,502,573	\$ 31,793,870	\$ 16,931,607	\$ 21,608,776	\$ 17,528,104	\$ 17,796,076	\$ 18,166,398	\$ 19,586,931	\$ 15,610,089	\$ 29,698,480
<b>Net (expense) revenue</b>										
Governmental activities	\$ (85,307,116)	\$ (69,747,890)	\$ (81,768,304)	\$ (73,868,033)	\$ (72,912,845)	\$ (71,988,975)	\$ (70,799,264)	\$ (68,477,457)	\$ (66,586,599)	\$ (62,220,974)
Business-type activities	9,918,742	2,267,249	1,470,427	3,679,662	1,298,858	1,694,164	2,843,424	3,690,077	1,938,239	837,348
Total primary government net expense	\$ (75,388,374)	\$ (67,480,641)	\$ (80,297,877)	\$ (70,188,371)	\$ (71,613,987)	\$ (70,294,811)	\$ (67,955,840)	\$ (64,787,380)	\$ (64,648,360)	\$ (61,383,626)

(Continued)

**TABLE 2**  
**(Continued)**

**CITY OF FALLS CHURCH, VIRGINIA**

**CHANGES IN NET POSITION BY COMPONENT**

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

	2023	2022	2021	2020	2019**	2018	2017	2016	2015*	2014
<b>General Revenues and Other Changes in Net Position</b>										
<b>Governmental activities:</b>										
Taxes										
General property taxes	\$ 69,423,758	\$ 66,128,416	\$ 65,679,216	\$ 63,779,982	\$ 62,045,603	\$ 53,258,669	\$ 50,699,679	\$ 48,693,996	\$ 45,947,755	\$ 44,777,426
Personal property	-	-	-	-	-	5,825,554	5,372,445	5,037,458	4,577,709	4,602,697
Business licenses, based on gross receipts	5,047,192	5,263,844	4,420,054	4,201,281	4,629,217	4,181,701	4,110,102	3,973,548	3,722,282	3,545,053
Local sales and use	6,370,552	5,896,951	6,009,026	5,561,524	5,172,399	4,703,523	4,603,600	4,209,733	4,003,421	3,778,221
Consumer's utility	1,935,544	1,986,747	1,981,133	2,018,975	2,123,278	2,266,303	2,149,523	2,146,829	2,231,129	2,183,795
Motor vehicle decals	310,779	327,663	332,985	327,412	350,424	344,563	347,080	336,404	333,921	311,704
Real estate recordation taxes	451,485	722,593	801,928	457,573	523,282	523,816	475,481	391,911	487,332	483,192
Occupancy, tobacco, and other	6,211,783	5,206,495	5,182,342	5,050,189	5,898,941	5,842,109	5,420,378	5,166,228	5,044,324	4,682,907
Intergovernmental, non-categorical aid	8,400,655	9,357,110	4,233,575	2,411,403	2,020,878	2,020,878	2,020,878	2,139,708	2,139,070	2,139,198
Use of money and property	2,172,340	(138,970)	463,359	2,039,021	1,427,748	726,327	444,740	482,608	276,177	142,860
Miscellaneous	259,555	173,586	28,328	67,114	2,689	218,328	85,651	189,863	96,229	99,286
Capital contribution	-	-	-	-	-	-	-	-	-	252,000
Special items	-	6,912,000	(7,446,927)	-	235,000	-	594,786	(49,390)	34,062	1,817,968
Transfers	(286,686)	-	-	-	-	-	-	64,517	89,490	23,091,228
Total governmental activities	<u>\$ 100,296,957</u>	<u>\$ 101,836,435</u>	<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>
<b>Business-type activities:</b>										
Use of money and property	\$ 348,681	\$ (148,166)	\$ 35,972	\$ 342,492	\$ 393,340	\$ 96,278	\$ 35,492	\$ 93,405	\$ 8,240	\$ 136,819
Miscellaneous	-	(11,709)	3,150	-	-	12,916	24,287	192	-	(32,638)
Special item: Loss from sale of water fund	-	-	-	-	-	-	-	-	-	(68,652,061)
Transfers	286,686	-	-	-	-	-	-	(64,517)	(89,490)	(25,156,556)
Total business-type activities	<u>\$ 635,367</u>	<u>\$ (159,875)</u>	<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>
Total primary government	<u>\$ 100,932,324</u>	<u>\$ 101,676,560</u>	<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>
<b>Changes in Net Position</b>										
Governmental activities	\$ 14,989,841	\$ 32,088,545	\$ (83,285)	\$ 12,046,441	\$ 11,516,614	\$ 7,922,796	\$ 5,525,079	\$ 4,305,956	\$ 2,396,302	\$ 29,686,561
Business-type activities	10,554,109	2,107,374	1,509,549	4,022,154	1,692,198	1,803,358	2,903,203	3,719,157	1,856,989	(92,867,088)
Total primary government	<u>\$ 25,543,950</u>	<u>\$ 34,195,919</u>	<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>

**Notes:**

The City restated net position as of June 30, 2014, 2015, 2017, 2019, 2021, 2022, and 2023. 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)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
<b>Post-GASB 54 implementation:</b>										
General Fund										
Nonspendable	\$ 176,554	\$ 133,097	\$ 126,269	\$ 115,999	\$ 168,376	\$ 197,513	\$ 265,013	\$ 201,779	\$ 192,141	\$ 199,581
Restricted	248,963	429,200	1,423,696	1,312,217	326,466	923,689	1,167,594	425,551	758,208	560,413
Committed	12,781,092	13,294,819	5,897,636	11,578,757	12,361,699	11,311,699	10,566,999	11,909,590	13,840,859	3,761,859
Assigned	3,475,148	3,136,265	2,711,880	3,143,112	5,073,794	2,609,806	2,430,164	1,582,296	2,251,649	24,788,434
Unassigned	27,271,368	21,631,574	20,393,237	17,376,544	16,274,836	16,191,209	14,993,614	15,336,497	14,301,563	13,508,494
Total general fund	<u>\$ 43,953,125</u>	<u>\$ 38,624,955</u>	<u>\$ 30,552,718</u>	<u>\$ 33,526,629</u>	<u>\$ 34,205,171</u>	<u>\$ 31,233,916</u>	<u>\$ 29,423,384</u>	<u>\$ 29,455,713</u>	<u>\$ 31,344,420</u>	<u>\$ 42,818,781</u>
All Other Governmental Funds										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 289,267	\$ -
Restricted	14,703,276	8,410,300	14,345,491	69,721,089	21,733,440	19,888,673	15,067,259	17,529,237	17,029,510	12,639,104
Committed	383,329	651,150	506,064	1,207,618	2,751,547	9,015,129	11,557,405	7,627,932	5,394,834	2,723,547
Total all other governmental funds	<u>\$ 15,086,605</u>	<u>\$ 9,061,450</u>	<u>\$ 14,851,555</u>	<u>\$ 70,928,707</u>	<u>\$ 24,484,987</u>	<u>\$ 28,903,802</u>	<u>\$ 26,624,664</u>	<u>\$ 25,157,169</u>	<u>\$ 22,713,611</u>	<u>\$ 15,362,651</u>

TABLE 4

## CITY OF FALLS CHURCH, VIRGINIA

## CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

## Last Ten Fiscal Years

(modified accrual basis of accounting)

(unaudited)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
<b>Revenues</b>										
General property taxes	\$ 69,421,812	\$ 66,033,455	\$ 65,601,444	\$ 63,522,205	\$ 62,075,834	\$ 59,073,580	\$ 56,233,419	\$ 53,951,291	\$ 50,587,189	\$ 49,289,149
Other local taxes	20,612,929	19,008,352	18,765,012	17,760,400	18,574,708	17,833,994	17,161,462	16,194,923	15,884,467	15,031,665
Permits, fees, and licenses	4,148,597	1,536,535	1,087,162	2,282,634	2,011,442	1,264,495	1,036,162	1,211,625	1,543,975	1,677,603
Fines and forfeitures	337,073	303,718	203,980	319,927	716,683	514,936	490,773	623,251	662,700	777,485
Charges for services	3,880,487	3,291,354	463,983	2,478,972	3,643,258	3,357,278	2,708,257	2,997,544	3,149,616	2,819,182
Use of money and property	2,220,016	(137,643)	2,402,545	2,040,719	1,433,641	726,327	444,740	482,609	275,503	142,860
Miscellaneous	197,304	77,300	98,362	272,815	78,752	76,623	74,667	92,794	145,705	107,966
Gifts and contributions	258,851	2,328,401	185,000	202,851	580,908	211,161	1,762,314	2,096,774	732,555	148,492
Recovered costs	266,940	293,329	182,840	248,933	318,002	319,362	376,684	370,918	492,274	477,639
Intergovernmental:										
Commonwealth	11,350,022	10,608,199	6,774,926	8,912,512	5,108,652	6,563,134	5,413,953	5,655,194	4,497,255	5,882,944
Federal	3,159,364	7,526,202	4,511,639	1,198,682	1,682,625	1,837,637	814,822	922,939	677,457	1,140,608
Payments from EDA	4,681,599	5,624,913	-	-	-	-	-	-	-	-
Payment from schools	-	-	-	-	-	-	235,100	-	-	-
Total revenues	\$ 120,534,994	\$ 116,494,115	\$ 100,276,893	\$ 99,240,650	\$ 96,224,505	\$ 91,778,527	\$ 86,752,353	\$ 84,599,862	\$ 78,648,696	\$ 77,495,593
<b>Expenditures</b>										
General government	\$ 8,898,228	\$ 8,843,968	\$ 6,930,260	\$ 7,038,815	\$ 7,167,412	\$ 6,908,253	\$ 6,595,540	\$ 6,858,045	\$ 6,569,485	\$ 5,797,523
Judicial administration	2,236,437	2,029,210	1,838,522	1,997,071	2,044,550	2,093,560	2,159,891	2,112,412	2,147,174	1,968,347
Public safety	12,059,814	11,363,390	10,134,571	10,495,419	10,876,004	11,409,320	11,308,852	12,071,602	11,187,199	10,775,667
Public works	7,218,056	5,940,491	5,626,721	5,846,848	5,609,696	5,884,953	5,415,516	5,841,732	5,285,860	5,628,283
Health and welfare	3,057,049	2,727,946	3,382,628	2,553,157	2,420,572	2,672,200	2,211,781	2,166,326	2,233,258	2,100,636
Parks, recreation, and cultural	5,581,674	4,976,767	4,076,302	4,449,776	4,879,430	4,991,289	4,883,003	4,794,740	4,831,460	4,573,151
Community development	6,509,755	4,135,391	4,507,619	5,028,954	4,146,368	3,442,634	3,231,194	2,311,668	2,073,612	3,486,346
Education	48,198,265	45,652,897	43,219,249	43,396,814	42,351,898	41,181,003	39,848,512	38,554,169	36,889,734	33,801,767
Economic development	511,915	2,744,013	888,223	491,987	328,600	265,242	437,004	460,337	420,937	351,837
Capital outlay	13,769,206	18,881,647	64,347,899	67,690,376	29,815,579	25,119,075	4,536,405	7,773,871	7,755,174	7,035,360
Debt service:										
Principal retirement	7,804,530	8,617,028	7,884,694	5,825,502	6,205,522	4,808,130	4,557,831	4,053,392	3,422,300	3,317,300
Interest and fiscal charges	6,436,120	5,411,549	6,582,150	2,784,091	2,061,436	1,868,052	1,746,848	1,872,349	1,777,290	1,219,100
Total expenditures	\$ 122,281,049	\$ 121,324,297	\$ 159,418,838	\$ 157,598,810	\$ 117,907,067	\$ 110,643,711	\$ 86,932,377	\$ 88,870,643	\$ 84,593,483	\$ 80,055,317
Excess of revenues over (under) expenditures	\$ (1,746,055)	\$ (4,830,182)	\$ (59,141,945)	\$ (58,358,160)	\$ (21,682,562)	\$ (18,865,184)	\$ (180,024)	\$ (4,270,781)	\$ (5,944,787)	\$ (2,559,724)
<b>Other Financing Sources (Uses)</b>										
Premium on issuance of bonds	\$ -	\$ -	\$ -	\$ 5,733,338	\$ -	\$ -	\$ 1,010,000	\$ -	\$ 612,326	\$ 1,562,498
Payment to refunded bond escrow agent	-	-	(9,861,694)	(20,000,000)	-	-	-	-	-	-
Proceeds from borrowing	13,000,000	-	-	-	-	-	-	4,667,852	10,400,000	15,890,000
Proceeds from leases	99,459	200,314	-	-	-	-	-	69,065	-	2,887,859
Proceeds from sale of assets	-	6,912,000	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	-	-	-	-
Transfers in	5,328,552	4,910,815	5,493,392	15,495,989	3,830,564	3,052,520	4,440,560	2,089,514	2,630,650	23,449,213
Transfers out	(5,328,552)	(4,910,815)	(5,493,392)	(15,495,989)	(3,830,564)	(3,052,520)	(4,440,560)	(2,089,514)	(2,630,650)	(3,676,847)
Contribution of water proceeds to pensions	-	-	-	-	-	-	-	-	(9,200,000)	-
Total other financing sources (uses)	\$ 13,099,459	\$ 7,112,314	\$ 90,882	\$ 104,123,338	\$ 20,235,000	\$ 22,954,856	\$ 1,615,189	\$ 4,825,632	\$ 1,820,712	\$ 40,112,723
Net change in fund balances	\$ 11,353,404	\$ 2,282,132	\$ (59,051,063)	\$ 45,765,178	\$ (1,447,562)	\$ 4,089,672	\$ 1,435,165	\$ 554,851	\$ (4,124,075)	\$ 37,552,999
<b>Debt service as a percentage of noncapital expenditures:</b>	13.12%	13.69%	15.22%	9.58%	9.38%	7.81%	7.65%	7.31%	6.77%	6.21%

## 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				
2023	\$ 3,692,932,700	\$ 1,440,874,698	\$ 165,440,743	\$ 37,820,071	\$ 5,337,068,212	\$ 1.35	\$ 5,337,068,212	100.00
2022	3,257,681,100	1,329,093,293	122,535,088	36,290,227	4,745,599,708	1.44	4,745,599,708	100.00
2021	3,127,352,600	1,352,338,987	120,503,346	37,853,400	4,638,048,333	1.48	4,638,048,333	100.00
2020	3,023,853,300	1,289,362,000	119,151,081	37,517,427	4,469,883,808	1.48	4,469,883,808	100.00
2019	2,937,819,700	1,233,455,100	117,479,542	38,704,249	4,327,458,591	1.49	4,327,458,591	100.00
2018	2,827,359,400	1,206,357,000	115,141,028	39,441,092	4,188,298,520	1.47	4,188,298,520	100.00
2017	2,755,918,500	1,135,720,643	113,256,298	34,077,053	4,038,972,494	1.45	4,038,972,494	100.00
2016	2,717,628,800	1,037,442,703	117,414,292	32,407,907	3,904,893,702	1.45	3,904,893,702	100.00
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

(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</u> <u>(1st half of the Fiscal Year)</u>	<u>Real Property</u> <u>(2nd Half of the Fiscal Year)</u>	<u>Personal</u> <u>Property</u>	<u>Total</u> <u>Direct</u> <u>Rate (1)</u>
2023	\$ 1.230	\$ 4.300	5.00	\$ 1.35
2022	1.320	1.320	5.00	1.44
2021	1.355	1.355	5.00	1.48
2020	1.355	1.355	5.00	1.48
2019	1.355	1.355	5.00	1.49
2018	1.330	1.330	5.00	1.47
2017	1.315	1.315	5.00	1.45
2016	1.315	1.315	4.84	1.45
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	2023			2014		
	Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
SHF II Pearson Square, LLC	\$ 127,676,400	1	2.49%	\$ -	-	%
Falls Church Owner LLC	118,035,400	2	2.30%	-	-	-
Founders Row Holdings, LLC	116,492,100	3	2.27%	-	-	-
TMW Pearson Square, LLC	-			83,274,100	1	2.35%
Falls Church Country Club (Apartments)	-			82,371,000	2	2.32%
Falls Church DVMT Partners LLC	102,688,700	4	2.00%	-	-	-
April Lane Associates JV - Tinner Hill	88,678,700	5	1.73%	-	-	-
Eden Center, Inc.	56,124,200	6	1.09%	53,187,800	3	1.50%
Federal Realty Investment Trust	50,562,200	7	0.98%	25,076,100	7	0.71%
Morguard Falls Church LLC	37,301,900	8	0.73%	-	-	-
Washreit Roosevelt Towers LLC	32,183,200	9		-	-	-
BJ'S GL I, LLC & II, LLC	30,875,600	10	0.60%	30,175,000.00	4	0.85%
Koons Falls Ch Properties, Inc.	-		-	-	-	-
Koons, James	-		-	24,796,800	8	0.70%
West Falls Parcel, Inc.	-		-	23,997,800	9	0.68%
Kahn B Franklin et al	-		-	27,504,800	5	0.77%
Wooddell Familty Ltd Partnership	-		-	26,250,000	6	0.74%
Aimco Merrill House, LLC	-		-	22,097,400	10	0.62%
Totals	<u>\$ 760,618,400</u>		<u>14.19% %</u>	<u>\$ 398,730,800</u>		<u>11.24% %</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. FY2023 revenues are based on the assessments as of January 1, 2022.

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
2022	\$ 69,454,958	\$ 68,718,481	98.94 %	\$ -	\$ 68,718,481	98.94 %
2022	66,012,544	65,072,258	98.58	623,209	65,695,467	99.52
2021	65,536,955	64,591,819	98.56	772,746	65,364,565	99.74
2020	63,808,868	59,011,190	92.48	4,687,526	63,698,716	99.83
2019	61,954,409	61,452,683	99.19	435,597	61,888,280	99.89
2018	58,887,399	58,751,473	99.77	64,773	58,816,246	99.88
2017	56,025,275	55,298,718	98.70	664,706	55,963,424	99.89
2016	53,439,560	52,681,973	98.58	701,246	53,383,219	99.89
2015	50,698,043	49,637,858	97.91	986,383	50,624,241	99.85
2014	49,390,837	48,431,361	98.06	895,606	49,326,967	99.87

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 (2)	Debt Per Capita
	General Obligation Bonds	Bond Premiums and Discounts	General Obligation Notes	Leases and SBITAs (1)	Revenue Bonds	General Obligation Bonds	Bond Premiums and Discounts	Note Payable*	Leases and SBITAs (1)	Revenue Bonds			
2023	\$ 151,118,659	\$ 6,222,599	\$ 762,874	\$ 2,964,399	\$ 13,000,000	\$ 9,612,926	\$ 204,966	\$ -	\$ 53,316	\$ -	\$ 183,939,739	N/A %	12,628
2022	158,841,969	6,616,343	1,172,792	2,446,221	-	10,913,583	226,106	-	-	-	180,217,014	N/A	12,332
2021	167,449,365	7,009,904	87,325	444,338	-	12,197,111	247,246	-	-	-	187,435,289	N/A	12,787
2020	174,431,539	8,388,479	545,888	490,068	-	12,646,032	359,618	-	-	-	196,861,624	N/A	13,737
2019	61,859,233	3,032,273	20,954,930	441,470	-	12,616,245	288,204	-	-	-	99,192,355	N/A	6,922
2018	68,043,928	3,274,841	1,154,544	92,662	-	13,724,001	308,665	-	-	-	86,598,641	0.09	5,989
2017	51,124,621	2,354,723	-	342,592	-	14,173,447	289,039	-	-	-	68,284,422	0.07	4,786
2016	54,657,852	2,539,614	368,587	269,952	-	10,515,183	459,406	2,441,103	-	1,905,979	73,157,676	0.08	5,180
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

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

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

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

TABLE 10

## CITY OF FALLS CHURCH, VIRGINIA

**RATIOS OF GENERAL BONDED DEBT OUTSTANDING**  
**Last Ten Fiscal Years**  
(unaudited)

<b>Fiscal Year</b>	<b>General Obligation Bonds, Net of Premiums and Discounts</b>	<b>General Obligation Notes</b>	<b>Total</b>	<b>Percentage of Estimated Actual Taxable Value of Property</b>	<b>Per Capita</b>
2023	\$ 167,159,150	\$ 762,874	\$ 166,396,276	\$ 3.12 %	11,424
2022	176,598,001	1,172,792	175,425,209	3.70	12,004
2021	186,903,626	87,325	186,816,301	4.03	12,745
2020	195,825,668	545,888	195,279,780	4.37	13,626
2019	77,795,955	20,954,930	56,841,025	1.31	3,966
2018	85,351,435	1,154,544	84,196,891	2.01	5,823
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

## CITY OF FALLS CHURCH VIRGINIA

TABLE 11

**LEGAL DEBT MARGIN INFORMATION**  
**Last Ten Fiscal Years**  
(unaudited)

	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Debt limit	\$ 513,380,740	\$ 458,677,439	\$ 447,969,159	\$ 431,321,530	\$ 417,127,480	\$ 403,371,640	\$ 389,163,914	\$ 375,507,150	\$ 351,883,470	\$ 357,216,255
Total net debt applicable to limit	167,922,024	176,788,712	187,435,289	196,861,624	98,901,877	83,015,135	65,640,660	68,428,875	84,592,371	58,054,108
Legal debt margin	<u>\$ 345,458,716</u>	<u>\$ 281,888,727</u>	<u>\$ 260,533,870</u>	<u>\$ 234,459,906</u>	<u>\$ 318,225,603</u>	<u>\$ 320,356,505</u>	<u>\$ 323,523,254</u>	<u>\$ 307,078,275</u>	<u>\$ 267,291,099</u>	<u>\$ 299,162,147</u>
Total net debt applicable to the limit as a percentage of debt limit	32.71%	38.54%	41.84%	45.64%	23.71%	20.58%	16.87%	18.22%	24.04%	16.25%

**Legal Debt Margin Calculation for Fiscal Year 2023**

Assessed value	\$ 5,133,807,398
Debt limit (10% of assessed value)	513,380,740
Less debt applicable to limit:	
General obligation bonds	167,159,150
Notes payable	<u>762,874</u>
Total net debt applicable to limit	<u>167,922,024</u>
Legal debt margin	<u>\$ 345,458,716</u>

## CITY OF FALLS CHURCH, VIRGINIA

## DEMOGRAPHIC STATISTICS

## Last Ten Calendar Years

(unaudited)

<b>Fiscal Year</b>	<b>Population (1)</b>	<b>Personal Income (2)</b>	<b>Per Capita Personal Income (2)</b>	<b>Median Age (3)</b>	<b>School Enrollment (4)</b>	<b>Unemployment Rate (5)</b>
2023	14,566	\$ N/A	N/A	N/A	2,534	2.30 %
2022	14,614	N/A	N/A	N/A	2,502	2.20
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

**Sources:**

(1) Year 2020 is based on U.S. Census estimate. Years 2013-2019 and 2021 are based on Weldon Cooper Center for Public Service estimates; numbers are estimates as of July 1. 2022 numbers shown are 2021 estimates.

(2) US Department of Commerce, Bureau of Economic Analysis for Fairfax, Fairfax City & Falls Church. 2022 and 2021 data are not yet available.

(3) U.S. Census Bureau American Community Survey 5-Year Estimates. 2022 and 2021 data not yet available.

(4) Source: City of Falls Church Public School Board, Seat Enrollment.

(5) Source: Virginia Employment Commission Local Area Unemployment Statistics as of June of each year.

NA - Not available.

## CITY OF FALLS CHURCH, VIRGINIA

**PRINCIPAL EMPLOYERS**  
**Current Year and Nine Years Ago**  
(unaudited)

	<u>2023</u>	<u>2014</u>
<u>Employer</u>	<u>Employees</u>	<u>Employees</u>
Falls Church City Schools	500-700	500-700
Falls Church City Government	300-500	200-300
Kaiser Permanente	200-300	200-300
Markon Solutions	200-300	-
BG Healthcare Services	-	200-300
Koon's Ford	100-200	100-200
Tax Analysts	100-200	100-200
Giant Food Store	100-200	100-200
Harris Teeter	100-200	-
Don Beyer Volvo	100-200	-
BJ's Wholesale Club	100-200	100-200
Care Options	-	100-200

**% of Total Employment is not available.**

TABLE 14

## CITY OF FALLS CHURCH, VIRGINIA

## FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM

Last Ten Fiscal Years

(unaudited)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
<b><u>Function/Program</u></b>										
General government	53.40	51.90	51.15	48.65	48.20	48.65	48.65	46.90	45.74	39.74
Judicial administration	16.60	15.85	15.85	15.73	15.23	15.23	14.23	13.73	13.61	13.61
Public safety	65.75	55.75	53.75	54.08	50.50	51.50	54.50	54.60	51.60	51.10
Public works	32.95	29.95	30.10	29.05	30.40	32.15	29.60	30.10	29.95	27.65
Health and Welfare	4.90	4.90	4.90	4.90	4.90	4.90	4.80	4.80	4.80	4.80
Parks, recreation, and cultural	34.45	33.55	33.05	32.25	32.25	31.25	31.45	31.25	30.05	29.95
Community development	20.00	21.00	22.00	22.00	20.00	18.00	18.00	16.00	15.90	15.81
Economic development	2.00	2.00	2.00	2.00	2.00	3.00	3.00	3.00	3.00	2.00
Water	-	-	-	-	-	-	-	-	-	-
Sewer	5.95	6.00	5.85	5.15	4.40	4.40	4.58	4.92	4.50	4.25
Storm water	7.10	7.05	7.05	6.70	6.00	6.30	7.82	7.98	8.65	9.20
Total	<u>243.10</u>	<u>227.95</u>	<u>225.70</u>	<u>220.51</u>	<u>213.88</u>	<u>215.38</u>	<u>216.63</u>	<u>213.28</u>	<u>207.80</u>	<u>198.11</u>

**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)										
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Function/Program										
General Government										
Communications										
Number of Media Releases	74	111	118	109	121	117	189	236	207	N/A
eFOCUS Newsletter Subscribers	2,788	2,392	2,262	2,251	1,634	1,263	1,151	1,142	940	N/A
Number of Social Media Followers	31,921	27,426	13,983	12,406	10,921	13,776	12,842	5,347	3,716	N/A
Public safety										
Police										
Part I Crimes (1)	531	491	448	589	269	293	286	353	310	303
Calls for Service	32,438	29,092	30,244	31,306	43,578	42,921	34,371	31,387	23,574	26,210
Accidents	118	107	90	96	151	157	169	197	204	182
Traffic Enforcement	1,191	1004	243	1202	2177	2,007	2,346	3,311	3,313	4,749
DWI Arrests	26	26	40	54	46	34	54	56	97	108
Inspections										
Plan Review	1,502	1,521	1,178	995	1,010	1,147	1,028	990	923	821
Stop Work Orders	8	10	14	13	9	22	23	24	11	10
Fire Marshal										
Fire Inspections Performed	385	257	238	223	N/A	294	287	289	281	186
Fire Code Violations Cited	942	431	591	858	N/A	777	812	997	1,009	359
Fire Code Permits Issued	358	284	233	252	N/A	283	281	267	282	147
Fires Reported and Investigated	25	5	13	9	NA	5	3	9	8	5
Estimated Fire/Explosion Loss	\$40,000	\$15,500	\$125,000	\$300,000	NA	\$865,000	\$325,000	\$ 120,000	\$ 1,538,000	\$ 1,763,500
Public works										
Refuse collected (tons)	N/A	N/A	N/A	N/A	2,289	3,049	2,020	2,073	1,977	2,149
Recycling collected (tons)	N/A	N/A	N/A	N/A	3,479	3,620	3,018	3,091	2,926	2,806
Street Resurfacing (miles)	N/A	2.30	3.60	3.30	N/A	N/A	4.84	5.31	3.50	2.75
Health and Welfare										
Housing and Human Services										
Information/Referral Contacts	2,238	2,350	3,000	1,969	2,587	2,709	2,901	3,009	2,396	2,399

**TABLE 15**  
**(Continued)**

**CITY OF FALLS CHURCH, VIRGINIA**

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Parks, Recreational, and Cultural										
Parks & Recreation										
Special Events	115	115	70	115	115	130	124	195	174	172
Class participants	3,987	3,210	1,717	3,022	3,284	3,079	3,118	3,146	3,134	3,981
Room Reservations (4)	1,343	8,135	4,073	6,969	6,361	6,351	4,854	6,028	7,035	6,376
Tennis Reservations (2)	14,174	7,063	6,482	3,391	1,260	1,970	831	854	440	1,021
Youth Sports Participants	3,125	2,908	1,411	2,454	3,234	3,044	3,104	3,036	3,226	2,677
Adult Sports Teams	9	25	-	65	73	98	97	96	120	118
Teen Dance Participants	524	379	-	520	455	650	800	400	500	625
Teen Center Attendance	1,500	1,498	-	300	500	500	700	700	900	1,300
Summer Camps Offered	219	239	149	192	287	264	237	263	192	220
Summer Camp Participants	3,743	3,975	2,361	4,194	5,349	5,523	5,482	5,689	5,810	5,103
Senior Center lunch meals served (3)	-	-	-	-	-	-	-	198	792	660
Library:										
Size of collection (all formats)	107,391	108,926	141,754	142,053	121,402	153,181	148,955	148,636	144,100	132,031
Total circulation of all materials	432,185	371,817	219,761	366,603	502,695	476,669	501,827	465,687	469,102	461,394
Total visits to library (door count)	143,250	101,598	-	210,000	320,000	313,429	308,393	310,251	325,512	316,430
Number of registered borrowers	28,377	26,425	26,599	34,148	32,314	30,152	27,540	27,413	29,025	28,362
Number of website visits/yr	265,362	283,578	280,967	333,439	356,379	433,909	380,319	566,877	187,993	N/A
Number of programs/yr	463	322	365	448	713	802	970	738	785	654
Attendance at programs	11,312	4,999	4,434	14,142	30,055	36,267	36,598	27,087	28,119	18,924
Study & Conference Room Reservations	2,190	1,254	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Community development:										
Urban Forestry										
Development Inquiries	315	220	110	91	N/A	153	43	N/A	N/A	N/A
Permits/Plans Reviewed	25	7	15	29	N/A	49	75	N/A	N/A	N/A
Trees Planted/removed/pruned	N/A	260	252	821	N/A	1,079	1,217	1,372	1,372	1,067

**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

TABLE 16

## CITY OF FALLS CHURCH, VIRGINIA

## CAPITAL ASSET STATISTICS BY FUNCTION

Last Ten Fiscal Years  
(unaudited)

<b>Function/Program</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
General Government										
City Hall	1	1	1	1	1	1	1	1	1	1
Gage House	1	1	1	1	1	1	1	1	1	1
Judicial Administration (1)										
Court Services										
Aurora House (Facility)	1	1	1	1	1	1	1	1	1	1
Aurora House Passenger Van	2	2	2	2	2	2	2	2	2	2
Public safety (2)										
Fire Stations (3)	1	1	1	1	1	1	1	1	1	1
Public works										
Streets-Miles/Lane Miles	84	84	84	84	84	84	84	73	73	72
Traffic signals	30	28	28	28	28	28	28	28	28	28
Streetlights	273	273	226	226	226	226	226	191	191	198
Education										
School Buildings	5	5	5	5	5	5	5	5	5	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	14	14	13	13	13
Tennis courts	10	10	10	10	10	10	10	10	10	10
Basketball courts	4	4	4	4	4	4	4	5	5	5
Vehicles	5	5	5	5	5	5	5	7	7	7
Library:										
Library (Facility)	1	1	1	1	1	1	1	1	1	1
Community development:										
Urban Forestry										
Vehicles	3	3	4	4	4	4	4	4	4	3
Sewer										
Sanitary Sewer Mains (Miles)	49	49	47	47	47	47	47	43	43	47
Sanitary Sewer Manholes	1,331	1,331	1,280	1,280	1,280	1,280	1,280	1,013	1,012	1,155
Stormwater										
Storm Sewer Mains (Miles)	33	33	31	31	31	31	31	27	27	31
Storm Sewer Structures	1,942	1,942	1,866	1,864	1,864	1,864	1,860	1,400	1,400	1,754

**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

---

**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, 2023, 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 15, 2023.

**Report on Internal Control over Financial Reporting**

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

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

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

## Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. **The results of our tests 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 2023-001.**

## City's Response to Finding

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

## Purpose of this Report

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia  
December 15, 2023

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR  
PROGRAM AND 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**

*Opinion 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 identified 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, 2023. 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.

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, 2023.

*Basis for Opinion on Each Major Federal Program*

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements related to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal documentation of the City's compliance with the compliance requirements referred to above.

## **Report on Compliance for Each Major Federal Program (Continued)**

### *Responsibilities of Management for Compliance*

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City's federal programs.

### *Auditor's Responsibilities for the Audit of Compliance*

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance, but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risk of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## Report on 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 internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. **Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.**

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 15, 2023

**CITY OF FALLS CHURCH, VIRGINIA**  
**SUMMARY OF COMPLIANCE MATTERS**  
**June 30, 2023**

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, 2023**

**A. SUMMARY OF AUDITOR'S RESULTS**

1. The auditor's report expresses an **unmodified opinion** on the financial statements.
2. **No significant deficiencies and no material weaknesses** 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 and no material weaknesses** 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 **no audit findings related to the major programs**.
7. The programs tested as major were:

Name of Program	Assistance Listing Number
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027
Highway Planning and Construction	20.205

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, 2023**

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

None.

**D. FINDINGS – COMMONWEALTH OF VIRGINIA**

**2023-001: Highway Maintenance Testing**

*Conditions:*

Of the 14 items tested, we noted various errors in four work orders related to time charged, pay rates, equipment, and materials.

*Recommendations:*

We recommended reviewing or otherwise reconciling work orders to the accounting records to ensure that hours charged and rates used are appropriate.

*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.

**CITY OF FALLS CHURCH, VIRGINIA**

**SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2023**

**A. FINDINGS – FINANCIAL STATEMENT AUDIT**

None.

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

None.

**C. FINDINGS – COMMONWEALTH OF VIRGINIA**

**2022-001: Highway Maintenance Testing**

*Conditions:*

Of the fifteen work orders tested, we noted one instance where the eligible hours of work performed was overstated. In 11 instances, we noted the wrong equipment rate was applied.

*Recommendations:*

We recommended reviewing or otherwise reconciling work orders to the accounting records to ensure that hours charged and rates used are appropriate.

*Current Status:*

Still applicable.

**City of Falls Church, Virginia**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2023**

<b>Federal Granting Agency/Recipient State Agency/ Grant Program</b>	<b>Federal ALN Number</b>	<b>Pass-through ID Number</b>	<b>Federal Expenditures</b>	<b>Total Expenditures by Cluster</b>
<b>U.S. Department of Agriculture</b>				
Pass-through payments:				
Commonwealth of Virginia Department of Agriculture and Consumer Services				
Child Nutrition Cluster:				
National School Lunch Program	10.555	202221N11994 1 202222N11994 1 202322N11994 1 202323N11994 1	\$ 312,640	
School Breakfast Program	10.553	202121N11994 1 202221N11994 1 202222N11994 1	40,579	
Subtotal for Cluster				\$ 353,219
Total U.S. Department of Agriculture				353,219
<b>U.S. Department of Treasury</b>				
Direct payments:				
COVID-19 - Coronavirus State and Local Fiscal Recovery Fund	21.027	N/A	2,890,733	2,890,733
Pass-through payments:				
Virginia Department of Education:				
COVID-19 Coronavirus Response and Relief SOQ Position Bonus	21.027	SLFRP1026	250,760	250,760
Total Coronavirus State and Local Fiscal Recovery Fund			3,141,493	3,141,493
Total U.S. Department of Treasury			3,141,493	3,141,493
<b>U.S. Department of Housing and Urban Development</b>				
Pass-through payments:				
County of Arlington, Virginia:				
Home Investments Partnership Program	14.239	N/A	8,610	8,610
Recovery Act - Community Development Block Grants/Entitlement Grants	14.218	N/A	42,656	42,656
Total U.S. Department of Housing and Urban Development			51,266	51,266
<b>U.S. Department of Justice</b>				
Direct payments:				
Seized assets	16.922	N/A	32,333	32,333
Pass-through payments:				
Commonwealth of Virginia Department of Criminal Justice Services				
Byrne Justice Assistance Grant	16.738	N/A	1,568	1,568
Total U.S. Department of Justice			33,901	33,901
<b>U.S. Department of Transportation</b>				
Pass-through payments:				
Commonwealth Virginia Department of Transportation				
Highway Planning and Construction	20.205	110332/ 111402/ 115539/ 108295/ 109953/ 111483/ 111667/ 110335/ 110038/ 102555/ 112465	1,246,683	1,246,683
Northern Virginia Transportation Commission				
Federal Transit Cluster:				
Federal Transit Capital Investment Grants	20.500	VA-04-0029	461	461
Total U.S. Department of Transportation			1,247,144	1,247,144

**Schedule of Expenditures of Federal Awards (Continued)**  
**For the Year Ended June 30, 2023**

<b>Federal Granting Agency/Recipient State Agency/</b>	<b>Grant Program</b>	<b>Federal ALN Number</b>	<b>Pass-through ID Number</b>	<b>Federal Expenditures</b>	<b>Total Expenditures by Cluster</b>
<b>U.S. Department of Education</b>					
Pass-through payments:					
Commonwealth of Virginia Department of Education:					
Special Education Cluster (IDEA):					
Special Education - Grants to States		84.027	H027A200107	\$ 475,039	
COVID-19 Special Education - Grants to States		84.027	H027X210107	26,458	
Special Education - Preschool Grants		84.173	H173A200112	11,015	
COVID-19 Special Education - Preschool Grants		84.173	H173X210112	8,386	
Subtotal for Cluster					\$ 520,898
Title I - Grants to Local Educational Agencies		84.010	S010A200046	49,822	49,822
Hurricane Education Recovery		84.424	S424A190048	10,000	10,000
English Language Acquisition Grants		84.365	S365A200046	12,487	12,487
Supporting Effective Instruction State Grants		84.367	S367A190044	32,796	32,796
Vocational Education - Basic Grants to States		84.048	V048A200046	39,748	39,748
COVID-19 - Education Stabilization Fund - Unfinished Learning		84.425U	S425U210008	412,119	412,119
COVID-19 - Education Stabilization Fund - Elementary and Secondary School Emergency Relief		84.425D	S425D210008	72,014	72,014
Total Education Stabilization Fund				484,133	484,133
Total U.S. Department of Education				1,149,884	1,149,884
<b>Department of Homeland Security</b>					
Pass-through payments:					
Commonwealth of Virginia Department of Emergency Management					
Emergency Management Performance Grants		97.042	N/A	3,817	3,817
Total Department of Homeland Security				3,817	3,817
<b>National Endowment for Humanities</b>					
COVID-19 Grants to States		45.310	LS-250242-OLS-21	10,450	10,450
Total Expenditures of Federal Awards				\$ 5,991,174	\$ 5,991,174

**CITY OF FALLS CHURCH, VIRGINIA**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2023**

**I. Basis of Presentation**

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

**II. De Minimis Indirect Cost Rate**

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

**III. Outstanding Loan Balances**

At June 30, 2023, the City had no outstanding loan balances requiring continuing disclosure.