

CITY OF FAIRFAX, VIRGINIA

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE FISCAL YEAR ENDING
JUNE 30, 2022



CITY OF FAIRFAX, VIRGINIA
ANNUAL COMPREHENSIVE FINANCIAL REPORT
YEAR ENDED JUNE 30, 2022

Prepared by
Department of Finance
Julie Moran, Assistant Director of Finance

CITY OF FAIRFAX, VIRGINIA

Annual Comprehensive Financial Report Year Ended June 30, 2022

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City of Fairfax, Virginia

10455 Armstrong Street • Fairfax, VA 22030-3630

December 12, 2022

Honorable Mayor, Members of the City Council and Citizens
City of Fairfax
Commonwealth of Virginia

We are pleased to present the City of Fairfax's (the City) Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2022. The Code of the Commonwealth of Virginia requires that all local governments shall be audited annually with a report to the Governing Body. The ACFR fulfills this reporting requirement.

The financial statements included in this report, which have earned an unmodified ("clean") audit opinion, conform to the standards of financial reporting as prescribed by the Governmental Accounting Standards Board (GASB), the Government Finance Officers Association of the United States and Canada (GFOA), and the Auditor of Public Accounts (APA).

City management is responsible for the accuracy, fairness and completeness of the information, including all disclosures that are presented in this report. To the best of our knowledge, the enclosed data is accurate in all material respects and is reported in a manner that presents fairly the financial position and results of operations of the various funds of the City. All necessary disclosures have been included to enable the reader to gain a thorough understanding of the City's financial affairs.

City management is also responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft or misuse and that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

The City's financial statements have been audited by Robinson, Farmer, Cox Associates, a certified public accounting firm. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2022, are free of material misstatement. The independent audit involved examining on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by City management; and evaluating the overall financial statement presentation. The independent auditor's report is located at the front of the Financial Section of the ACFR.

Management's Discussion and Analysis (MD&A) is found immediately following the independent auditor's report. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

FINANCIAL REPORTING ENTITY

This report includes the financial activities of the City government (the Primary Government), which are controlled by the Mayor and Council, as well as the financial activities of the City's component units. Component units are legally separate entities for which the primary government is financially accountable and, therefore, are included in the Primary Government's ACFR.

The City provides a full range of governmental services including law enforcement, emergency medical response, fire protection and fire code safety; maintenance of over 70 miles of roads; judicial services; health and social services; refuse; wastewater; planning and zoning services; parks, recreation and cultural activities; and general government administration services. These services are either provided by the City or through contracts with Fairfax County. In addition, the City provides inter-County and intra-City bus service. The City also operated its own water treatment and distribution system until January 2014, when the City sold its distribution system to Fairfax County Water Authority and its water treatment plant, reservoir, and dams to Loudoun County Water Authority, effectively divesting from the water treatment and distribution business.

Discretely presented component units are reported in a separate column in the financial statements to emphasize that they are legally separate from the primary government and to differentiate their financial position and results of operations from those of the primary government. The City of Fairfax School Board is presented in its own column for financial presentation purposes as a major component unit. The City's public school program is provided through an independent school district administered by a school board and superintendent that contracts with the Fairfax County Public School system for operating the four City schools - Fairfax High, Katherine Johnson Middle, Daniels Run Elementary, and Providence Elementary. The Industrial Development Authority and Economic Development Authority are combined in one column as non-major component units.

ORGANIZATION OF GOVERNMENT

The City is governed under the Council-Manager form of government since changing from Town status in 1961. As a Virginia City, it is independent, and not a part of any county. Under this form of government, a Mayor and six Council members are elected by the citizens every two years to provide direction to the locality. The City Council employs a City Manager who is the executive officer of the City and is responsible to the Council for the proper administration of the City government.

ECONOMIC CONDITION AND OUTLOOK

An independent jurisdiction of 6.34 square miles, just 15 miles west of Washington D.C., the City lies in the heart of Northern Virginia. Bounded by Interstate 66 to the north and less than five miles west of the Capital Beltway, the City is at the crossroads of the area's major north/south and east/west highways. Two major airports, Washington Dulles International Airport and Ronald Reagan National Airport, are within 30 minutes of the City. The City-run bus system provides direct access to rail mass transit at the Vienna/Fairfax/GMU Metro station, less than three miles from the center of the City.

Local Economy

The City's economy followed suit with the region. The City's at-place workforce increased significantly between 2021 and 2022. According to the US Bureau of Labor Statistics, the City of Fairfax was home to approximately 21,600 jobs in 2022. Like localities nationwide, Fairfax has seen an increase in workforce participation since the equivalent period in 2021, which still contained many effects from COVID-19 restrictions. Significantly, the City's employment figures have increased by 11% since the last pre-COVID 1st Quarter (of 2019). This rate of increase exceeds that of either Virginia or national statistics.

The City's unemployment rate now stands at 2.6% as of August 2022, which is an improvement from the 2021 annual average of 3.4%. The City's current unemployment rate is equal to Virginia's overall unemployment rate of 2.6%.

With 4.4 million square feet of office space, the City of Fairfax remains one of Northern Virginia's employment hubs. The City's office market currently has a 9.6% vacancy rate, considerably lower than that of Fairfax County and of Northern Virginia as a whole. The retail market remains healthy, with a vacancy rate of only 2.4%, less than the regional average for retail vacancies.

Four key revenue sources are bellwethers for the local economy - general property taxes, local sales and use taxes, business license taxes and meals tax all increased in F/Y 22. During the COVID-19 pandemic, residential housing prices increased in most areas of the City because of record low interest rates, low housing inventory and high demand. Real estate assessments increased accordingly. A robust 9.4% increase in the calendar year 2022 real property assessments accounts for an increase in general property tax revenues of \$2.3 million or 2.7% in F/Y 22 over F/Y 21, despite a decreased real estate tax rate from \$1.075 to \$1.010 per \$100 of assessed value. Local sales and use tax increased by \$0.5 million or 4.1% in F/Y 22. Business license taxes increased substantially by \$1.8 million or 20.9% in F/Y 22. Meals tax also increased significantly by \$1.3 million or 24.1% in F/Y 22.

Economic Development Program

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

The City Council remains the driving force behind increased outreach and communication with the business community. Recognizing the significant impact the economic development operations have on the city's economy, City leadership recently authorized the addition of a full-time Business Investment Manager and a part-time business engagement specialist. The business engagement specialist is responsible for developing a comprehensive communications strategy to match the city's growing business environment and appeal. The Business Investment Manager is responsible for developing strategies and practices designed to connect new and growing businesses with resources and spaces within Fairfax City. The EDO is further supported with temporary or part-time employees by the EDA.

The City's EDO has been coordinating with the EDA to continue growing the EDA programming and portfolio. This has included various approaches to place-based economic development and coordination with internal departments in the advancement of programs and services. This also consists of a renewal of the City's commitment to small business/ entrepreneurship development; during this year, the EDA, under the leadership provided by the Economic Development Office, oversaw the relocation of the Mason Enterprise Center Fairfax and affiliated sponsored programs to a new state of the art facility in the NorthFAX district.

In previous years the City's EDO, in partnership with the EDA, worked to establish a tax incentive zone focusing on attracting technology-based businesses within the City. The City has been relying on this tool as a method of business attraction and is currently investigating ways of expanding this program within the technology field and beyond.

The EDO and EDA have continued to partner together on several initiatives seeking to expand the City's profile to out-of-city visitors and shoppers. The EDA, along with the City and the Central Fairfax Chamber of Commerce, continues developing and implementing the increasingly popular Fairfax City Restaurant Week program. The program has now been grown into a twice-a-year initiative based on its success for local restaurants and positive fiscal impact.

The EDO and EDA are currently playing an active role in attracting new businesses and developing multifaceted strategies to contribute to the thoughtful planning and branding of our new commercial centers. Both economic development entities played a central role in the Small Area Plan process in conjunction with the Department of Community Development and Planning. Through work with tenant representatives, the EDO and EDA hope to develop plans that bring dynamic businesses to our numerous commercial cores to begin growing the City's commercial tax base. Similarly, the economic development teams are currently investigating how best to leverage the newly completed Small Area Plans for marketing to potential investors.

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

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

Fairfax continues to wrestle with the challenges of the COVID-19 pandemic. Leveraging new ARPA related resources and support from the Economic Opportunity Fund, the EDA, in conjunction with the EDO, is working to develop a suite of services that support business relocation into vacant offices and the expansion of a retail pop-up program. These programs are being developed with the goal of transitioning grant recipients into permanent city-based businesses. Additional funding from the Virginia Tourism Corporation is being used to develop projects that will attract non-residents into the city.

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

Major Projects

The City continues to attract significant investment in commercial and residential redevelopment that aims to fulfill the goals advocated in the City's Comprehensive Plan.

Commercial:

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

Fairfax Gateway: A 403-unit apartment building with approximately 29,000 square feet of commercial space was originally approved in 2015 for a former industrial site in the Kamp Washington area. Application was approved in 2018 to revise the building plan and site layout, including adjusting the amount of commercial space initially constructed to 21,000 square feet with an additional 9,000 square feet of commercial space as an optional future conversion. The project broke ground in June 2019 with a phased occupancy beginning in 2022.

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

Paul VI: The Diocese of Arlington relocated Paul VI High School to Loudoun County after the conclusion of the 2019-2020 school year. In 2018, the City Council approved the site for residential redevelopment, to include 144 condominium units, 115 townhouses and 7 detached homes, as well as 20,000 square feet of new retail space and 24,000 square feet of community/commercial space in a retained portion of the original school building. Site work and demolition of the former school began in September 2020. Phased occupancy, starting with townhouses and condominiums, began in 2022.

Residential:

Capstone Collegiate: Project includes the redevelopment of a 1970's-era low-rise office buildings site into a 275-unit privately-owned student housing complex. The site, located to the north of the City's downtown, is approximately one mile from the campus of George Mason University. The units are marketed to graduate and undergraduate students at the university. The project was approved by the City Council in December 2018 and site work commenced in September 2020. Residents of the complex took occupancy in August 2022.

Northfax West: This mixed-use redevelopment on the site of former vehicle storage lots and vacant land was approved by the City Council in July 2020. The project will include a senior housing community, with 114 independent living units and 86 assisted living units, 56 townhomes, and 3.3 acres of residual land for future mixed-use development. A public improvement plan for streets and drainage facilities was approved in October 2021 and site work commenced in May 2022.

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

Breezeway Motel: This redevelopment of the aging Breezeway Motel and Fairfax Gardens Apartments includes 40 townhouses and 20 "two over two" condominium units. A one-acre parcel within the development along Fairfax Boulevard will be cleared and prepared for future commercial development. The project was approved by the City Council in March 2022 and is expected to break ground in 2023.

FINANCIAL CONDITION

The total taxable assessed value of residential and commercial real property increased by 7.9% over the prior year. The real estate tax rate decreased by \$0.065 to \$1.010 per \$100 of assessed value. No change in the commercial and industrial real estate tax rate of 12.5 cents per \$100 of assessed value. School tuition costs of \$51.2 million were 2.8% higher in F/Y 22.

The gross cost for school tuition was lower than budget by \$2.3 million. The actual average daily membership (ADM), which is the population of City students in the Fairfax County Public School (FCPS) System, increased slightly in F/Y 22 to 2,857 from 2,840 in F/Y 21.

In order to fully fund existing programs, to keep salaries of public employees competitive, and to address the expanding program needs of the community, careful budgeting is required. The City strives to keep overall operating costs flat. In F/Y 22, rapidly rising inflation is a factor that affects the operating costs in many aspects. During F/Y 22, the City provided a merit increase of 3.5% to remain competitive and maintain parity in terms of compensation with surrounding jurisdictions. No cost of living adjustment (COLA) was provided in F/Y 22.

The City took advantage of low interest rates to finance a general obligation refunding bond in F/Y 22 before the interest rates increased quickly. Wastewater rates increased 6.0% due to costs relating to the City's share of Fairfax County wastewater plant capital improvements (the Noman Cole Plant, where the City's wastewater is treated). Water rates are set by Fairfax Water.

The City's outstanding debt continues to decline. Though the City uses debt financing in addition to the "pay-as-you-go" approach to fund certain capital projects, the City's net direct debt to tax base ratio decreased to 0.92% at June 30, 2022 from 0.99% at June 30, 2021. The City's net direct debt to tax base ratio has declined for the twelfth consecutive year.

The following table shows the assessed value of residential and commercial properties has more than doubled since 2003 including a 7.9% increase from 2021 to 2022. Real property taxes, which are based on assessments as of January 1st of each year, are due in two payments. The first six months of real estate tax is due on June 21st and the second half on December 5th.

Tax Year	Residential Assessed Value	Residential % Increase (Decrease)	Industrial / Commercial Assessed Value	Industrial / Commercial % Increase (Decrease)	Total Taxable Assessed Value	Total % Increase (Decrease)
2003	\$ 2,111,088,700	20.2	\$ 1,206,961,700	9.4	\$ 3,318,050,400	16.0
2004	2,439,123,400	15.5	1,314,291,800	8.9	3,753,415,200	13.1
2005	3,063,115,200	25.6	1,382,126,100	5.2	4,445,241,300	18.4
2006	3,817,504,900	24.6	1,626,385,700	17.7	5,443,890,600	22.5
2007	3,723,667,700	(2.5)	1,884,634,000	15.9	5,608,301,700	3.0
2008	3,475,794,600	(6.7)	2,161,997,400	14.7	5,637,792,000	0.5
2009	3,182,468,200	(8.4)	2,177,141,900	0.7	5,359,610,100	(4.9)
2010	3,013,912,200	(5.3)	1,968,035,100	(9.6)	4,981,947,300	(7.0)
2011	3,123,099,700	3.6	1,954,294,800	(0.7)	5,077,394,500	1.9
2012	3,195,889,977	2.3	2,025,966,286	3.7	5,221,856,263	2.8
2013	3,266,638,900	2.2	2,073,994,400	2.4	5,340,633,300	2.3
2014	3,463,135,200	6.0	2,085,815,600	0.6	5,548,950,800	3.9
2015	3,624,478,000	4.7	2,068,542,000	(0.8)	5,693,020,000	2.6
2016	3,738,914,500	3.2	2,113,115,000	2.2	5,852,029,500	2.8
2017	3,822,160,300	2.2	2,119,723,700	0.3	5,941,884,000	1.5
2018	3,967,151,300	3.8	2,127,875,000	0.4	6,095,026,300	2.6
2019	4,044,043,800	1.9	2,195,140,900	3.2	6,239,184,700	2.4
2020	4,119,630,100	1.9	2,320,364,200	5.7	6,439,994,300	3.2
2021	4,362,131,700	5.9	2,319,509,940	0.0	6,681,641,640	3.8
2022	4,772,528,300	9.4	2,438,116,700	5.1	7,210,645,000	7.9

BOND RATING

The City's bond ratings are as follows:

	<u>Moody's Investors Service</u>	<u>Standard & Poor's</u>
General Obligation Bonds	Aaa	AAA

BUDGETARY ACCOUNTING AND INTERNAL CONTROLS

The budget process begins in the fall. City Council sets guidelines for the budget, usually in November. These guidelines provide the framework for developing the new budget. Operating budget requests from departments and City offices are reviewed and evaluated for priority and, based on estimated revenues, funding is requested by the City Manager in support of those programs, services and projects. Revenue estimates are derived from a review of current and projected economic indicators, current and proposed federal and state legislation, knowledge of future planned events in the City, review of historic trends and many other factors. By law, local government budgets must be balanced; i.e., current expenditures may not exceed current revenues and appropriated fund balance.

The Capital Improvement Program (CIP) follows a similar process whereby departments submit requests, which are evaluated for priority and funding. The initial proposed CIP is issued in November and forwarded to the City Council and Planning Commission for joint discussion. The Planning Commission then holds a public hearing on the CIP and provides recommendations to the City Council. The City Council holds at least one public hearing on the CIP and defers action until adoption of the operating and capital budgets in April or May. The City Manager refines the initial proposed CIP based on an evaluation of operating funding requests and available resources.

A capital budget (year one of the proposed CIP) is included in the operating budget. The capital budget and operating budget together become the proposed budget.

The City Council reviews the proposed budget and holds a series of public hearings, work sessions, and outreach meetings to provide the public with an opportunity to comment, ensuring that the budget is responsive to the citizens' needs. After careful deliberation, the proposed budget, as modified for additions and deletions, is adopted by City Council.

As a management tool, budgetary control is maintained at the department level requiring the encumbrance of funds, which generates vendor purchase orders. In addition, revenues and expenditures are monitored throughout the year, enabling the City to measure actual income and expenses against those projected in the budget.

CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING

The GFOA awarded the City a Certificate of Achievement for Excellence in Financial Reporting for the City's ACFR for the 41st consecutive year. GFOA awards a certificate to governmental units that exemplify excellence in financial reporting and conform to the stringent reporting requirements promulgated by that association and various other authoritative bodies.

To earn a Certificate of Achievement a ACFR must tell its financial story clearly, thoroughly, and understandably. The report must be efficiently organized, employ certain standardized terminology and formatting conventions, minimize ambiguities and potentials for misleading inference, enhance understanding of current generally accepted accounting theory, and demonstrate a constructive "spirit of full disclosure".

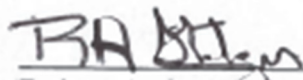
A Certificate is valid for a period of only one year. The City believes its current report continues to conform to the Certificate of Achievement Program requirements and standards, and is submitting it to the GFOA to determine its eligibility for another certificate for the 2022 fiscal year.

ACKNOWLEDGMENTS

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

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

Respectfully submitted,



Robert A. Stalzer
City Manager

Julie Moran
Interim Chief Financial Officer

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CITY OF FAIRFAX, VIRGINIA
PRINCIPAL OFFICIALS
June 30, 2022

CITY COUNCIL¹

David L. Meyer, Mayor

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

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

STAFF

Robert A. Stalzer.....City Manager
William Page Johnson II.....Commissioner of Revenue²
Tom Scibilia.....Treasurer²
John O'NealFire Chief
Erin Schaible.....Chief of Police
Brooke Hardin.....Director of Community Development and Planning
Mark PerryDirector of Information Technology
David Summers.....Director of Public Works
Stacey Sommerfield.....Director of Parks and Recreation
Sara Greer.....Human Resources Director
Melanie Zipp.....City Clerk/Chief of Staff
Julie Moran.....Interim Chief Financial Officer
Brenda CabreraGeneral Registrar
Jeffrey Platenberg.....City School Superintendent

ADVISORS

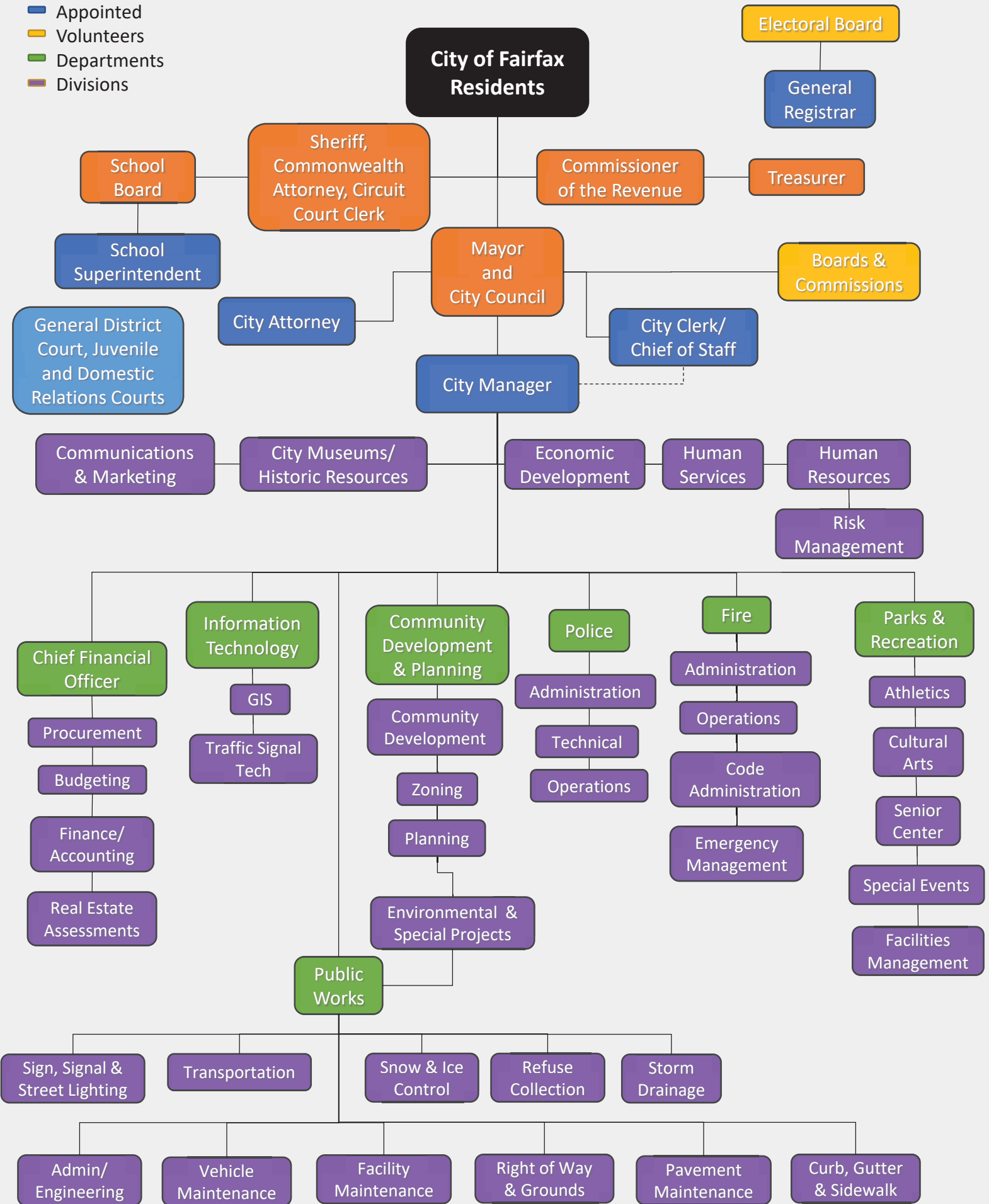
Brian J. Lubkeman.City Attorney
Robinson, Farmer, Cox Associates.....Independent Auditors

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

² Elected by City voters to 4-year terms. Current terms expire December 31, 2025.

City of Fairfax Organizational Chart

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





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Fairfax
Virginia**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2021

Christopher P. Morrell

Executive Director/CEO



ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

Independent Auditors' Report

**To the Honorable Members of
the City Council
City of Fairfax, 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 discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Fairfax, Virginia, as of and for the year ended June 30, 2022, 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 discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Fairfax, Virginia, as of June 30, 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of City of Fairfax, Virginia, 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 Principles

As described in Note 1 to the financial statements, in 2022, the City adopted new accounting guidance, GASB Statement Nos. 87, *Leases* and 92, *Omnibus 2020*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

Responsibilities of Management for the Financial Statements: (Continued)

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 City of Fairfax, Virginia'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.

Auditors' 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 auditors' 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, *Government Auditing Standards*, and the *Specifications for Audits of Counties, Cities, and Towns* 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, *Government Auditing Standards*, and the *Specifications for Audits of Counties, Cities, and Towns*, 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 City of Fairfax, Virginia'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 of Fairfax, Virginia'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 schedules related to pension and OPEB funding 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

Required Supplementary Information (Continued)

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 City of Fairfax, Virginia's basic financial statements. The accompanying combining and individual fund financial statements and schedules and 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 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 auditors' 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 12, 2022, on our consideration of City of Fairfax, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of City of Fairfax, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Fairfax, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates
Fredericksburg, Virginia
December 12, 2022

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CITY OF FAIRFAX, VIRGINIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2022

This section of the City of Fairfax, Virginia's ("City") Annual Comprehensive Financial Report (ACFR), the Management's Discussion and Analysis (MD&A), provides an overview of the City's financial activities and performance for the fiscal year ended June 30, 2022. Users of these financial statements are encouraged to consider the information presented here in conjunction with the City's basic financial statements and the information furnished in our letter of transmittal, which can be found in the introductory section.

HIGHLIGHTS OF GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Primary Government's assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources by \$106.8 million (net position) at the close of the fiscal year ("F/Y") June 30, 2022, an increase of \$10.2 million from F/Y 21. The Primary Government includes both governmental and business-type activities.

- Increases or decreases in net position may serve as a useful indicator of the financial health of the City. A combination of a 9.4% increase in residential real property assessments, a \$4.1 million increase in other local taxes, a \$1.2 million increase in both charges for services and other general revenues, accounted for a healthy increase of governmental net position in F/Y 22. Refer to Tables 1 and 2 for more information.
- The Component Unit School Board had a decrease in its net position of \$2.5 million during the F/Y as expenses outpaced revenues. Overall education costs increased by \$1.4 million from F/Y 21.
- At the end of June 30, 2022, the City's governmental, business-type, and Component Unit School Board activities had invested \$228.9, \$42.7, \$13.7 million, net of accumulated depreciation, respectively, in capital assets. Refer to Table 4 for more information.
- The City's total governmental outstanding long-term debt at F/Y end was \$120.4 million, a decrease of \$8.5 million, driven mainly by debt retirement during the normal course of business. Refer to the Outstanding Debt Table (Table 5) in this section or Note 7 under the Notes to the Financial Statements section of this report for additional information.

CITY OF FAIRFAX, VIRGINIA

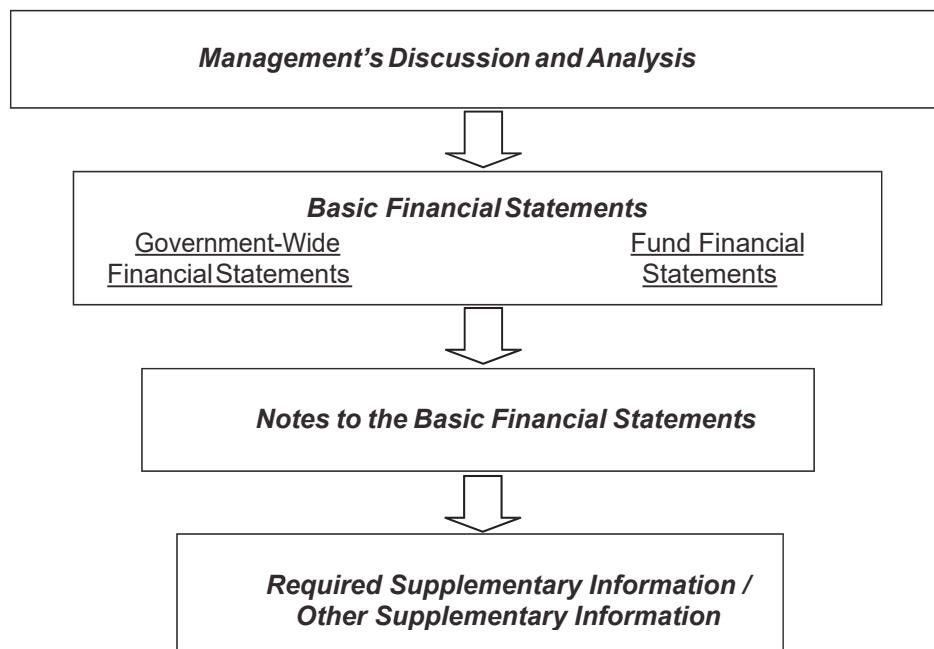
MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2022

USING THE FINANCIAL SECTION OF THE ANNUAL REPORT

- This Annual Comprehensive Financial Report is presented in four sections: introductory, financial, statistical, and compliance. The financial section is further broken down as displayed in the chart below.

COMPONENTS OF THE FINANCIAL SECTION



GOVERNMENT-WIDE STATEMENTS

The government-wide statements report information about the City as a whole using accounting methods similar to those used by most private-sector companies. The government-wide financial statements provide both long-term and short-term information about the City's overall financial status. One of the most important questions that could be asked about the City's financial position is: "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities, which are the government-wide statements, report information about the City as a whole and about its activities in a way to address this question. These statements include all assets and liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net position and changes in it. One can think of the City's net position – the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources – as one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving or declining. Other non-financial factors will need to be considered, for example, changes in the City's property tax base and the condition of the City's facilities, to assess the overall health of the City.

CITY OF FAIRFAX, VIRGINIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2022

In the Statement of Net Position and the Statement of Activities, we divide the City into the following:

Governmental Activities – Most of the City's basic services are reported here: General Government, Judicial Administration, Public Safety, Public Works, Health and Social Services, Parks, Recreation and Cultural, and Planning and Community Development. Property taxes, other local taxes, and state and federal aid finance most of these activities.

Business-type Activities – The City's Wastewater System and the City's Transit System are reported here. The City charges a fee to customers to cover all of the cost of waste-water services. In the past, a significant portion of the Transit System had been subsidized by the City, but in the last four fiscal years, the City has used "30%" state funds to subsidize its Transit operations.

Component Units – The City includes three legal entities as Component Units in its report – the School Board, the Industrial Development Authority, and the Economic Development Authority. The School Board is presented as a separate column while the others are combined as non-major component units for presentation purposes. These legally separate "component units" are each important because the City is financially accountable for them, and provides a significant portion of their operating and capital funding.

FUND FINANCIAL STATEMENTS

Traditional users of government financial statements will find the fund financial statement presentation more familiar. The fund financial statements provide more information about the City's most significant funds – not the City as a whole. The fund financial statements focus on the individual parts of the City government, reporting the City's operations in more detail than the government-wide statements.

The City has three types of funds:

Governmental Funds – This fund type includes most of the City's basic services, and focuses on (1) how cash and other financial assets that are readily converted to cash, flow in and out, and (2) on the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

Proprietary Funds – This fund type includes services for which the City charges customers a fee, and the fee is to support the majority, if not all, of the cost. Proprietary funds, like the government-wide statements, provide both long and short-term financial information.

Fiduciary Funds – This fund type accounts for assets held by the City in a trustee capacity and consists of pension trust funds.

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements immediately follow the basic financial statements.

Other Information - In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees and other information related to its pension plans. Required supplementary information immediately follows the notes to the financial statements.

The combining statements in connection with non-major funds and component units are presented immediately following the required supplementary information on pensions.

CITY OF FAIRFAX, VIRGINIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2022

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

This section of the MD&A covers the Government-wide Financial Statements (Tables 1 and 2), which can also be found in the Basic Financial Statements section of the ACFR.

Statement of Net Position

The table on the next page presents the condensed Statement of Net Position of the Primary Government and the School Board Component Unit in a comparative format:

Table 1
Summary of Statement of Net Position
June 30, 2022 and 2021
(in millions)*

	Primary Government						Major Component Unit	
	Governmental Activities		Business-type Activities		Totals		School Board	
	2022	2021	2022	2021	2022	2021	2022	2021
Assets:								
Current and other assets	\$112.3	\$111.4	\$9.7	\$5.8	\$122.0	\$117.2	\$2.6	\$2.9
Capital assets, net	\$228.9	\$227.0	\$42.7	\$40.9	\$271.6	\$267.9	\$13.7	\$16.2
Total Assets	\$341.2	\$338.4	\$52.4	\$46.7	\$393.6	\$385.1	\$16.3	\$19.1
Deferred outflows of resources	\$35.1	\$22.3	\$2.2	\$1.5	\$37.3	\$23.8	-	-
Liabilities:								
Current and other liabilities	\$41.8	\$69.0	\$4.4	\$4.2	\$46.2	\$73.2	\$2.6	\$2.9
Long-term liabilities	\$191.2	\$158.2	\$24.2	\$25.0	\$215.4	\$183.2	\$0.1	\$0.2
Total Liabilities	\$233.0	\$227.3	\$28.6	\$29.2	\$261.6	\$256.4	\$2.7	\$3.1
Deferred inflows of resources	\$60.9	\$55.2	\$1.6	\$0.6	\$62.5	\$55.8	\$0.1	-
Net Position:								
Net investment in capital assets	\$108.8	\$113.6	\$22.7	\$20.2	\$131.5	\$133.8	\$13.7	\$16.2
Restricted	\$1.5	\$0.5	-	-	\$1.5	\$0.6	-	-
Unrestricted	(\$27.9)	(\$36.0)	\$1.7	(\$1.9)	(\$26.2)	(\$37.9)	(\$0.2)	(\$0.2)
Total net position	\$82.4	\$78.2	\$24.4	\$18.4	\$106.8	\$96.6	\$13.5	\$16.0

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

Over time, net position may serve as a useful indicator of the City's financial position. For the most recently concluded fiscal year, the City's Primary Government assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$106.8 million, which is an increase of \$10.2, mainly because of long-term liabilities decrease in F/Y 22. The net position of School Board decreased by \$2.5 million because of the allocation of capital assets between Primary Government and School Board in F/Y 22. The total net position of Primary Government and School Board increased by \$7.7 million from the net position as of June 30, 2021.

The largest portion of the City's net position reflects its investment in capital assets (e.g. land, buildings, infrastructure improvements, machinery and equipment, and construction in progress, net of accumulated depreciation) less any related outstanding debt used to acquire those assets. As of June 30, 2022, this investment totaled \$285.3 million for the entire reporting entity (\$271.5 million for the Primary Government and \$13.8 million for the School Board Component Unit). The City uses these assets to provide services to its citizens; consequently, these assets are not readily available for future spending.

CITY OF FAIRFAX, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2022

Statement of Activities

The following table shows the revenues and expenses of the governmental and business-type activities and the School Board Component Unit:

Table 2
Summary of Changes in Net Position
Years Ended June 30, 2022 and
2021(in millions)*

	Primary Government						School Board Component Unit	
	Governmental Activities		Business-type Activities		Totals		School Board	
	2022	2021	2022	2021	2022	2021	2022	2021
Revenues:								
Program revenues:								
Charges for services	\$ 5.9	\$ 4.7	\$ 15.2	\$ 9.3	\$ 21.1	\$ 14.0	\$ 0.3	\$ 0.3
Operating grants and contributions	4.6	8.5	0.7	0.8	5.3	9.3	10.1	9.2
Capital grants and contributions	7.7	8.3	-	-	7.6	8.3	-	-
General revenues:								
General property taxes	86.2	83.9	-	-	86.2	83.9	-	-
Other local taxes	40.7	36.6	-	-	40.7	36.6	-	-
Contribution from City	-	-	-	-	-	-	41.0	40.5
Grants and contributions not restricted to specific programs	5.4	5.2	-	-	5.4	5.2	-	-
Use of money and property	0.1	0.3	-	-	0.1	0.3	2.2	2.1
Miscellaneous	1.5	1.2	-	-	1.5	1.2	-	-
Total revenues	\$ 152.1	\$ 148.7	\$ 15.9	\$ 10.1	\$ 167.9	\$ 158.8	\$ 53.6	\$ 52.1
Expenses:								
General government	\$ 15.0	\$ 13.9	\$ -	\$ -	\$ 15.0	\$ 13.9	\$ -	\$ -
Judicial administration	2.3	2.0	-	-	2.3	2.0	-	-
Public safety	31.8	29.8	-	-	31.8	29.8	-	-
Public works	27.3	24.3	13.0	11.9	40.3	36.2	-	-
Health & social services	7.5	6.7	-	-	7.5	6.7	-	-
Education	44.2	43.5	-	-	44.2	43.5	56.2	54.3
Parks, recreation and cultural	7.5	5.4	-	-	7.5	5.4	-	-
Planning and community develop	4.7	5.3	-	-	4.7	5.3	-	-
Interest	4.4	4.6	-	-	4.4	4.6	-	-
Total expenses	\$ 144.7	\$ 135.5	\$ 13.0	\$ 11.9	\$ 157.7	\$ 147.4	\$ 56.2	\$ 54.3
Change in net position before transfers & special items	\$ 7.4	\$ 13.2	\$ 2.9	\$ (1.8)	\$ 10.2	\$ 11.3	\$ (2.5)	\$ (2.1)
Transfers	(3.1)	(2.6)	3.1	2.6	-	-	-	-
Special items			-	-	-	-	-	-
Change in net position	\$ 4.2	\$ 10.5	\$ 6.0	\$ 0.8	\$ 10.2	\$ 11.3	\$ (2.5)	\$ (2.1)
Net position, beginning of year	\$ 78.2	\$ 67.7	\$ 18.4	\$ 17.6	\$ 96.6	\$ 85.3	\$ 16.0	\$ 18.1
Cumulative effect of prior period adjustment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net position, beginning of year	\$ 78.2	\$ 67.7	\$ 18.4	\$ 17.6	\$ 96.6	\$ 85.3	\$ 16.0	\$ 18.1
Net position, ending of year	\$ 82.4	\$ 78.2	\$ 24.4	\$ 18.4	\$ 106.8	\$ 96.6	\$ 13.5	\$ 16.0

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

CITY OF FAIRFAX, VIRGINIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

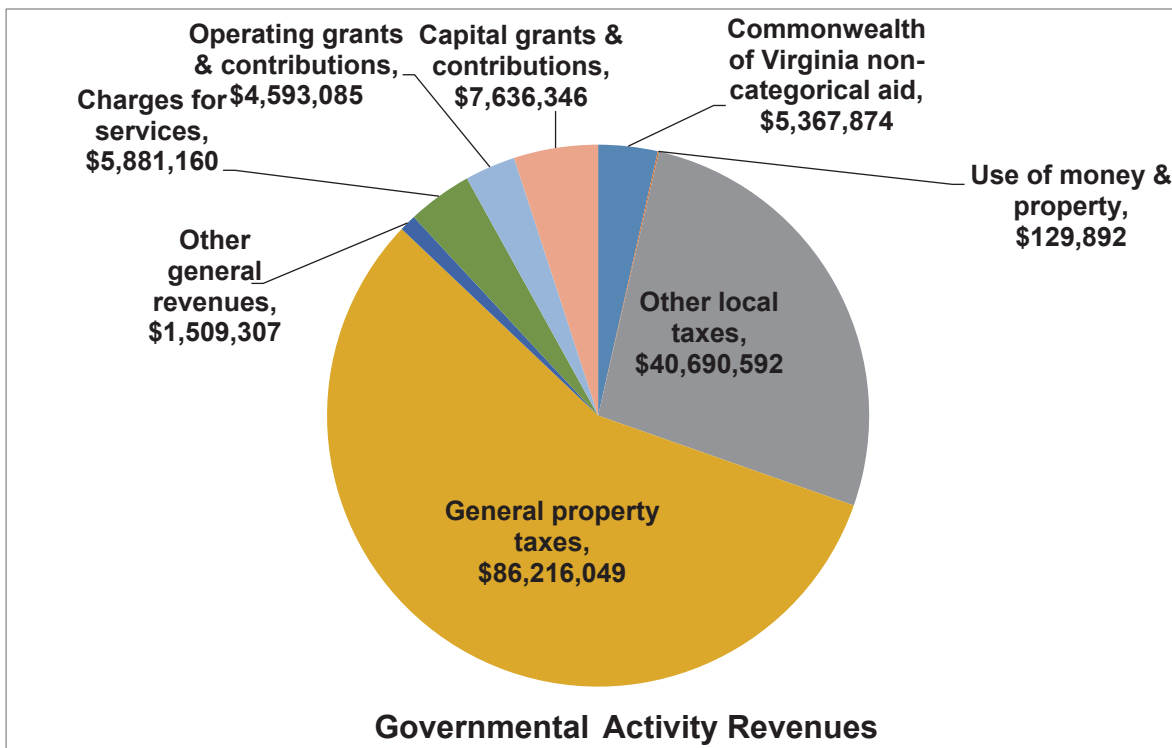
YEAR ENDED JUNE 30, 2022

Governmental Activities

Revenues for the City's governmental activities were \$152.1 million, which is an increase of \$3.4 million from F/Y 21:

- General property taxes are the largest revenue source for the City. A 9.4% increase in the C/Y 22 residential real property assessments accounts for a robust increase in general property tax revenues of \$2.3 million or 2.7% in F/Y 22 over F/Y 21, despite a decreased real estate tax rate from \$1.075 to \$1.010 per \$100 of assessed value.
- Other local tax revenues increased by \$4.1 million in F/Y 22. Tobacco tax and communication tax decreased slightly. Consumer utility tax, recordation tax, and consumption tax decreased compared with F/Y 21 after prior year's robust increase, while all are still higher than F/Y 20. Transient lodging tax had a substantial increase of 95.4%. Meals tax had a significant increase of 24.1%. Business license tax had a significant increase of 20.9%. Franchise tax increased by 11.4% and motor vehicle tax increased by 7.5%. Local sale and use tax also had a solid increase of 4.1%.
- Grants and contributions decreased compared with F/Y 21. In F/Y 21, grants and contributions increased significantly because of COVID-19 grants. Capital grants and contributions decreased by \$0.6 million in F/Y 22. Operating grants and contributions decreased by \$3.9 million.
- Other general revenues and charges for services both increased by \$1.2 million in F/Y 22, offset by the \$1.1 million decrease in use of money and property and \$0.2 million decrease in Commonwealth of Virginia non-categorical aid, caused a \$1.5 million increase in other revenue categories.

The chart below shows F/Y 22 governmental revenues by program source:



CITY OF FAIRFAX, VIRGINIA
MANAGEMENT’S DISCUSSION AND ANALYSIS

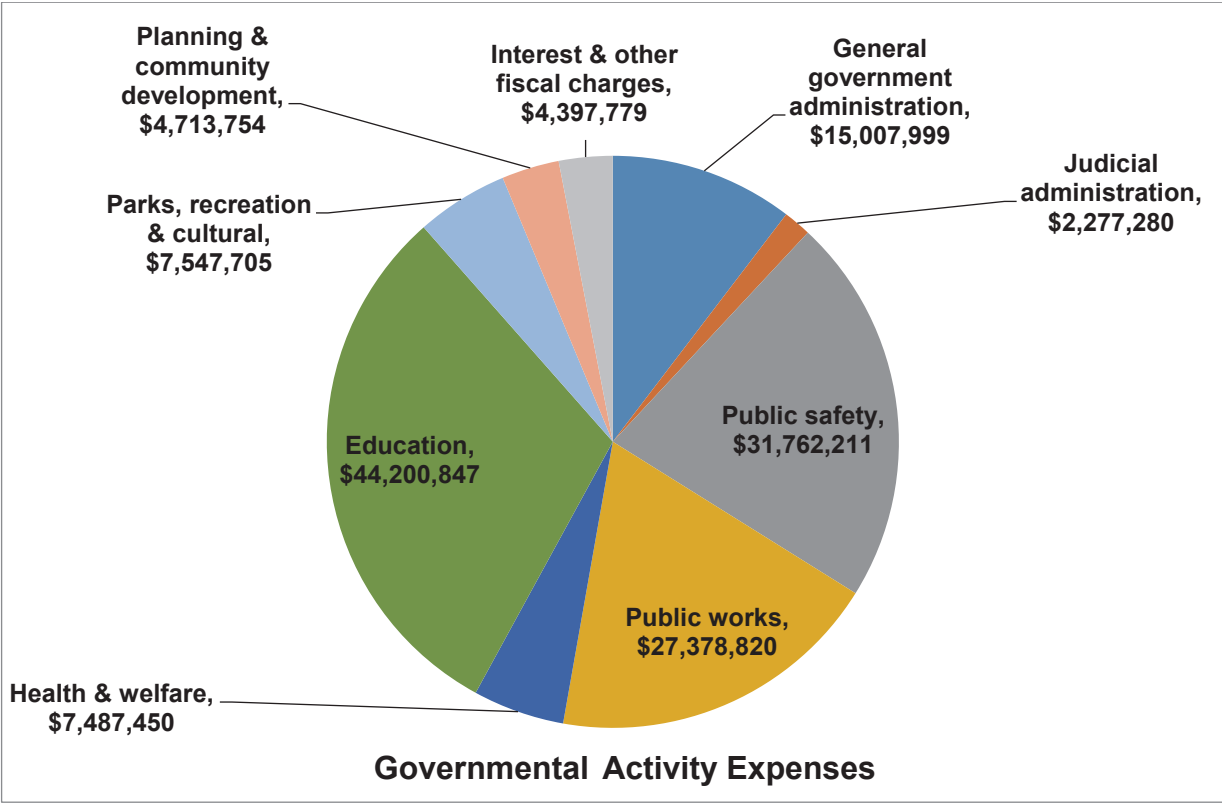
YEAR ENDED JUNE 30, 2022

Expenses for the City’s governmental activities were \$144.8 million in F/Y 22, which is an increase of \$9.3 million from F/Y 21.

- Public works recovered from COVID-19 pandemic and the costs increased by \$3.1 million in F/Y 22.
- The parks, recreation & cultural activities recovered from COVID-19 pandemic in F/Y 22 as well. The costs increased by \$2.1 million.
- The public safety activities also recovered from COVID-19 pandemic and the costs increased by \$1.9 million in F/Y 22.
- In F/Y 21, expenses for the City’s governmental activities shrank because of COVID-19 pandemic. In F/Y 22, the costs increased when the City was recovering from the pandemic.

As shown in the chart below, education remains the City’s largest program, followed by public safety and public works.

Governmental activity expenses by major category are as follows:



CITY OF FAIRFAX, VIRGINIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2022

Business-type Activities

Business-type activities increased the City's net position by \$6.0 million, mainly caused by the increased charges for services. The total revenues increased \$5.8 million from F/Y 21, because of a \$5.9 million increase in charges for services. Business-type activities expenses increased by \$1.1 million, driven by increased public works expenses.

Component Unit Activities

The School Board's net position was \$13.5 million at the end of F/Y 22, a decrease of \$2.5 million from the net position as of June 30, 2021. The decrease in net position was mainly caused by education costs exceeding the revenues.

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

This section of the MD&A discusses the City's Fund Financials, which as noted earlier, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Consequently, the amounts presented in Exhibits 3 through 7 in the Basic Financial Statements section of the ACFR will differ from the amounts presented in Exhibits 1 and 2. Exhibit 4 provides a reconciliation between the Balance Sheet of the Governmental Funds and the Statement of Net Position to allow the reader to understand the connection.

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, the unassigned fund balance is a useful measure of a City's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$42.1 million, a decrease of \$5.3 million from the prior year. Approximately 60.9% of this total amount (\$25.6 million) constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of the fund balance is classified as of non-spendable (\$7.5 million), restricted (\$1.2 million) and assigned (\$7.8 million) to indicate that the funds are not available for discretionary spending.

The General Fund is the primary operating fund of the City. The total fund balance decreased by \$6.5 million in F/Y 22 (revenues of \$141.7 million less expenditures of \$127.9 million and other financing uses (net) of \$20.3 million). The City's General Capital Projects Fund and Other Governmental Funds reflected overall increases of \$1.2 million. The increase in fund balance of the General Capital Projects Fund was due to transfers in from the General Fund. Overall the City's total governmental fund balances decreased by \$5.3 million in F/Y 22.

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

Proprietary funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements for Business-type Activities. Unrestricted net position of the Wastewater Fund and Transportation Fund at June 30, 2022 totaled \$6.5 million and (\$4.6) million, respectively. The total proprietary fund unrestricted net position increased by \$3.6 million from the prior year to \$1.7 million.

CITY OF FAIRFAX, VIRGINIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2022

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

- The University Drive Extension project was the City's largest capital project in F/Y 22, totaling \$3.4 million. The construction will continue in F/Y 23 and is nearing completion.
- Significant costs on CUE Bus Replacement project, totaling \$3.0 million in F/Y 22.
- Northfax II project expenditures totaling \$2.4 million. It's an on-going multiyear project.
- Residual cash in the Water Fund once again supplementing the C&I tax rate to maximize receipt of "30%" transportation funding from the State. The City's C&I tax rate remained flat at 12.5 cents per \$100 of assessed value on commercial and industrial real property in F/Y 22.
- An increase in Wastewater utility rates of 6.0% to support the City's share of capital project costs required for the Noman M. Cole, Jr. Wastewater Treatment Plant.

General Fund Budgetary Highlights

While the previous sections discuss changes in actual results from F/Y 21 to F/Y 22, the following section provides a summarized final-budget-to-actual analysis of the General Fund to show how actual results compare to the final budget. While results may be positive year-over-year, they may still show a negative variance with the final budget.

Table 3 summarizes Exhibit 7, which can be found in the Basic Financial Statements section of the ACFR.

Table 3
General Fund Budgetary Highlights
Fiscal Year 2022
(in millions)*

	Final Budget	Actual	Actual Over/(Under) Final Budget
Revenues:			
Taxes	\$ 123.8	\$ 124.0	\$ 0.2
Intergovernmental	7.5	10.8	3.3
Other	6.6	6.8	0.2
Totals	137.9	141.7	3.7
Expenditures	136.7	127.9	(8.8)
Excess of revenues over expenditures:	1.2	13.8	12.5
Other financing sources and (uses):			
Transfers out, net	(15.5)	(20.4)	(4.8)
Changes in fund balance	(14.3)	(6.6)	7.7
Fund balance, beginning	14.3	42.8	28.5
Fund balance, ending	\$ -	\$ 36.2	\$ 36.2

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

CITY OF FAIRFAX, VIRGINIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2022

Actual General Fund revenues were \$3.7 million more than final budget amounts, and actual expenditures were under the final budget by \$8.8 million. Highlights of the comparison of final budget to actual figures for the fiscal year ended June 30, 2022, include the following:

- PPTRA of \$3.0 million is budgeted in Taxes but recorded in Intergovernmental. It is necessary to net the two variances in order to analyze performance.
- Overall expenditures came in under budget by \$8.8 million, driven mainly by lower-than-budgeted health and welfare (\$2.6 million), public works (\$0.6 million), planning and community development (\$0.6 million), parks, recreation and cultural (\$0.5 million), total general government administration (0.5 million) and judicial administration (\$0.5 million).

CAPITAL ASSETS

As of June 30, 2022, the City's governmental activities, business-type activities, and the activities of the Component Unit School Board had invested \$228.9, \$42.7, \$13.8 million net of accumulated depreciation, respectively, in capital assets, as reflected in Table 4 below.

Table 4
Statement of Capital Assets
June 30, 2022 and 2021
(in millions)*

	Primary Government						Component Unit	
	Governmental Activities		Business-type Activities		Totals		School Board	
	2022	2021	2022	2021	2022	2021	2022	2021
Land	\$ 61.1	\$ 59.3	\$ -	\$ -	\$ 61.1	\$ 59.3	\$ 1.4	\$ 1.4
Construction in Progress	5.3	78.2	0.4	7.1	5.7	85.3	-	-
Depreciable Capital Assets:								
Buildings and Improvements	75.1	57.4	1.5	1.5	76.6	58.9	60.6	57.2
Machinery and Equipment	35.8	32.7	5.8	5.6	41.6	38.3	1.4	1.4
Lease assets	0.1	-	-	-	0.1	-	-	-
Joint Tenancy Assets	56.5	59.7	-	-	56.5	59.7	-	-
Intangible Assets	-	-	42.8	39.1	42.8	39.1	-	-
Infrastructure	114.7	55.4	15.3	8.2	130.0	63.6	-	-
Accumulated Amortization	-	-	(12.0)	(10.3)	(12.0)	(10.3)	-	-
Accumulated Depreciation	(119.7)	(115.6)	(11.1)	(10.3)	(130.8)	(125.9)	(49.6)	(43.8)
Total	\$ 228.9	\$ 227.0	\$ 42.7	\$ 40.9	\$ 271.5	\$ 267.9	\$ 13.8	\$ 16.2

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

The City's investment in capital assets for governmental and business-type activities as of June 30, 2022, amounts to \$271.5 million, net of accumulated amortization and accumulated depreciation. This investment in capital assets includes land, construction in progress, buildings, improvements, machinery and equipment, and infrastructure. Common infrastructure items include roadways, bridges, storm drainage areas, wastewater lines, sidewalks, curbs, bike paths and traffic lights. The investment in capital assets increased by \$3.6 million during F/Y 22, mainly driven by the increase in construction in progress.

CITY OF FAIRFAX, VIRGINIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2022

Major capital asset transactions of the City during F/Y 2022 in both the governmental and business-type activities included the following:

- University Drive Extension project of \$1.8 million, the biggest roadway infrastructure investment in FY22 as construction in progress.
- Investment in the Fire Station project of \$1.7 million, as construction in progress.
- Continued investment in George T. Snyder Trail of \$0.6 million as construction in progress.

The City's investment in capital assets for its School Board Component Unit as of June 30, 2022, was \$13.8 million, net of accumulated depreciation, a net decrease of \$2.4 million from the prior fiscal year caused by the current depreciation methodology of depreciation. If the factor of depreciation is excluded, the investment in capital assets increased by \$3.4 million during F/Y 22 because the investment in buildings and improvements increased by \$3.4 million.

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

OUTSTANDING DEBT

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

	Governmental Activities		Business-type Activities		Totals	
	2022	2021	2022	2021	2022	2021
General Obligation Bonds						
General Obligation Bonds - Public Offerings	\$ 5.6	\$ 8.2	\$ -	\$ -	\$ 5.6	\$ 8.2
General Obligation Bonds - Direct Borrowings	56.1	57.7	-	-	56.1	57.7
General Obligation Bonds - Premiums	1.9	2.1	-	-	1.9	2.1
Lease Revenue Bonds	34.3	36.6	-	-	34.3	36.6
Public Improvement COPs	10.1	10.8	-	-	10.1	10.8
Notes Payable	10.2	10.8	-	-	10.2	10.8
Lease liabilities	0.1	-	-	-	-	-
Equipment financing agreements	2.1	2.7	-	-	2.1	2.7
Governmental Debt	\$ 120.4	\$ 128.9	\$ -	\$ -	\$ 120.3	\$ 128.9
Self-Supporting Debt						
WasteWater - Lease Revenue Bonds & Premiums	\$ -	\$ -	\$ 20.4	\$ 21.1	\$ 20.4	\$ 21.1
Total City Debt	\$ 120.4	\$ 128.9	\$ 20.4	\$ 21.1	\$ 140.7	\$ 150.0

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

The City took advantage of continued low interest rates to refinance the general obligation bond in F/Y 22. The City's total debt for governmental activities decreased by \$8.5 million, and debt for business-type activities decreased by \$.7 million in F/Y 22. The City's debt reported a combined total of \$140.7 million, a decrease of \$9.3 million from the prior year, mainly driven by debt retirement during the normal course of business.

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

CITY OF FAIRFAX, VIRGINIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2022

ECONOMIC FACTORS

The City's at-place workforce increased significantly between 2021 and 2022. According to the US Bureau of Labor Statistics, the City of Fairfax was home to approximately 21,600 jobs in 2022. Like localities nationwide, Fairfax has seen an increase in workforce participation since the equivalent period in 2021, which still contained many effects from COVID-19 restrictions. Significantly, the City's employment figures have increased by 11% since the last pre-COVID 1st Quarter (of 2019). This rate of increase exceeds that of either Virginia or national statistics. The City's unemployment rate now stands at 2.6% as of August 2022, which is an improvement from the 2021 annual average of 3.4%. The City's current unemployment rate is equal to Virginia's overall unemployment rate of 2.6%. With 4.4 million square feet of office space, the City of Fairfax remains one of Northern Virginia's employment hubs. The City's office market currently has a 9.6% vacancy rate, considerably lower than that of Fairfax County and of Northern Virginia as a whole. The retail market remains healthy, with a vacancy rate of only 2.4%, less than the regional average for retail vacancies. The City's bond ratings, Aaa (Moody's Investor Services) and AAA (Standard and Poor's) place it in the top tier of municipal bond issuers. The City continues to maintain a strong economic base. The City continues to promote redevelopment along the Route 50/29 Corridor (Fairfax Boulevard), and has approved mixed-use development projects at Fairfax Circle, Kamp Washington, and Fairfax Gateway, several of which are under construction. In addition, several major projects have been completed along the Boulevard with many others in various stages of planning, design, and development.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. Questions concerning this report or requests for additional financial information should be directed to Chief Financial Officer, City of Fairfax, 10455 Armstrong Street, Fairfax, Virginia 22030, telephone (703) 385-7850, or visit the City's web site at www.fairfaxva.gov.

BASIC FINANCIAL STATEMENTS

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Government-wide Financial Statements

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Statement of Net Position
At June 30, 2022

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Totals	School Board	Nonmajor Component Units
ASSETS					
Current Assets:					
Cash and cash equivalents	\$ 35,167,837	\$ 9,685,889	\$ 44,853,726	\$ 2,500	\$ 2,006,465
Cash and cash equivalents - in custody of others	16,650,164	-	16,650,164	-	-
Receivables (net of allowance for uncollectibles):					
Property taxes	38,920,817	-	38,920,817	-	-
Accounts receivable	1,663,099	2,152,051	3,815,150	-	-
Leases receivable	-	-	-	-	366,121
Due from other governments	5,956,049	752,480	6,708,529	2,556,633	-
Due from component units	3,472,947	-	3,472,947	-	-
Internal balances	2,977,748	(2,977,748)	-	-	-
Inventories	899,752	-	899,752	-	862,594
Prepaid items	6,586,395	7,957	6,594,352	-	-
Restricted cash	-	80,385	80,385	-	-
Total Current Assets	\$ 112,294,808	\$ 9,701,014	\$ 121,995,822	\$ 2,559,133	\$ 3,235,180
Noncurrent Assets:					
Capital assets (net of accumulated depreciation):					-
Land and improvements	\$ 61,126,948	\$ 17,583	\$ 61,144,531	\$ 1,381,115	\$ -
Buildings and improvements	75,031,889	1,491,528	76,523,417	60,586,630	-
Machinery and equipment	35,822,346	5,782,799	41,605,145	1,376,298	-
Lease machinery and equipment	202,501	-	202,501	-	-
Joint tenancy assets	56,531,572	-	56,531,572	-	-
Infrastructure	114,716,911	15,333,858	130,050,769	-	-
Intangible assets	-	42,826,532	42,826,532	-	-
Construction in progress	5,249,645	341,876	5,591,521	-	-
Accumulated amortization	-	(12,037,889)	(12,037,889)	-	-
Accumulated depreciation	(119,788,118)	(11,090,820)	(130,878,938)	(49,620,026)	-
Total capital assets	\$ 228,893,694	\$ 42,665,467	\$ 271,559,161	\$ 13,724,017	\$ -
Total Noncurrent Assets	\$ 228,893,694	\$ 42,665,467	\$ 271,559,161	\$ 13,724,017	\$ -
Total Assets	\$ 341,188,502	\$ 52,366,481	\$ 393,554,983	\$ 16,283,150	\$ 3,235,180
DEFERRED OUTFLOWS OF RESOURCES					
Pension related items	\$ 28,663,351	\$ 1,529,817	\$ 30,193,168	\$ 32,028	\$ -
OPEB related items	3,437,091	258,706	3,695,797	3,016	-
Deferred charge on refunding	3,026,836	454,190	3,481,026	-	-
Total Deferred Outflows of Resources	\$ 35,127,278	\$ 2,242,713	\$ 37,369,991	\$ 35,044	\$ -
LIABILITIES					
Current Liabilities:					
Accounts payable and accrued liabilities	\$ 10,765,314	\$ 2,540,052	\$ 13,305,366	\$ 184,511	\$ -
Retainage payable	108,717	-	108,717	-	-
Accrued interest payable	932,197	187,273	1,119,470	-	-
Customer deposits and other liabilities	2,410,242	925,743	3,335,985	-	-
Due to primary government	-	-	-	2,372,122	1,100,825
Unearned revenue	17,861,991	-	17,861,991	-	-
Current portion of long-term obligations	9,741,535	746,368	10,487,903	3,520	-
Total Current Liabilities	\$ 41,819,996	\$ 4,399,436	\$ 46,219,432	\$ 2,560,153	\$ 1,100,825
Noncurrent Liabilities:					
Noncurrent portion of long-term obligations	191,188,370	24,153,186	215,341,556	175,755	-
Total Liabilities	\$ 233,008,366	\$ 28,552,622	\$ 261,560,988	\$ 2,735,908	\$ 1,100,825
DEFERRED INFLOWS OF RESOURCES:					
Pension related items	\$ 17,851,349	\$ 1,244,285	\$ 19,095,634	\$ 66,973	\$ -
OPEB related items	5,315,129	400,064	5,715,193	3,564	-
Leases related	-	-	-	-	364,076
Deferred revenue - property taxes	37,739,834	-	37,739,834	-	-
Total Deferred Inflows of Resources	\$ 60,906,312	\$ 1,644,349	\$ 62,550,661	\$ 70,537	\$ 364,076
NET POSITION					
Net investment in capital assets	\$ 108,810,593	\$ 22,675,922	\$ 131,486,515	\$ 13,724,017	\$ -
Restricted for:					
Other	1,519,372	-	1,519,372	-	-
Unrestricted (deficit)	(27,928,863)	1,736,301	(26,192,562)	(212,268)	1,770,279
Total Net Position	\$ 82,401,102	\$ 24,412,223	\$ 106,813,325	\$ 13,511,749	\$ 1,770,279

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

CITY OF FAIRFAX, VIRGINIA

Statement of Activities
Year Ended June 30, 2022

Functions/Programs	Expenses	Program Revenues			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
PRIMARY GOVERNMENT:					
Governmental activities:					
General government administration	\$ 15,007,999	\$ 172,041	\$ 471,947	\$ -	
Judicial administration	2,277,280	703,707	-	-	
Public safety	31,762,211	2,287,131	1,095,626	-	
Public works	27,378,820	986,193	3,017,121	7,636,346	
Health and welfare	7,487,450	-	-	-	
Education	44,200,847	-	-	-	
Parks, recreation, and cultural	7,547,705	1,574,526	8,391	-	
Community development	4,713,754	157,562	-	-	
Interest on long-term debt	4,397,779	-	-	-	
Total governmental activities	\$ 144,773,845	\$ 5,881,160	\$ 4,593,085	\$ 7,636,346	
Business-type activities:					
Wastewater	\$ 7,429,209	\$ 14,488,968	\$ -	\$ -	
Transportation	5,610,177	750,098	752,480	-	
Total business-type activities	\$ 13,039,386	\$ 15,239,066	\$ 752,480	\$ -	
Total primary government	\$ 157,813,231	\$ 21,120,226	\$ 5,345,565	\$ 7,636,346	
COMPONENT UNITS:					
School Board	\$ 56,134,167	\$ 312,547	\$ 10,054,540	\$ -	
Nonmajor component units:					
Industrial Development Authority	\$ 1,028,089	\$ 54,611	\$ -	\$ -	
Economic Development Authority	711,178	-	-	-	
Total nonmajor component units	\$ 1,739,267	\$ 54,611	\$ -	\$ -	
Total component units	\$ 57,873,434	\$ 367,158	\$ 10,054,540	\$ -	

General revenues:

General property taxes
Local sales and use taxes
Business license taxes
Consumer utility taxes
Meals tax
Franchise tax
Other local taxes
Unrestricted revenues from use of money
Contribution from City
Grants and contributions not restricted to specific programs
Miscellaneous

Transfers

Total general revenues and transfers

Change in net position

Net position - beginning

Net position - ending

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

Net (Expense) Revenue and Changes in Net Position				
Primary Government			Component Units	
Governmental Activities	Business-type Activities	Total	School Board	Nonmajor Component Units
\$ (14,364,011)	\$ -	\$ (14,364,011)	\$ -	\$ -
(1,573,573)	-	(1,573,573)	-	-
(28,379,454)	-	(28,379,454)	-	-
(15,739,160)	-	(15,739,160)	-	-
(7,487,450)	-	(7,487,450)	-	-
(44,200,847)	-	(44,200,847)	-	-
(5,964,788)	-	(5,964,788)	-	-
(4,556,192)	-	(4,556,192)	-	-
(4,397,779)	-	(4,397,779)	-	-
\$ (126,663,254)	\$ -	\$ (126,663,254)	\$ -	\$ -
\$ -	\$ 7,059,759	\$ 7,059,759	\$ -	\$ -
-	(4,107,599)	(4,107,599)	-	-
\$ -	\$ 2,952,160	\$ 2,952,160	\$ -	\$ -
\$ (126,663,254)	\$ 2,952,160	\$ (123,711,094)	\$ -	\$ -
\$ -	\$ -	\$ -	\$ (45,767,080)	\$ -
\$ -	\$ -	\$ -	\$ -	\$ (973,478)
-	-	-	-	(711,178)
\$ -	\$ -	\$ -	\$ -	\$ (1,684,656)
\$ -	\$ -	\$ -	\$ (45,767,080)	\$ (1,684,656)
\$ 86,216,049	\$ -	\$ 86,216,049	\$ -	\$ -
13,076,127	-	13,076,127	-	-
10,365,899	-	10,365,899	-	-
1,570,569	-	1,570,569	-	-
6,829,649	-	6,829,649	-	-
3,337,378	-	3,337,378	-	-
5,510,970	-	5,510,970	-	-
129,892	24	129,916	2,228,917	803,097
-	-	-	41,041,104	1,507,000
5,367,874	-	5,367,874	-	-
1,509,307	-	1,509,307	-	80,429
(3,035,463)	3,035,463	-	-	-
\$ 130,878,251	\$ 3,035,487	\$ 133,913,738	\$ 43,270,021	\$ 2,390,526
\$ 4,214,997	\$ 5,987,647	\$ 10,202,644	\$ (2,497,059)	\$ 705,870
78,186,105	18,424,576	96,610,681	16,008,808	1,064,409
\$ 82,401,102	\$ 24,412,223	\$ 106,813,325	\$ 13,511,749	\$ 1,770,279

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Fund Financial Statements

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Balance Sheet - Governmental Funds
At June 30, 2022

	General	General Capital Projects	ARPA Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 16,308,729	\$ -	\$ 14,792,761	\$ 8,062,539	\$ 39,164,029
Cash and cash equivalents - in custody of others	11,567,255	5,082,909		-	16,650,164
Receivables (Net of allowance for uncollectibles):					
Taxes, including penalties	38,920,817	-	-	-	38,920,817
Accounts	1,565,699	-	-	97,400	1,663,099
Inventories	899,752	-	-	-	899,752
Prepaid items	2,553,967	3,967,421	-	65,007	6,586,395
Due from other funds	9,692,753	-	-	-	9,692,753
Due from other governments	3,195,918	2,709,520	-	50,611	5,956,049
Due from component units	3,312,947	160,000	-	-	3,472,947
Total assets	<u>\$ 88,017,837</u>	<u>\$ 11,919,850</u>	<u>\$ 14,792,761</u>	<u>\$ 8,275,557</u>	<u>\$ 123,006,005</u>
LIABILITIES					
Reconciled overdraft	\$ -	\$ 3,996,192	-	\$ -	\$ 3,996,192
Accounts payable and accrued liabilities	7,655,854	2,589,481		519,979	10,765,314
Retainage payable	-	98,166		10,551	108,717
Customer deposits and other liabilities	2,177,913	232,329	-	-	2,410,242
Due to other funds	-	6,715,005		-	6,715,005
Unearned revenues	2,943,641	125,589	14,792,761	-	17,861,991
Total liabilities	<u>\$ 12,777,408</u>	<u>\$ 13,756,762</u>	<u>\$ 14,792,761</u>	<u>\$ 530,530</u>	<u>\$ 41,857,461</u>
DEFERRED INFLOWS OF RESOURCES:					
Unavailable revenue - property taxes	\$ 38,704,568	\$ -	\$ -	\$ -	\$ 38,704,568
Unavailable revenue - other	303,971	-	-	-	303,971
Total deferred inflows of resources	<u>\$ 39,008,539</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 39,008,539</u>
FUND BALANCES					
Nonspendable	\$ 3,453,719	\$ 3,967,421	\$ -	\$ 65,007	\$ 7,486,147
Restricted	849,386	-	-	366,015	1,215,401
Assigned	475,334	-	-	7,314,005	7,789,339
Unassigned (deficit)	31,453,451	(5,804,333)	-	-	25,649,118
Total fund balances (deficit)	<u>\$ 36,231,890</u>	<u>\$ (1,836,912)</u>	<u>\$ -</u>	<u>\$ 7,745,027</u>	<u>\$ 42,140,005</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 88,017,837</u>	<u>\$ 11,919,850</u>	<u>\$ 14,792,761</u>	<u>\$ 8,275,557</u>	<u>\$ 123,006,005</u>

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

Reconciliation of the Balance Sheet of the Governmental Funds
to the Statement of Net Position
At June 30, 2022

		<u>Primary Government</u>
Total fund balances - governmental funds	\$	42,140,005
Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:		
Capital assets used in governmental activities are not current financial resources and therefore not reported in the governmental funds:		
Capital assets	\$ 348,681,812	
Accumulated depreciation	<u>(119,788,118)</u>	228,893,694
Unavailable revenue represents amounts that were not available to fund current expenditures and therefore is not reported as revenue in the governmental funds.		1,268,705
Deferred outflows of resources are not available to pay for current-period expenditures and, therefore are not reported in the funds.		
Deferred charge on refunding	\$ 3,026,836	
Pension related items	28,663,351	
OPEB related items	<u>3,437,091</u>	35,127,278
Long-term liabilities, including bonds payable, are not due and payable in the current current period and therefore are not reported as liabilities in the governmental funds.		
General obligation bonds	\$ (61,706,000)	
Lease revenue bonds	(34,255,000)	
Notes payable	(10,260,000)	
Public facility certificate of participation	(10,055,000)	
Equipment financing arrangements	(2,131,285)	
Lease liabilities	(173,065)	
Premiums on bonds payable	(1,851,859)	
Net pension liability	(64,918,120)	
Net OPEB liability	(12,445,686)	
Accrued interest on debt	(932,197)	
Compensated absences	<u>(3,133,890)</u>	(201,862,102)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.		
Pension related items	\$ (17,851,349)	
OPEB related items	<u>(5,315,129)</u>	(23,166,478)
Net position of governmental activities	\$	<u>82,401,102</u>

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

Statement of Revenues, Expenditures and Changes in Fund Balances -
Governmental Funds
Year Ended June 30, 2022

	Governmental Funds			Total Governmental Funds
	General	General Capital Projects	Other Governmental Funds	
Revenues:				
General property taxes	\$ 86,207,650	\$ -	\$ -	\$ 86,207,650
Other local taxes	37,788,327	-	2,902,265	40,690,592
Permits, privilege fees and regulatory licenses	2,062,721	159,325	13,378	2,235,424
Fines and forfeitures	701,588	-	-	701,588
Revenue from use of money and property	129,892	-	-	129,892
Charges for services	2,944,148	-	-	2,944,148
Miscellaneous	1,108,865	83,671	12,800	1,205,336
Intergovernmental:				
Fairfax County	908,556	-	-	908,556
Commonwealth	9,543,662	5,763,467	154,853	15,461,982
Federal	313,055	1,822,268	-	2,135,323
Total revenues	\$ 141,708,464	\$ 7,828,731	\$ 3,083,296	\$ 152,620,491
Expenditures:				
Current:				
General government administration	\$ 11,644,648	\$ 3,497,854	\$ -	\$ 15,142,502
Judicial administration	2,277,280	-	-	2,277,280
Public safety	29,893,018	3,836,047	-	33,729,065
Public works	13,201,251	15,338,936	2,217,859	30,758,046
Health and welfare	7,492,008	-	-	7,492,008
Education	39,566,368	782,967	-	40,349,335
Parks, recreation, and cultural	6,820,661	1,661,758	15,091	8,497,510
Planning and community development	5,113,410	-	-	5,113,410
Debt service:				
Principal retirement	8,770,807	-	63,104	8,833,911
Interest and other fiscal charges	2,889,204	-	68	2,889,272
Bond issuance costs	194,550	-	-	194,550
Total expenditures	\$ 127,863,205	\$ 25,117,562	\$ 2,296,122	\$ 155,276,889
Excess (deficiency) of revenues over (under) expenditures	\$ 13,845,259	\$ (17,288,831)	\$ 787,174	\$ (2,656,398)
Other financing sources (uses):				
Issuance of debt	\$ 66,709,000	\$ -	\$ -	\$ 66,709,000
Lease issuance	195,882	-	-	195,882
Payment to refunded bond escrow agent	(66,517,608)	-	-	(66,517,608)
Transfers in	-	18,891,819	4,450,542	23,342,361
Transfers (out)	(20,774,054)	-	(5,603,770)	(26,377,824)
Total other financing sources (uses)	\$ (20,386,780)	\$ 18,891,819	\$ (1,153,228)	\$ (2,648,189)
Net changes in fund balances	\$ (6,541,521)	\$ 1,602,988	\$ (366,054)	\$ (5,304,587)
Fund balances (deficit) at beginning of year	42,773,411	(3,439,900)	8,111,081	47,444,592
Fund balances (deficit) at end of year	\$ 36,231,890	\$ (1,836,912)	\$ 7,745,027	\$ 42,140,005

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

Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Year Ended June 30, 2022

		<u>Primary Government Governmental Funds</u>
Amounts reported for governmental activities in the Statement of Activities are different because:		
Net changes in fund balances - total governmental funds	\$	(5,304,587)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period. The following details support this adjustment:		
Capital outlay	\$ 13,071,663	
Depreciation expense	<u>(9,879,466)</u>	3,192,197
Transfer of assets from Primary Government to the Component Unit School Board		(1,312,449)
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is to decrease net position.		(30,064)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. Details of this item consist of:		
Unavailable taxes		312,370
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items. A summary of items supporting this adjustment is as follows:		
Debt issued or incurred:		
Issuance of refunding debt	\$ (66,709,000)	
Issuance of leases	(195,882)	
Principal retired on general obligation debt	70,928,000	
Principal retired on public improvement bonds	723,000	
Principal retired on lease revenue bonds	2,308,000	
Principal retired on notes payable	570,000	
Principal retired on lease liabilities	92,540	
Principal retired on equipment financing agreements	<u>576,381</u>	8,293,039
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds. The following is a summary of items supporting this adjustment:		
Change in accrued interest payable	\$ 209,099	
Change in compensated absences	(79,168)	
OPEB expense	1,590,390	
Pension expense	(1,286,372)	
Amortization of premiums on bonds payable	232,844	
Amortization of loss on refunding	<u>(1,602,302)</u>	(935,509)
Change in net position of governmental activities	\$	<u>4,214,997</u>

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

Statement of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual - General Fund
Year Ended June 30, 2022

Fund, Function, Activity, Element	General Fund			Variance From Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
General property taxes	\$ 89,390,362	\$ 89,390,362	\$ 86,207,650	\$ (3,182,712)
Other local taxes	34,370,956	34,370,956	37,788,327	3,417,371
Permits, privilege fees and regulatory licenses	1,507,432	1,507,432	2,062,721	555,289
Fines and forfeitures	625,432	625,432	701,588	76,156
Revenue from use of money and property	907,000	907,000	129,892	(777,108)
Charges for services	2,730,809	2,805,809	2,944,148	138,339
Miscellaneous	654,682	792,818	1,108,865	316,047
Intergovernmental:				
Fairfax County	925,000	925,000	908,556	(16,444)
Commonwealth	6,202,445	6,237,608	9,543,662	3,306,054
Federal	230,556	341,109	313,055	(28,054)
Total revenues	\$ 137,544,674	\$ 137,903,526	\$ 141,708,464	\$ 3,804,938
Expenditures:				
General government administration:				
Legislative:				
City council	\$ 201,977	\$ 213,977	\$ 187,524	\$ 26,453
City clerk	217,719	217,719	343,254	(125,535)
Total legislative	\$ 419,696	\$ 431,696	\$ 530,778	\$ (99,082)
Board of elections:				
Electoral board	\$ 490,365	\$ 490,365	\$ 473,340	\$ 17,025
General and financial administration:				
City manager	\$ 673,805	\$ 1,702,266	\$ 798,114	\$ 904,152
City attorney	568,200	568,200	577,022	(8,822)
Public audit of accounts	89,051	89,051	90,314	(1,263)
Personnel	1,050,061	1,266,511	1,313,804	(47,293)
Community relations	413,855	413,855	450,810	(36,955)
Cable television	324,872	324,872	308,656	16,216
Risk management	368,376	370,227	353,256	16,971
Telephone services	80,532	80,532	80,474	58
Information technology	1,751,212	1,770,017	1,836,967	(66,950)
Printing and office supplies	265,092	271,292	444,848	(173,556)
Fleet maintenance	-	468,611	(3,795)	472,406
Finance and Accounting	1,319,300	1,453,761	1,215,240	238,521
Real estate assessment	744,902	744,902	733,042	11,860
Treasurer	1,078,982	1,078,982	1,036,366	42,616
Commissioner of revenue	1,237,804	1,243,704	1,188,112	55,592
Salary vacancy factor	(703,833)	(703,833)	-	(703,833)
Retirement	210,000	210,000	177,200	32,800
Pool maintenance	20,000	20,000	40,100	(20,100)
Contingencies	60,001	55,001	-	55,001
Budget cuts	(191,249)	(191,249)	-	(191,249)
Total general and financial administration	\$ 9,360,963	\$ 11,236,702	\$ 10,640,530	\$ 596,172
Total general government administration	\$ 10,271,024	\$ 12,158,763	\$ 11,644,648	\$ 514,115

Statement of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual - General Fund
Year Ended June 30, 2022

Fund, Function, Activity, Element	General Fund			Variance From Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Expenditures: (continued)				
Judicial administration:				
General district court	\$ 56,845	\$ 56,845	\$ 44,797	\$ 12,048
Joint court service	400,064	400,064	327,962	72,102
Juvenile and domestic relations	830,874	830,874	524,348	306,526
Commonwealth attorney	156,298	156,298	207,938	(51,640)
Court services and custody	1,436,373	1,386,373	1,172,235	214,138
Total judicial administration	\$ 2,880,454	\$ 2,830,454	\$ 2,277,280	\$ 553,174
Public safety:				
Police administration	\$ 1,649,678	\$ 1,732,216	\$ 2,039,558	\$ (307,342)
Police services	4,690,040	4,741,888	4,110,812	631,076
Police operations	7,774,224	7,784,226	7,912,317	(128,091)
Fire and rescue administration	1,788,120	1,853,138	1,595,313	257,825
Fire and rescue suppression	11,273,461	11,407,309	12,168,699	(761,390)
Code enforcement	2,110,192	2,351,783	2,066,319	285,464
Total public safety	\$ 29,285,715	\$ 29,870,560	\$ 29,893,018	\$ (22,458)
Public works:				
Asphalt maintenance	\$ 1,374,653	\$ 1,374,653	\$ 1,364,203	\$ 10,450
Concrete maintenance	1,050,948	1,050,948	882,953	167,995
Snow and ice removal	396,503	428,057	324,509	103,548
Storm drainage	959,967	959,967	997,462	(37,495)
Signs, signals, and lighting	2,346,352	2,416,442	2,164,529	251,913
Refuse collection	2,979,083	2,989,614	3,035,126	(45,512)
Facilities maintenance	1,728,230	1,844,772	1,792,577	52,195
Street rights of way	1,276,618	1,378,993	1,395,063	(16,070)
Public works administration	1,071,069	1,156,776	1,036,562	120,214
County agent	40,000	40,000	57,491	(17,491)
Regional agencies	193,247	193,247	150,776	42,471
Total public works	\$ 13,416,670	\$ 13,833,469	\$ 13,201,251	\$ 632,218
Health and welfare:				
Health service department	\$ 1,663,478	\$ 1,663,478	\$ 1,692,909	\$ (29,431)
Commission for women	2,350	2,350	670	1,680
Community Services Board	2,200,000	3,109,637	2,343,815	765,822
Senior citizen tax relief	994,274	994,274	982,936	11,338
Human services coordinator	245,060	545,060	312,728	232,332
Housing and community development	-	-	243,054	(243,054)
Social services	2,547,667	3,825,525	1,915,896	1,909,629
Total health and welfare	\$ 7,652,829	\$ 10,140,324	\$ 7,492,008	\$ 2,648,316
Education:				
Contribution to Fairfax City School Board	\$ 42,900,749	\$ 43,244,639	\$ 39,566,368	\$ 3,678,271

Statement of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual - General Fund
Year Ended June 30, 2022

Fund, Function, Activity, Element	General Fund			Variance From Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Expenditures: (continued)				
Parks, recreation and cultural:				
Recreation:				
Recreation - administration	\$ 2,561,528	\$ 2,615,293	\$ 2,172,905	\$ 442,388
Special events	816,226	831,226	880,426	(49,200)
Parks and recreation facilities	662,098	662,098	628,879	33,219
Parks and ball field maintenance	1,501,113	1,501,382	1,559,090	(57,708)
Total recreation	\$ 5,540,965	\$ 5,609,999	\$ 5,241,300	\$ 368,699
Historic services	\$ 792,497	\$ 799,001	\$ 670,805	\$ 128,196
Library services	\$ 925,000	\$ 925,000	\$ 908,556	\$ 16,444
Total parks, recreation and cultural	\$ 7,258,462	\$ 7,334,000	\$ 6,820,661	\$ 513,339
Planning and community development:				
Economic development	\$ 1,107,957	\$ 2,276,318	\$ 2,259,115	\$ 17,203
Planning design and review	1,933,352	2,190,254	1,735,726	454,528
Current planning	1,196,206	1,264,201	1,118,569	145,632
Total planning and community development	\$ 4,237,515	\$ 5,730,773	\$ 5,113,410	\$ 617,363
Debt service:				
Principal retirement	\$ 8,651,380	\$ 8,651,380	\$ 8,770,807	\$ (119,427)
Interest and fiscal charges	3,003,975	3,003,975	2,889,204	114,771
Bond issuance costs	(121,000)	(121,000)	194,550	(315,550)
Total debt service	\$ 11,534,355	\$ 11,534,355	\$ 11,854,561	\$ (320,206)
Total expenditures	\$ 129,437,773	\$ 136,677,337	\$ 127,863,205	\$ 8,814,132
Excess (deficiency) of revenues over expenditures	\$ 8,106,901	\$ 1,226,189	\$ 13,845,259	\$ 12,619,070
Other financing sources (uses):				
Issuance of debt	\$ -	\$ -	\$ 66,709,000	\$ 66,709,000
Lease issuance	-	-	195,882	195,882
Payment to refunded bond escrow agent	-	-	(66,517,608)	(66,517,608)
Transfers (out)	(13,814,718)	(15,524,004)	(20,774,054)	(5,250,050)
Total other financing sources (uses)	\$ (13,814,718)	\$ (15,524,004)	\$ (20,386,780)	\$ (4,862,776)
Net changes in fund balance	\$ (5,707,817)	\$ (14,297,815)	\$ (6,541,521)	\$ 7,756,294
Fund balance at beginning of year	5,707,817	14,297,815	42,773,411	28,475,596
Fund balance at end of year	\$ -	\$ -	\$ 36,231,890	\$ 36,231,890

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

Statement of Net Position - Proprietary Funds
At June 30, 2022

			Nonmajor Fund	
	Wastewater	Transportation	Water	
	Fund	Fund	Utility	Totals
	Fund	Fund	Fund	
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 8,626,774	\$ 752,199	\$ 306,916	\$ 9,685,889
Receivables (net of allowance for uncollectibles):				
Accounts receivable	2,152,051	-	-	2,152,051
Due from other governments	-	752,480	-	752,480
Restricted cash	80,385	-	-	80,385
Prepaid items	7,957	-	-	7,957
Total Current Assets	\$ 10,867,167	\$ 1,504,679	\$ 306,916	\$ 12,678,762
Noncurrent Assets				
Capital assets:				
Land and improvements	\$ 17,583	\$ -	\$ -	\$ 17,583
Buildings and improvements	1,264,570	226,958	-	1,491,528
Machinery and equipment	2,508,453	3,274,346	-	5,782,799
Water and sewer infrastructure	15,333,858	-	-	15,333,858
Intangible assets	42,826,532	-	-	42,826,532
Construction in progress	341,876	-	-	341,876
Accumulated amortization	(12,037,889)	-	-	(12,037,889)
Accumulated depreciation	(8,578,922)	(2,511,898)	-	(11,090,820)
Total Capital Assets (net)	\$ 41,676,061	\$ 989,406	\$ -	\$ 42,665,467
Total Noncurrent Assets	\$ 41,676,061	\$ 989,406	\$ -	\$ 42,665,467
Total Assets	\$ 52,543,228	\$ 2,494,085	\$ 306,916	\$ 55,344,229
DEFERRED OUTFLOWS OF RESOURCES				
Pension related items	\$ 497,272	\$ 1,032,545	\$ -	\$ 1,529,817
OPEB related items	73,916	184,790	-	258,706
Deferred charge on refunding	454,190	-	-	454,190
Total Deferred Outflows of Resources	\$ 1,025,378	\$ 1,217,335	\$ -	\$ 2,242,713
LIABILITIES				
Accounts payable and accrued liabilities	\$ 2,406,185	\$ 133,867	\$ -	\$ 2,540,052
Due to other funds	-	2,881,772	95,976	2,977,748
Accrued interest payable	187,273	-	-	187,273
Customer deposits and other liabilities	618,826	-	306,917	925,743
Compensated absences - current portion	3,025	16,568	-	19,593
Bonds payable - current portion	726,775	-	-	726,775
Total Current Liabilities	\$ 3,942,084	\$ 3,032,207	\$ 402,893	\$ 7,377,184
Noncurrent Liabilities				
Compensated absences - net of current portion	\$ 60,498	\$ 150,435	\$ -	\$ 210,933
Net Pension liability	939,576	2,348,945	-	3,288,521
Net OPEB liability	267,649	669,123	-	936,772
Bonds payable - net of current portion	19,716,960	-	-	19,716,960
Total Noncurrent Liabilities	\$ 20,984,683	\$ 3,168,503	\$ -	\$ 24,153,186
Total Liabilities	\$ 24,926,767	\$ 6,200,710	\$ 402,893	\$ 31,530,370
DEFERRED INFLOWS OF RESOURCES				
Pension related items	\$ 361,343	\$ 882,942	\$ -	\$ 1,244,285
OPEB related items	114,304	285,760	-	400,064
Total Deferred Inflows of Resources	\$ 475,647	\$ 1,168,702	\$ -	\$ 1,644,349
NET POSITION				
Net investment in capital assets	\$ 21,686,516	\$ 989,406	\$ -	\$ 22,675,922
Unrestricted	6,479,676	(4,647,398)	(95,977)	1,736,301
Total Net Position	\$ 28,166,192	\$ (3,657,992)	\$ (95,977)	\$ 24,412,223

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

Statement of Revenues, Expenses and Changes in Net Position -
 Proprietary Funds
 Year Ended June 30, 2022

			Nonmajor Fund	
	Wastewater Fund	Transportation Fund	Water Utility Fund	Totals
Operating revenues:				
Charges for services	\$ 14,488,968	\$ 750,098	\$ -	\$ 15,239,066
Total operating revenues	\$ 14,488,968	\$ 750,098	\$ -	\$ 15,239,066
Operating expenses:				
Salaries	\$ 767,797	\$ 2,034,849	\$ -	\$ 2,802,646
Fringe benefits	365,143	1,037,459	-	1,402,602
Contractual services	2,361,387	122,480	-	2,483,867
Internal services	630,897	2,009,052	-	2,639,949
Other operating expenses	301,405	67,673	-	369,078
Miscellaneous capital outlay	23,229	74,644	-	97,873
Depreciation and amortization	2,297,608	264,020	-	2,561,628
Total operating expenses	\$ 6,747,466	\$ 5,610,177	\$ -	\$ 12,357,643
Income (loss) from operations	\$ 7,741,502	\$ (4,860,079)	\$ -	\$ 2,881,423
Nonoperating revenues (expenses):				
Investment income	\$ 24	\$ -	\$ -	\$ 24
Interest expense	(681,743)	-	-	(681,743)
Northern Virginia Transportation Commission	-	752,480	-	752,480
Total nonoperating revenues (expenses)	\$ (681,719)	\$ 752,480	\$ -	\$ 70,761
Net income (loss) before transfers	\$ 7,059,783	\$ (4,107,599)	\$ -	\$ 2,952,184
Transfers:				
Transfers in	\$ 52,573	\$ 2,982,890	\$ -	\$ 3,035,463
Change in net position	\$ 7,112,356	\$ (1,124,709)	\$ -	\$ 5,987,647
Net position (deficit), beginning of year	21,053,836	(2,533,283)	(95,977)	18,424,576
Net position (deficit), end of year	\$ 28,166,192	\$ (3,657,992)	\$ (95,977)	\$ 24,412,223

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

Statement of Cash Flows - Proprietary Funds
Year Ended June 30, 2022

	Wastewater Fund	Transportation Fund	Nonmajor Fund Utility Fund	Totals
Cash flows from operating activities:				
Receipts from customers and users	\$ 14,495,956	\$ 1,500,098	\$ -	\$ 15,996,054
Payments to employees (including fringe benefits)	(1,097,538)	(2,889,190)	-	(3,986,728)
Payments for operating activities	(3,255,317)	(2,197,599)	-	(5,452,916)
Net cash provided by (used for) operating activities	\$ 10,143,101	\$ (3,586,691)	\$ -	\$ 6,556,410
Cash flows from non-capital financing activities:				
Transfers in	\$ 52,573	\$ 2,982,890	\$ -	\$ 3,035,463
Intergovernmental grants	-	1,356,000	-	1,356,000
Net cash provided by (used for) non-capital financing activities	\$ 52,573	\$ 4,338,890	\$ -	\$ 4,391,463
Cash flows from capital and related financing activities:				
Purchase and construction of capital assets	\$ (4,321,723)	\$ -	\$ -	\$ (4,321,723)
Intergovernmental grants	-	-	-	-
Principal paid on bonds and notes	(600,000)	-	-	(600,000)
Interest paid on debt	(764,469)	-	-	(764,469)
Net cash provided by (used for) capital and related financing activities	\$ (5,686,192)	\$ -	\$ -	\$ (5,686,192)
Cash flows from investing activities:				
Interest income	\$ 24	\$ -	\$ -	\$ 24
Net increase (decrease) in cash and cash equivalents	\$ 4,509,506	\$ 752,199	\$ -	\$ 5,261,705
Cash and cash equivalents at beginning of year	4,197,653	-	306,916	4,504,569
Cash and cash equivalents at end of year	\$ 8,707,159	\$ 752,199	\$ 306,916	\$ 9,766,274
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Cash flows from operations:				
Income (loss) from operations	\$ 7,741,502	\$ (4,860,079)	\$ -	\$ 2,881,423
Adjustment to reconcile net income (loss) to net cash provided by (used for) operating activities:				
Depreciation and amortization	2,297,608	264,020	-	2,561,628
Changes in operating accounts:				
(Increase) decrease in:				
Accounts receivable	(66,272)	-	-	(66,272)
Prepaid items	(6,933)	4,110	-	(2,823)
Due from other governments	-	750,000	-	750,000
Increase (decrease) in:				
Accounts payable and accrued liabilities	68,534	72,140	-	140,674
Compensated absences	4,296	6,028	-	10,324
Net OPEB activity	(30,561)	92,897	-	62,336
Net pension activity	61,667	84,193	-	145,860
Customer deposits and other liabilities	73,260	-	-	73,260
Net cash provided by (used for) operating activities	\$ 10,143,101	\$ (3,586,691)	\$ -	\$ 6,556,410

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

Statement of Fiduciary Net Position
Fiduciary Funds
At June 30, 2022

Assets	
Cash and cash equivalents	\$ 200,000
Mutual and money market funds	124,133,521
Stocks	4,875,073
Accrued interest	<u>547</u>
 Total assets	 \$ <u>129,209,141</u>
Net Position	
Restricted for pension benefits	\$ <u>129,209,141</u>

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

Statement of Changes in Fiduciary Net Position
 Fiduciary Funds
 Year Ended June 30, 2022

Additions

Plan members and employer contributions	\$ 7,876,715
Investment income:	
Interest and dividends earned on investments	\$ 203,202
Net appreciation in fair value of investments	(23,005,129)
Total investment income	\$ (22,801,927)
Less: Investment expenses	774,238
Net investment income	\$ (23,576,165)
Total additions	\$ (15,699,450)

Deductions

Retirement and disability benefits	\$ 9,161,566
Total deductions	\$ 9,161,566
Change in net position	\$ (24,861,016)

Net position - beginning	154,070,157
Net position - ending	\$ 129,209,141

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

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements June 30, 2022

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Fairfax, Virginia, conform with accounting principles generally accepted in the United States of America (GAAP), as applied to governmental units promulgated by the Governmental Accounting Standards Board (GASB). The more significant of the government's accounting policies are described below.

A. Entity and Services

The City of Fairfax, Virginia (the "City") is a political subdivision of the Commonwealth of Virginia. Cities in Virginia are separate from counties, and thus, the City is not part of any other political subdivision. Citizens elect a Mayor and a six-member City Council to two-year terms and a Treasurer and Commissioner of Revenue to four-year terms. The Mayor and the Council appoint a City Manager to act as chief executive.

The City provides the following services: public safety (police and fire), community development (e.g., planning and zoning), public works (e.g., streets), sewage collection, refuse collection, and local bus service. The City contracts with Fairfax County and the Commonwealth of Virginia to provide the following services to its residents: courts, correctional facilities, educational services (in City-owned buildings), welfare, libraries, and sewage treatment.

B. Financial Reporting Entity

As required by GAAP, the accompanying financial statements present the financial data of the City (the Primary Government) and its component units. The financial data of the component units are included in the City's basic financial statements because of the significance of their operational or financial relationships with the City. The City and its component units are together referred to herein as the reporting entity.

Discretely Presented Component Units - Discretely presented component units are reported separate from the primary government to emphasize that they are both legally and substantially separate from the City. The following organizations have been included in the reporting entity as discretely presented component units:

City of Fairfax School Board - The City of Fairfax School Board is responsible for educating the school age population of the City facilitated through a contractual school services agreement with the County of Fairfax, Virginia. The City of Fairfax School Board consists of five (5) qualified voters of the City elected by popular vote at large. The School Board is fiscally dependent upon the City because the City Council approves the annual budget of the School Board, levies the necessary taxes to finance operations and approves the borrowing of money and issuance of debt. Further, the City is enjoined in the School Service Agreement for tuition under the County contract. The School Board does not issue separate financial statements and, as such, they have been included in these statements. The School Board utilizes an operating and a capital projects fund:

School Operating Fund - This fund is the primary operating fund of the School Board and accounts for and reports all revenues and expenditures applicable to the general operations of the public school system. Revenues are derived primarily from charges for services, appropriations from the City and state and federal grants.

School Bond Renovation Capital Projects Fund - Accounts for and reports financial resources that are restricted, committed or assigned to expenditure for capital outlays, except for those financed by proprietary funds or for assets held in trust for individuals, private organizations, or other governments

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

B. Financial Reporting Entity: (Continued)

Discretely Presented Component Units: (Continued)

Industrial Development Authority (IDA) and Economic Development Authority (EDA) - These Authorities have responsibility for encouraging industrial and commercial development in the City and making recommendations to City Council. Each of these Authorities has a Board consisting of seven directors appointed by City Council. Although the Authorities are legally separate, they are fiscally dependent on the City, which also acts as their fiscal agent by paying all their personnel and administrative expenses associated with the Authorities. Separate financial statements are not issued.

Industrial Development Authority Fund - accounts for and reports the general operations of the IDA with financing provided by rental income from owned properties.

Economic Development Authority Fund - accounts for and reports the general operations of the EDA with financing provided through miscellaneous reimbursements.

Other Related Organizations not included in these Financial Statements

Fairfax Volunteer Fire Department, Inc. - Fairfax Volunteer Fire Department, Inc. is organized as a volunteer firefighting organization and is designed as a Fire Company of the City. The Department Chief is the Department Head, appointed by the City Manager, after consultation with the Board of Directors of the Fairfax Volunteer Fire Department, Inc., and with concurrence of City Council. The Department Chief has responsibility and authority for all operations and administration of the Department. The City cannot impose its will on the Volunteer Fire Department or override or modify the decisions of the Board of Directors. The Volunteer Fire Department is fiscally independent and there is no financial benefit or burden relationship with the City. Therefore, it is not included in the City's financial statements.

Historic Fairfax City, Inc. - Historic Fairfax, Inc. - was incorporated in 1983 as a non-profit corporation for the purpose of promoting and preserving historic properties and increasing public awareness and appreciation of the history of the City of Fairfax and the Courthouse area. The Board consists of fourteen (14) members. Five (5) members are appointed by City Council. The Corporation is legally separate, and the City cannot impose its will on the Corporation. The Corporation is fiscally independent and there is no financial benefit or burden relationship with the City. Therefore, it is not included in the City's financial statements.

Northern Virginia Regional Park Authority - The Northern Virginia Regional Park Authority (NVRPA) was created under the authority of the Code of Virginia, Title 15.1, Chapter 27-Park Authorities Act, for the purpose of planning, acquiring, developing, constructing, operating, and maintaining a system of regional parks within the geographical limits of the political subdivisions composing the said Authority. The bylaws were adopted on February 3, 1959 and amended on April 14, 1965. The NVRPA consists of twelve (12) members. Two (2) members are appointed by City Council. The NVRPA is legally separate and the City cannot impose its will on the NVRPA, which is also fiscally independent and there is no financial benefit or burden relationship with the City. Therefore, it is not included in the City's financial statements.

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

C. Government-Wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. The focus is on both the City as a whole and the fund financial statements, including the major individual funds of the governmental and proprietary fund categories, as well as the fiduciary funds, (by category) and the component units. Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business-type. In the government-wide Statement of Net Position, the governmental activities columns (a) are presented on a consolidated basis and (b) are reflected on a full accrual, economic resource basis, which incorporates long-term assets as well as long-term debt and obligations. Each presentation provides valuable information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the information.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (public safety, public works, health and welfare, etc.) that are otherwise being supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions. The program revenues must be directly associated with the function (public safety, public works, health and welfare, etc.) or a business-type activity. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and 2) grants and contributions that are restricted to meeting the operation or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues. Operating grants and contributions include operating-specific and discretionary grants while the capital grants column reflects capital-specific grants. Proprietary fund operating revenues consist of charges for services and related revenues. Nonoperating revenues consist of contributions, grants, investment earnings and other revenues not directly derived from the providing of services.

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

In the fund financial statements, financial transactions and accounts of the City are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

The governmental fund statements are presented on a current financial resource and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented to briefly explain the adjustment necessary to reconcile the fund financial statements to the governmental column of the government-wide financial statements. The proprietary funds utilize the accrual basis of accounting, where the measurement focus is upon determination of net income.

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

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

The City's fiduciary funds are two pension trust funds and since, by definition, these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the City, these funds are not incorporated into the government-wide statements.

The following is a brief description of the specific funds used by the City:

Governmental Funds - Account for the expendable financial resources, other than those accounted for in Proprietary and Fiduciary Funds, and utilize the modified accrual basis of accounting, where the measurement focus is upon determination of financial position and changes in financial position, rather than the determination of net income. The individual governmental funds are:

General Fund - The primary operating fund of the City and is used to account for and report all revenues and expenditures applicable to the general operations of the City, which are not accounted for in other funds. Revenues are derived primarily from property and other local taxes, licenses, permits, charges for services, use of money and property, and intergovernmental grants. Many of the more important activities of the City, including operation of the City's general service departments, street and highway maintenance, public safety, parks, cemetery, library and recreation programs, are accounted for in this fund. The General Fund is considered a major fund for financial reporting purposes.

Capital Projects Funds - Account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays, except for those financed by proprietary funds. The General Capital Projects Fund is considered a major fund. The Stormwater Fund is reported as a nonmajor fund.

Special Revenue Funds - Account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The ARPA Fund is considered a major fund. The Commercial Transportation Tax Fund, the Legacy for Fairfax Fund and Old Town Fairfax Fund are reported as nonmajor funds.

Proprietary Funds - Account for operations that are financed in a manner similar to private business enterprises wherein the measurement focus is upon determination of net income, net position, and changes in net position. Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The City's enterprise funds consist of the following:

Wastewater Fund - This major fund is used to account for the operation and maintenance of the City's sanitary sewer system.

Transportation Fund -- This major fund is used to account for the operation and maintenance of the City's CUE Bus System, which receives funding through grants from the Commonwealth and the Federal government as well as Commercial Transportation Tax Fund transfers and charges for services.

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

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

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

Fiduciary Funds - Account for assets held by the City in a trustee capacity and utilize the accrual basis of accounting. The following funds are included in this fund type:

City Supplemental Pension Trust Fund - Accounts for pension funds for the City's full-time general employees.

Firefighters, Policemen, and Policewomen Pension Trust Fund - Accounts for pension funds for the City's full-time public safety personnel.

D. Basis of Accounting

The accompanying financial statements are prepared in accordance with pronouncements issued by the Governmental Accounting Standards Board. The principles prescribed by GASB represent generally accepted accounting principles applicable to governmental units.

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of recognition in the financial statements of various kinds of transactions or events.

The government-wide Statement of Net Position and Statement of Activities, all proprietary funds, and private purpose trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these activities are either included on the Statement of Net Position or on the Statement of Fiduciary Net Position. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net position.

The Statement of Net Position, Statement of Activities, proprietary and fiduciary funds are presented on the accrual basis of accounting. Under this method of accounting, revenues are recognized when earned and expenses are recorded when liabilities are incurred without regard to receipt or disbursement of cash.

The governmental fund financial statements, for the Primary Government and component units, are maintained and reported on the modified accrual basis of accounting using the current financial resources measurement focus. Under this method of accounting, revenues are recognized in the period in which they become measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 45 days of the end of the current period. Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectable amounts. Property taxes not collected within 45 days after year-end are reflected as deferred inflows of resources - unavailable revenues taxes. Sales and utility taxes, which are collected by the Commonwealth or utilities and subsequently remitted to the City, are recognized as revenues and receivable upon collection, which is generally one or two months preceding receipt by the City. Licenses, permits, fines, and rents are recorded revenues when received.

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

D. Basis of Accounting: (Continued)

Intergovernmental revenues, consisting primarily of Federal, state, and other grants for the purpose of funding specific expenditures, are recognized when the qualifying expenditures have been incurred and all other eligibility requirements have been met. Revenues from general-purpose grants are recognized in the period to which the grant applies. All other revenue items are considered to be measurable and available only when the City receives cash.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this rule include: (1) accumulated unpaid vacation leave, sick leave, and other employee amounts (e.g., other postemployment benefits), which are recognized when paid, and (2) principal and interest payments on general long-term debt, including lease liabilities, both of which are recognized when due. General capital asset acquisitions, including entering into contracts giving the government the right to use lease assets, are reported as expenditures in the governmental funds. Issuance of long-term debt and financing through leases are reported as other financing sources.

E. Stewardship, Compliance, and Accountability

Budgeting Information

The City Council's fiscal control is exercised through two distinct processes: budgeting and appropriations. The City budget is developed for informative and fiscal planning purposes only and presents an itemized listing of contemplated expenditures and estimated revenues for the ensuing fiscal year. The City Council adopts an annual budget for the General Fund. Budgets for the Capital Projects Funds, Old Town Fairfax Fund, the Commercial Transportation Tax Fund and the Stormwater Fund are prepared annually as part of a five-year plan for capital improvements and represent project-length budgets. Budgets for the enterprise funds serve as a spending guide for the City and do not constitute legally binding limitations.

When the budget becomes effective at the beginning of the fiscal year, the City Council must make appropriations before money may be expended for any budgeted program, project or operation. Appropriations are made on an annual basis with supplemental appropriations made as needed. Such appropriations may be greater than contemplated in the annual budget. All appropriations lapse at year-end.

The City's appropriated budget is prepared by fund and department. Appropriations are legally controlled at the department level. The budget is administratively controlled at the department level. The City Manager may approve all transfers within the same department. All other transfers must be approved by City Council. A supplemental appropriation which exceeds one percent of total expenditures shown in the currently adopted budget must be accomplished by publishing a notice of public hearing in a newspaper having general circulation in the City seven days prior to the hearing. The notice shall state the City's intent to amend the amounts to be appropriated and include a brief synopsis of the proposed action. The City Council approved supplemental appropriations that increased the General Fund original budget by \$7,239,564 in the general fund.

The budgets are prepared using the same accounting basis and practices as are used to account for and prepare the financial reports for the fund; thus, the budgets presented in this report for comparison to actual amounts are presented in accordance with accounting principles generally accepted in the United States of America.

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
June 30, 2022 (Continued)

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

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

Budgeting Information: (Continued)

Encumbrance accounting, under which purchase orders and contracts are recorded to commit that portion of the applicable appropriation, is employed as an extension of formal budgetary integration. Encumbrances outstanding at year end are not included as expenditures but are reported as commitments of fund balances in all funds and are reappropriated in the following year. Encumbrances totaled \$475,334 for the General Fund as of June 30, 2022.

Excess of expenditures over appropriations

Expenditures exceeded appropriations for the year ended June 30, 2022 as follows:

<u>Fund</u>	<u>Appropriations</u>	<u>Actual</u>	<u>Variance</u>
General Fund			
City clerk	\$ 217,719	\$ 343,254	\$ (125,535)
City attorney	568,200	577,022	(8,822)
Public audit of accounts	89,051	90,314	(1,263)
Personnel	1,266,511	1,313,804	(47,293)
Community relations	413,855	450,810	(36,955)
Information technology	1,770,017	1,836,967	(66,950)
Printing and office supplies	271,292	444,848	(173,556)
Pool maintenance	20,000	40,100	(20,100)
Commonwealth attorney	156,298	207,938	(51,640)
Police administration	1,732,216	2,039,558	(307,342)
Police operations	7,784,226	7,912,317	(128,091)
Fire and rescue suppression	11,407,309	12,168,699	(761,390)
Storm drainage	959,967	997,462	(37,495)
Refuse collection	2,989,614	3,035,126	(45,512)
Street rights of way	1,378,993	1,395,063	(16,070)
County agent	40,000	57,491	(17,491)
Health service department	1,663,478	1,692,909	(29,431)
Housing and community development	-	243,054	(243,054)
Special events	831,226	880,426	(49,200)
Parks and ball field maintenance	1,501,382	1,559,090	(57,708)
Principal retirement	8,651,380	8,770,807	(119,427)
Bond issuance costs	(121,000)	194,550	(315,550)

F. Cash and Cash Equivalents

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

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

F. Cash and Cash Equivalents: (Continued)

Cash of individual funds (other than the Industrial Development Authority and the Economic Development Authority) is combined to form a pool of cash and investments. The pool consists primarily of certificates of deposit, repurchase agreements, government and corporate obligations, commercial paper, and the Commonwealth of Virginia’s Local Government Investment Pool (LGIP). All securities are stated at fair value, based on quoted market prices and the investment in the LGIP and SNAP, which operates in accordance with appropriate state laws and regulations, is reported at amortized cost. The reported value of the pool is the same as the fair value of the pool shares. Interest earned as a result of pooling is distributed to the appropriate funds utilizing a formula based on month-end balances. All investments are stated at fair value.

G. Inventories and Prepaid Items

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

H. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e. the current portion of interfund loans). All other outstanding balances between funds are reported as “advances to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

All trade and property tax receivables are shown net of an allowance for uncollectibles. The City calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to \$325,748 at June 30, 2022 in the General Fund for property taxes.

Property taxes are levied as of January 1 based on the assessed value of real and personal property as of that date. The City’s legal right to collect property taxes attaches each year when the rates are approved, and the taxes are assessed. Real estate taxes are collectible twice a year, on June 26 and December 5. Personal property taxes are due on October 5. Amounts not collected within 45 days after year-end are reflected as unavailable revenue.

	<u>Real Property</u>	<u>Personal Property</u>
Levy date	January 1	January 1
Due date and collection date	June 26 and December 5	October 5
Lien date for delinquent taxes	3 years from due date	Various

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

I. Capital Assets

Capital outlays are recorded as expenditures of the governmental funds and as assets in the proprietary funds and in the government-wide financial statements to the extent the City’s capitalizations threshold is met. The City capitalizes assets which have an initial cost of \$10,000 or more per unit (\$5,000 for assets purchased with Federal monies) and a useable life of two or more years. “Infrastructure” assets (roads, bridges, curbs, gutters, etc.) are capitalized when the initial cost exceeds \$50,000. Repairs and maintenance are charged to operations as they are incurred. Additions and betterments are capitalized. The cost of assets retired, along with accumulated depreciation, are removed from the accounts.

All capital assets are included in the financial statements at historical cost or estimated historical cost if actual cost is not available (except for intangible right-to-use assets (lease assets), the measurement of which is discussed in more detail below). Donated capital assets are valued at their acquisition value on the date donated.

Land and construction in progress are not depreciated. The other tangible and intangible property, plant equipment, lease assets, and infrastructure of the primary government, as well as the component unit, are depreciated/amortized using the straight-line method over the following estimated useful lives:

Buildings and improvements	10-50 years
Infrastructure	12-75 years
Wastewater infrastructure	25-50 years
Machinery and equipment	5-25 years
Intangibles	25-32 years
Lease machinery and equipment	1- 5 years
Lease buildings	1 - 5 years

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

J. Compensated Absences

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

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

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

K. Deferred Outflows/Inflows of Resources

In addition to assets, the financial statements includes a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. One type of deferred outflow of resources relates to the amount by which the principal and premium of a refunding bond exceeded the net carrying amount of the refunded debt and is being amortized over the shorter of the life of the refunded or refunding debt. Other deferred outflows are related to pension and OPEB. For more information on these items, reference the related notes.

In addition to liabilities, the financial statements includes a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources, under the modified accrual basis of accounting, representing property taxes receivable, are reported in the governmental funds' Balance Sheet. This amount is comprised of uncollected property taxes due prior to June 30, 2nd half installments levied during the fiscal year but due after June 30th and amounts prepaid on the 2nd half installments deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, 2nd half installments levied during the fiscal year to fund the next fiscal year and amounts prepaid on the 2nd half installments are reported as deferred inflows of resources. Deferred inflows of resources are also reported for amounts related to pensions, leases, and OPEB. For more information on these items, reference the related notes.

L. Pensions

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

M. Other Postemployment Benefits (OPEB)

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

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

N. Long-Term Obligations

In the government-wide financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued and premiums on issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

O. Net Position

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

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

P. Net Position Flow Assumption

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

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

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

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

Q. Component Unit-School Board Capital Asset and Debt Presentation: (Continued)

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

The Virginia General Assembly amended the Code of Virginia to allow a tenancy in common with the School Board whenever the locality incurs a financial obligation which is payable over more than one fiscal year for any school property. The tenancy in common terminates when the associated debt has been paid in full. For financial reporting purposes, the legislation permits the locality to report the portion of the school property related to any outstanding financial obligation, thus eliminating a potential deficit from financing capital assets with debt.

R. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources as well as the disclosure of contingent amounts at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

S. Fund Balance

The City reports fund balance in accordance with GAAP, wherein the following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

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

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
June 30, 2022 (Continued)

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

S. Fund Balance: (Continued)

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

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

	General Fund	General Capital Projects Fund	Other Governmental Funds	Total
Fund Balances:				
Nonspendable:				
Inventory	\$ 899,752	\$ -	\$ -	\$ 899,752
Prepays	2,553,967	3,967,421	65,007	6,586,395
Total Nonspendable Fund Balance	<u>\$ 3,453,719</u>	<u>\$ 3,967,421</u>	<u>\$ 65,007</u>	<u>\$ 7,486,147</u>
Restricted:				
Grants	\$ 366,528	\$ -	\$ -	\$ 366,528
Legacy for Fairfax donations	-	-	366,015	366,015
Debt proceeds	9,919	-	-	9,919
Other purposes	472,939	-	-	472,939
Total Restricted Fund Balance	<u>\$ 849,386</u>	<u>\$ -</u>	<u>\$ 366,015</u>	<u>\$ 1,215,401</u>
Assigned:				
Equipment replacement/maintenance	\$ 41,766	\$ -	\$ -	\$ 41,766
Contract services	429,849	-	-	429,849
Capital projects	-	-	7,314,005	7,314,005
Other purposes	3,719	-	-	3,719
Total Assigned Fund Balance	<u>\$ 475,334</u>	<u>\$ -</u>	<u>\$ 7,314,005</u>	<u>\$ 7,789,339</u>
Unassigned Fund Balance (Deficit)	<u>\$ 31,453,451</u>	<u>\$ (5,804,333)</u>	<u>\$ -</u>	<u>\$ 25,649,118</u>
Total Fund Balances (Deficit)	<u><u>\$ 36,231,890</u></u>	<u><u>\$ (1,836,912)</u></u>	<u><u>\$ 7,745,027</u></u>	<u><u>\$ 42,140,005</u></u>

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

T. Leases

The City leases various assets requiring recognition. A lease is a contract that conveys control of the right to use another entity's nonfinancial asset. Lease recognition does not apply to short-term leases, contracts that transfer ownership, leases of assets that are investments, or certain regulated leases.

Lessee

The City recognize lease liabilities and intangible right-to-use lease assets (lease assets) in the aggregate in the government-wide financial statements. At the commencement of the lease, the lease liability is measured at the present value of payments expected to be made during the lease term (less any lease incentives). The lease liability is reduced by the principal portion of payments made. The lease asset is measured at the initial amount of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. The lease asset is amortized over the shorter of the lease term or the useful life of the underlying asset.

Lessor

The City recognizes leases receivable and deferred inflows of resources in the government-wide and governmental fund financial statements. At commencement of the lease, the lease receivable is measured at the present value of lease payments expected to be received during the lease term, reduced by any provision for estimated uncollectible amounts. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is measured at the initial amount of the lease receivable, less lease payments received from the lessee at or before the commencement of the lease term (less any lease incentives).

Key Estimates and Judgments

Lease accounting includes estimates and judgments for determining the (1) rate used to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The City uses the interest rate stated in lease contracts. When the interest rate is not provided or the implicit rate cannot be readily determined, the City uses their estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease and certain periods covered by options to extend to reflect how long the lease is expected to be in effect, with terms and conditions varying by the type of underlying asset.
- Fixed and certain variable payments as well as lease incentives and certain other payments are included in the measurement of the lease liability (lessee) or lease receivable (lessor).

The City monitors changes in circumstances that would require a remeasurement or modification of its leases. The City will remeasure the lease asset and liability (lessee) or the lease receivable and deferred inflows of resources (lessor) if certain changes occur that are expected to significantly affect the amount of the lease liability or lease receivable.

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
June 30, 2022 (Continued)

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

U. Adoption of Accounting Principles:

The City implemented provisions of Governmental Accounting Standards Board Statement Nos. 87, *Leases* and 92, *Omnibus 2020* during the fiscal year ended June 30, 2022. Statement No. 87, *Leases* requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Statement No. 92, *Omnibus 2020* addresses a variety of topics, including leases. Using the facts and circumstances that existed at the beginning of the year of implementation, the following balances were recognized as of July 1, 2021 related to the leases:

	<u>Governmental Activities</u>	<u>Component Unit IDA</u>
Leasee activity:		
Lease assets	\$ 69,723	\$ -
Lease liabilities	\$ 69,723	\$ -
Lessor activity:		
Leases receivable	\$ -	\$ 418,687
Deferred inflows of resources - leases	\$ -	\$ 418,687

NOTE 2—DEPOSITS AND INVESTMENTS

Deposits - Deposits with banks are covered by the Federal Deposit Insurance Corporation (“FDIC”) and collateralized in accordance with the Virginia Security for Public Deposits Act (the “Act”) Section 2.2- 4400 et. seq. of the Code of Virginia. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial Institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

Investment Policy - State statutes and the City’s investment policy authorize local governments and other public bodies to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (“World Bank”), the Asian Development Bank, the African Development Bank “prime quality” commercial paper that has received at least two of the following ratings: P-1 by Moody’s Investors Service, Inc.; A-1 by Standard and Poor’s; or F1 by Fitch Ratings, Inc. (Section 2.2-4502), and certain corporate notes banker’s acceptances, repurchase agreements, and the State Treasurer’s Local Government Investment Pool (LGIP).

NOTE 2—DEPOSITS AND INVESTMENTS: (CONTINUED)

The LGIP is a professionally managed money market fund which invests in qualifying obligations and securities as permitted by Virginia statutes. Pursuant to Sec. 2.2-4605 of the Code of Virginia, the Treasury Board of the Commonwealth sponsors the LGIP and has delegated certain functions to the State Treasurer. The LGIP reports to the Treasury Board at its regularly scheduled monthly meetings.

Investment in SNAP is used to assist in avoiding arbitrage penalties enacted with the Tax Reform Act of 1986. Sections 2.2-4700 through 2.2-4705 of the Code of Virginia, the Government Non-Arbitrage Investment Act, authorizes the Virginia Treasury Board to provide assistance to the Commonwealth of Virginia, counties, cities, and towns in the Commonwealth, and to their agencies, institutions and authorities of any combination of the foregoing (“Virginia governments”) in the management of and accounting for their bond funds, including, without limitation, bond proceeds, reserves, and sinking funds, and the investment thereof.

The policies and standards that regulate specific investments and the composition of the investment portfolio shall include, but not be limited to, the following:

- No investment shall be purchased if the yield is less than that of the most recently auctioned issue of the United States Treasury of a similar term.
- At no time shall more than 35% of the portfolio be invested in commercial paper.
- No more than 10% of the portfolio shall be invested in the commercial paper of a single entity.
- At no time shall the aggregate dollar amount of securities with maturity dates in excess of six months exceed 10% of the total budget of the City for the current fiscal year.
- The Treasurer shall avoid an excessive concentration in any type of investment and an excessive number of investment transactions with any financial institution or broker/dealer.
- The Treasurer shall use the average of the three-month Treasury bill auctions for a quarter as a benchmark for the return on the investment portfolio.

The Treasury may direct SNAP to invest bond proceeds in securities with maturities greater than one year if it is determined that such bond proceeds will be redeemed more than one year in the future. Further, investments of \$500,000 or more must be selected on a competitive basis. The Treasurer may purchase or sell investments at his discretion without competition provided that the securities involved meet all the criteria for allowed investments and do not exceed \$500,000. Consideration for the safety of capital shall be paramount over the probable income to be derived. There are also certain standards of “adequacy” and “appropriateness” set by the Treasurer, in addition to the credit worthiness of an institution that must be considered.

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
June 30, 2022 (Continued)

NOTE 2—DEPOSITS AND INVESTMENTS: (CONTINUED)

Credit Risk of Debt Securities - As required by state statute, the Policy requires that commercial paper have a short-term debt rating of no less than “A-1” (or its equivalent) from at least two of the following; Moody’s Investors Service, Standard & Poor’s and Fitch Investor’s Service. Corporate notes, negotiable Certificates of Deposit and bank deposit notes maturing in less than one year must have a short-term debt rating of at least “A-1” by Standard & Poor’s and “P-1” by Moody’s Investor Service. Notes having a maturity of greater than one year must be rated “AA” by Standard & Poor’s and “Aa” by Moody’s Investor Service.

City's Rated Debt Investments' Values			
Rated Debt Investments	Fair Quality Ratings		
	AAAm	AA+	
U.S. Agencies	\$ -	\$ 10,334,253	
Local Government Investment Pool	18,154,266	-	
Money Market Mutual Funds	5,308,981	-	
SNAP	5,619,682	-	
Total	\$ 29,082,929	\$ 10,334,253	

External Investment Pools

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

Concentration of Credit Risk - Concentration of credit risk is defined as the risk of loss attributed to the magnitude of a government’s investment in a single issuer. If certain investments in any one issuer represent 5% of total investments, there must be a disclosure for the amount and issuer. At June 30, 2022, no portion of the City’s portfolio, excluding the LGIP, SNAP, and U.S. Government money market mutual funds, exceeded 5% of the total portfolio.

Interest Rate Risk - Interest rate risk is defined as the risk that changes in interest rates will adversely affect the fair value of an investment. As a means of limiting exposure to fair value losses arising from rising interest rates, the City’s policy limits the investment of operating funds to investments with a stated maturity of no more than two years from the date of purchase.

Investment Maturities				
Investment Type	Fair Value	Less Than 1 Year	1-5 Years	Greater Than 10 Years
U.S. Agencies	\$ 10,334,253	\$ 22,699	\$ 10,198,910	\$ 112,644
Local Government Investment Pool	18,154,266	18,154,266	-	-
SNAP	5,619,682	5,619,682	-	-
Total	\$ 34,108,201	\$ 23,796,647	\$ 10,198,910	\$ 112,644

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
June 30, 2022 (Continued)

NOTE 2—DEPOSITS AND INVESTMENTS: (CONTINUED)

External Investment Pools: (Continued)

Fair Value Measurements - The City categorizes their fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, level 2 inputs are quoted prices in active markets for similar assets, and level 3 inputs are unobservable inputs. The City gives the highest priority to unadjusted quoted prices in active markets for identical assets (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

Investments that are measured at fair value using amortized cost in determining the net asset value per share are not classified in the fair value hierarchy.

The City has the following recurring fair value measurements at June 30, 2022:

Investment	June 30, 2022	Fair Value Measure Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Quoted Prices In Active Markets for Similar Assets Level (2)	Unobservable Inputs Level (3)
U.S. Agencies	\$ 10,334,253	\$ 10,334,253	\$ -	\$ -
Money Market Mutual Funds	5,308,981	5,308,981	-	-
Total	\$ 15,643,234	\$ 15,643,234	\$ -	\$ -

The City's fiduciary funds had the following recurring fair value measurements at June 30, 2022:

Investment	June 30, 2022	Fair Value Measure Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Quoted Prices In Active Markets for Similar Assets Level (2)	Unobservable Inputs Level (3)
Mutual and money market funds	\$ 124,133,521	\$ 82,541,776	\$ 41,591,745	\$ -
Equities	4,875,073	4,875,073	-	-
Total	\$ 129,008,594	\$ 87,416,849	\$ 41,591,745	\$ -

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
June 30, 2022 (Continued)

NOTE 3—RECEIVABLES AND ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS

The City determines its allowances using historical collection data, specific account analysis and management's judgment. Receivables at June 30, 2022 for the City's individual major and nonmajor funds, including the applicable allowances for uncollectible accounts, are as follows:

Primary Government

	Government Activities		Business-type Activities	
	General Fund	Stormwater Fund	Wastewater Fund	Totals
Property taxes	\$ 39,246,565	\$ -	\$ -	\$ 39,246,565
Trade and other accounts	1,565,699	97,400	2,152,051	3,815,150
Gross receivables	\$ 40,812,264	\$ 97,400	\$ 2,152,051	\$ 43,061,715
Less allowance for uncollectible accounts	(325,748)	-	-	(325,748)
Net receivables	\$ <u>40,486,516</u>	\$ <u>97,400</u>	\$ <u>2,152,051</u>	\$ <u>42,735,967</u>

Governmental funds report deferred/unavailable/unearned revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred/unavailable revenue and unearned revenue reported were as follows:

	Unavailable/Unearned	
	Governmental Activities	Governmental Funds
Property taxes receivable	\$ 37,177,318	\$ 38,142,052
Prepaid property taxes	562,516	562,516
American rescue plan	14,792,761	14,792,761
Other	3,069,230	3,373,201
Total	\$ <u>55,601,825</u>	\$ <u>56,870,530</u>

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
June 30, 2022 (Continued)

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

Amounts due from other governments include the following:

	<u>Governmental Activities</u>			<u>Business-type Activities</u>		
		<u>General Capital Projects Fund</u>	<u>Old Town Fairfax Fund</u>	<u>Transportation Fund</u>	<u>Total Primary Government</u>	<u>Component Unit School Board</u>
	<u>General</u>					
Commonwealth of Virginia:						
Local sales tax	\$ 2,398,361	\$ -	\$ -	\$ -	\$ 2,398,361	-
Communication sales tax	259,806	-	-	-	259,806	-
State sales tax	-	-	-	-	-	811,359
Other	148,738	2,266,819	50,611	-	2,466,168	435,691
Federal government	183,017	395,649	-	-	578,666	-
County of Fairfax	-	-	-	-	-	1,309,583
Northern Virginia						
Transportation Commission	-	-	-	752,480	752,480	-
District Court	52,506	-	-	-	52,506	-
Other	153,490	47,052	-	-	200,542	-
Total	<u>\$ 3,195,918</u>	<u>\$ 2,709,520</u>	<u>\$ 50,611</u>	<u>\$ 752,480</u>	<u>\$ 6,708,529</u>	<u>\$ 2,556,633</u>

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

Interfund receivables and payables related to working capital loans at June 30, 2022 are as follows:

	<u>Due From</u>	<u>Due To</u>
General Fund	\$ 9,692,753	\$ -
Transportation Fund	-	2,881,772
General Capital Projects	-	6,715,005
Water Utility Fund	-	95,976
Total	<u>\$ 9,692,753</u>	<u>\$ 9,692,753</u>

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
June 30, 2022 (Continued)

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

A summary of interfund activity is presented as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 20,774,054
Capital Projects Fund	18,891,819	-
Old Town Fairfax Fund	88,201	-
Commercial Transportation Tax Fund	2,298,233	5,603,770
Stormwater Fund	2,064,108	-
Wastewater Fund	52,573	-
Transportation Fund	2,982,890	-
	<u> </u>	<u> </u>
Totals	\$ 26,377,824	\$ 26,377,824

The transfer from the General Fund to the General Capital Projects Fund, Stormwater Fund and Old Town Fairfax Fund and from the Commercial Transportation Tax Fund to the Capital Projects Fund are for the City's annual support of capital project expenditures. The transfer from the General Fund to the Commercial Transportation Tax Fund is to transfer tax revenues. The transfer from the Commercial Transportation Tax Fund to the Transportation Fund is to fund transportation expenditures.

NOTE 5—INVENTORY:

At June 30, 2022, the City has inventory recorded in the General Fund (\$899,752 of expendable supplies) and Economic Development Authority (\$862,594 of land and building held for resale).

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements June 30, 2022 (Continued)

NOTE 6—CAPITAL ASSETS:

The following is a summary of capital asset activity for the year ended June 30, 2022:

	Balance July 1, 2021	GASB 87 Implementation	Additions	Deletions	Balance June 30, 2022
Primary Government:					
Governmental Activities:					
Capital assets, not being depreciated:					
Land	\$ 59,270,983	\$ -	\$ 1,855,965	\$ -	\$ 61,126,948
Construction in progress	78,169,675	-	5,250,066	78,170,096	5,249,645
Total capital assets, not being depreciated	\$ 137,440,658	\$ -	\$ 7,106,031	\$ 78,170,096	\$ 66,376,593
Capital assets being depreciated:					
Buildings and improvements	\$ 57,408,899	\$ -	\$ 17,622,990	\$ -	\$ 75,031,889
Lease buildings and improvements	-	63,104	-	63,104	-
Machinery and equipment	32,659,198	-	6,963,406	3,800,258	35,822,346
Lease machinery and equipment	-	6,619	195,882	-	202,501
Jointly owned assets	59,695,214	-	-	3,163,642	56,531,572
Infrastructure	55,363,461	-	59,353,450	-	114,716,911
Total capital assets being depreciated	\$ 205,126,772	\$ 69,723	\$ 84,135,728	\$ 7,027,004	\$ 282,305,219
Accumulated depreciation:					
Buildings and improvements	\$ 22,817,695	\$ -	\$ 1,975,344	\$ -	\$ 24,793,039
Lease buildings and improvements	-	-	63,104	63,104	-
Machinery and equipment	22,549,308	-	1,722,386	3,770,194	20,501,500
Lease machinery and equipment	-	-	28,050	-	28,050
Jointly owned assets	44,430,916	-	2,538,342	1,851,193	45,118,065
Infrastructure	25,795,224	-	3,552,240	-	29,347,464
Total accumulated depreciation	\$ 115,593,143	\$ -	\$ 9,879,466	\$ 5,684,491	\$ 119,788,118
Total capital assets being depreciated, net	\$ 89,533,629	\$ 69,723	\$ 74,256,262	\$ 1,342,513	\$ 162,517,101
Governmental activities capital assets, net	\$ 226,974,287	\$ 69,723	\$ 81,362,293	\$ 79,512,609	\$ 228,893,694

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
June 30, 2022 (Continued)

NOTE 6—CAPITAL ASSETS: (CONTINUED)

	Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022
Business-type Activities:				
Wastewater Fund:				
Capital assets, not being depreciated:				
Land and land improvements	\$ 17,583	\$ -	\$ -	\$ 17,583
Construction in Progress	7,105,082	341,876	7,105,082	341,876
Total capital assets, not being depreciated	\$ 7,122,665	\$ 341,876	\$ 7,105,082	\$ 359,459
Capital assets being depreciated:				
Buildings and improvements	\$ 1,264,570	\$ -	\$ -	\$ 1,264,570
Machinery and equipment	2,335,516	204,937	32,000	2,508,453
Intangibles	39,051,621	3,774,911	-	42,826,532
Infrastructure	8,228,776	7,105,082	-	15,333,858
Total capital assets being depreciated, net	\$ 50,880,483	\$ 11,084,930	\$ 32,000	\$ 61,933,413
Accumulated depreciation:				
Buildings and improvements	\$ 355,866	\$ 25,291	\$ -	\$ 381,157
Machinery and equipment	1,589,885	123,060	32,000	1,680,945
Intangibles	10,295,140	1,742,749	-	12,037,889
Infrastructure	6,110,312	406,508	-	6,516,820
Total accumulated depreciation	\$ 18,351,203	\$ 2,297,608	\$ 32,000	\$ 20,616,811
Total capital assets being depreciated, net	\$ 32,529,280	\$ 8,787,322	\$ -	\$ 41,316,602
Net capital assets	\$ 39,651,945	\$ 9,129,198	\$ 7,105,082	\$ 41,676,061

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
June 30, 2022 (Continued)

NOTE 6—CAPITAL ASSETS: (CONTINUED)

	Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022
Business-type Activities: (Continued)				
Transportation Fund:				
Capital assets being depreciated:				
Buildings and improvements	\$ 226,958	\$ -	\$ -	\$ 226,958
Machinery and equipment	3,274,346	-	-	3,274,346
Total capital assets being depreciated	\$ 3,501,304	\$ -	\$ -	\$ 3,501,304
Accumulated depreciation:				
Buildings and improvements	\$ 77,166	\$ 4,539	\$ -	\$ 81,705
Machinery and equipment	2,170,712	259,481	-	2,430,193
Total accumulated depreciation	\$ 2,247,878	\$ 264,020	\$ -	\$ 2,511,898
Total capital assets being depreciated, net	\$ 1,253,426	\$ (264,020)	\$ -	\$ 989,406
Net capital assets	\$ 1,253,426	\$ (264,020)	\$ -	\$ 989,406
	Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022
Discretely Presented Component Unit-School Board:				
Capital assets, not being depreciated:				
Land	\$ 1,381,115	\$ -	\$ -	\$ 1,381,115
Construction in progress	19,829	-	19,829	-
Total capital assets, not being depreciated	\$ 1,400,944	\$ -	\$ 19,829	\$ 1,381,115
Capital assets being depreciated:				
Buildings and improvements	\$ 57,240,872	\$ 3,345,758	\$ -	\$ 60,586,630
Machinery and equipment	1,376,298	-	-	1,376,298
Total capital assets being depreciated	\$ 58,617,170	\$ 3,345,758	\$ -	\$ 61,962,928
Accumulated depreciation:				
Buildings and improvements	\$ 42,604,159	\$ 5,750,263	\$ -	\$ 48,354,422
Machinery and equipment	1,183,446	82,158	-	1,265,604
Total accumulated depreciation	\$ 43,787,605	\$ 5,832,421	\$ -	\$ 49,620,026
Total capital assets being depreciated, net	\$ 14,829,565	\$ (2,486,663)	\$ -	\$ 12,342,902
School Board capital assets, net	\$ 16,230,509	\$ (2,486,663)	\$ 19,829	\$ 13,724,017

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
June 30, 2022 (Continued)

NOTE 6—CAPITAL ASSETS: (CONTINUED)

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

Primary government:

Governmental activities:

General government administration	\$ 517,422
Public safety	1,282,470
Public works	4,748,606
Education	2,539,063
Parks, recreation and cultural	<u>791,905</u>
Total governmental activities	<u>\$ 9,879,466</u>

Business-type activities:

Wastewater	\$ 2,297,608
Transportation	<u>264,020</u>
Total business-type activities	<u>\$ 2,561,628</u>

Component Unit-School Board:	\$ 3,658,710 (1)
Education	

(1) Depreciation expense	\$ 3,981,228
Accumulated depreciation on Joint tenancy transfer	<u>1,851,193</u>
Total increase in accumulated depreciation, page 78	<u>\$ 5,832,421</u>

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements June 30, 2022 (Continued)

NOTE 7—LONG-TERM OBLIGATIONS:

The following is a summary of long-term obligation transactions of the City for the year ended June 30, 2022:

	Balance at June 30, 2021	GASB 87 Implementation	Issuances/ Increases	Retirements/ Decreases	Balance at June 30, 2022	Amounts Due Within One Year
Governmental Activities:						
Public offerings:						
General obligation bonds	\$ 8,230,000	\$ -	\$ -	\$ 2,645,000	\$ 5,585,000	\$ 2,750,000
Direct borrowings and placements:						
General obligation bonds	57,695,000	-	66,709,000	68,283,000	56,121,000	1,956,000
Lease revenue bonds	36,563,000	-	-	2,308,000	34,255,000	2,372,000
Public Improvement COPS	10,778,000	-	-	723,000	10,055,000	742,000
Notes payable	10,830,000	-	-	570,000	10,260,000	585,000
Equipment financing agreements	2,707,666	-	-	576,381	2,131,285	592,230
Lease liabilities	-	69,723	195,882	92,540	173,065	41,407
Compensated absences	3,054,722	-	537,376	458,208	3,133,890	470,054
Net pension liability	51,216,393	-	59,393,731	45,692,004	64,918,120	-
Net OPEB liability	17,675,629	-	1,093,996	6,323,939	12,445,686	-
Premiums on bonds payable	2,084,703	-	-	232,844	1,851,859	232,844
Total governmental activities	\$ 200,835,113	\$ 69,723	\$ 127,929,985	\$ 127,904,916	\$ 200,929,905	\$ 9,741,535
Business-type Activities:						
Wastewater Fund:						
Direct borrowings and placements:						
Lease revenue bonds	\$ 19,205,000	\$ -	\$ -	\$ 600,000	\$ 18,605,000	\$ 630,000
Premium on bonds payable	1,935,510	-	-	96,775	1,838,735	96,775
Net pension liability	842,537	-	973,040	876,001	939,576	-
Net OPEB liability	376,077	-	23,527	131,955	267,649	-
Compensated absences	59,227	-	7,821	3,525	63,523	3,025
Total	\$ 22,418,351	\$ -	\$ 1,004,388	\$ 1,708,256	\$ 21,714,483	\$ 729,800
Transportation Fund:						
Net pension liability	\$ 2,392,389	\$ -	\$ 2,146,557	\$ 2,190,001	\$ 2,348,945	\$ -
Net OPEB liability	752,154	-	246,856	329,887	669,123	-
Compensated absences	160,975	-	20,290	14,262	167,003	16,568
Total	\$ 3,305,518	\$ -	\$ 2,413,703	\$ 2,534,150	\$ 3,185,071	\$ 16,568
Total Business-type Activities	\$ 25,723,869	\$ -	\$ 3,418,091	\$ 4,242,406	\$ 24,899,554	\$ 746,368
Discretely Presented Component Units:						
School Board:						
Net pension liability	\$ 167,355	\$ -	\$ 30,479	\$ 108,559	\$ 89,275	\$ -
Net OPEB liability	22,324	-	4,017	6,748	19,593	-
Compensated absences	62,847	-	10,732	3,172	70,407	3,520
Total School Board	\$ 252,526	\$ -	\$ 45,228	\$ 118,479	\$ 179,275	\$ 3,520

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

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

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements June 30, 2022 (Continued)

NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)

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

Year Ending June 30,	Governmental Activities													
	Public Offerings		Direct Borrowings and Placements											
	General Obligation		General Obligation		Public Facility		Lease Revenue Bonds		COPS		Notes Payable		Equipment	
	Bonds	Bonds	Bonds	Bonds	Bonds	Bonds	Bonds	Bonds	Bonds	Bonds	Bonds	Bonds	Financing Agreements	Lease Liabilities
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 2,750,000	\$ 210,500	\$ 1,956,000	\$ 812,283	\$ 2,372,000	\$ 948,124	\$ 742,000	\$ 261,430	\$ 585,000	\$ 180,084	\$ 592,230	\$ 49,320	\$ 41,407	\$ 1,682
2024	1,380,000	107,250	1,863,000	901,520	3,013,000	869,013	560,000	242,138	595,000	166,555	410,679	36,496	38,993	1,250
2025	1,455,000	36,375	1,891,000	879,261	3,088,000	796,737	574,000	227,578	615,000	152,685	258,470	26,762	39,423	819
2026	-	-	3,450,000	865,051	3,242,000	719,686	589,000	212,654	7,075,000	89,985	268,960	19,700	39,858	384
2027	-	-	3,492,000	813,577	3,325,000	637,185	605,000	197,340	335,000	30,196	280,760	12,354	13,384	31
2028	-	-	3,737,000	761,432	2,290,000	556,107	620,000	181,610	345,000	21,798	155,870	6,755	-	-
2029	-	-	3,775,000	717,526	2,355,000	488,713	637,000	165,490	350,000	13,215	164,316	2,964	-	-
2030	-	-	3,822,000	673,163	2,420,000	417,711	802,000	148,928	360,000	4,444	-	-	-	-
2031	-	-	4,685,000	628,239	2,495,000	342,953	659,000	128,076	-	-	-	-	-	-
2032	-	-	4,781,000	536,648	2,575,000	265,101	671,000	110,942	-	-	-	-	-	-
2033	-	-	4,878,000	443,179	2,660,000	183,848	683,000	93,496	-	-	-	-	-	-
2034	-	-	4,962,000	347,814	2,745,000	98,175	700,000	75,738	-	-	-	-	-	-
2035	-	-	5,070,000	250,807	350,000	48,062	719,000	57,538	-	-	-	-	-	-
2036	-	-	5,164,000	151,688	250,000	37,300	737,000	38,844	-	-	-	-	-	-
2037	-	-	2,595,000	50,732	255,000	29,009	757,000	19,682	-	-	-	-	-	-
2038	-	-	-	-	265,000	21,284	-	-	-	-	-	-	-	-
2039	-	-	-	-	275,000	13,047	-	-	-	-	-	-	-	-
2040	-	-	-	-	280,000	4,375	-	-	-	-	-	-	-	-
Total	\$ 5,585,000	\$ 354,125	\$ 56,121,000	\$ 8,832,920	\$ 34,255,000	\$ 6,476,430	\$ 10,055,000	\$ 2,161,484	\$ 10,260,000	\$ 658,962	\$ 2,131,285	\$ 154,350	\$ 173,065	\$ 4,166

Details of Long-Term Obligations—Primary Government:

Governmental Activities:

General Obligation Bonds:

\$32,480,000 refunding bonds issued March 25, 2010 due in annual maturities of \$110,000 to \$3,520,000 beginning July 15, 2010 through July 15, 2026, plus interest at 1.75% to 5.0%. \$ 5,585,000

\$18,106,000 refunding bonds issued March 2021, due in periodic maturities of \$191,000 to \$3,656,000 beginning January 15, 2022 through January 15, 2030, interest due semiannually at 1.14% 16,479,000

\$3,235,000 refunding bonds issued August 2016, due in periodic maturities of \$41,000 to \$1,505,000 beginning July 15, 2017 through July 15, 2024, interest due semiannually at 1.1%. 3,033,000

\$3,202,000 refunding bonds issued April 2020 due in periodic maturities of \$54,000 to \$1,506,000 beginning January 15, 2021 through January 15, 2037, interest due semiannually at 1.874%. 3,110,000

\$33,499,000 refunding bonds issued March 2022 due in periodic maturities of \$148,000 to \$5,164,000 beginning January 15, 2023 through January 15, 2027, interest due semiannually at 1.955%. 33,499,000

Total General Obligation Bonds \$ 61,706,000

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
June 30, 2022 (Continued)

NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)

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

Governmental Activities: (Continued)

Lease Revenue Bonds:

\$9,552,000 lease revenue bonds dated April 2017, due in semi-annual maturities of \$96,000 to \$577,000 beginning July 15, 2017 through January 15, 2027, interest at 2.14%.

\$ 5,315,000

\$33,105,000 lease revenue bonds dated June 2012, due in annual maturities of \$910,000 to \$2,390,000 beginning October 1, 2012 through October 1, 2033, interest at 2.125% to 5.125%.

1,390,000

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

1,025,000

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

3,595,000

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

22,930,000

Total Lease Revenue Bonds \$ 34,255,000

Lease Liabilities:

\$195,882 lease agreement for the use of multifunctional device, due in monthly payments of \$3,354 through October 2026, interest payable at 1.0980%

\$ 170,225

\$6,620 lease agreement for the use of multifunctional devices, due in quarterly payments of \$949 through April 2023, interest payable at .4350%

2,840

Total Lease Liabilities \$ 173,065

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
June 30, 2022 (Continued)

NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)

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

Governmental Activities: (Continued)

Notes Payable:

\$1,150,000 revenue note dated June 30, 2020, due in one principal installment on June 30, 2026, interest payable at 1.53% \$ 6,750,000

\$7,250,000 financing lease agreement dated April 2014, due in annual maturities of \$325,000 to \$615,000 through August 1, 2029, interest payable semi-annually at 2.10% to 2.47% 3,510,000

Total Notes Payable \$ 10,260,000

Public Improvement Certificates of Participation:

\$11,361,000 Public Improvement certificate of participation, due in semi-annual maturities of \$176,000 to \$757,000 through January 1, 2037, interest payable semi-annually at 2.60%. \$ 10,055,000

Equipment Financing Agreements:

\$1,235,430 obligation for tower fire truck due in annual maturities of \$166,351 through 2024, including interest at 1.81%. \$ 323,895

\$948,100 obligation for financing the acquisition of equipment, due in annual maturities of \$198,781 through July 2023, including interest at 1.742%. 195,350

\$961,000 obligation for financing turf and equipment, due in various annual maturities through July 2026, including interest at 3.010% 628,000

\$1,708,450 obligation for financing energy efficient improvements, due in various semi-annual maturities through January 2029, including interest at 2.40% 984,040

Total Equipment Financing Agreements \$ 2,131,285

Compensated absences \$ 3,133,890

Net OPEB liability \$ 12,445,686

Net pension liability \$ 64,918,120

Premium on bonds payable \$ 1,851,859

Total governmental activities \$ 200,929,905

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
June 30, 2022 (Continued)

NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)

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

Business-Type Activities:

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

Year Ending June 30,	Business-type Activities	
	Direct Borrowings and Placements	
	Lease Revenue Bonds	
	Principal	Interest
2023	\$ 630,000	\$ 732,950
2024	665,000	699,766
2025	695,000	664,916
2026	735,000	628,272
2027	775,000	589,578
2028	815,000	548,834
2029	850,000	506,169
2030	900,000	461,325
2031	945,000	414,047
2032	990,000	364,463
2033	1,040,000	315,594
2034	1,080,000	276,634
2035	1,110,000	244,806
2036	1,140,000	211,125
2037	1,175,000	175,969
2038	1,210,000	139,219
2039	1,245,000	100,859
2040	1,280,000	61,406
2041	1,325,000	20,702
Total	\$ 18,605,000	\$ 7,156,634

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
June 30, 2022 (Continued)

NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)

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

Business-Type Activities:

Lease Revenue Bonds:

\$19,205,000 VRA revenue refunding bonds issued May 2019, due in annual maturities ranging from \$600,000 to \$1,325,000 through October 2040, plus interest ranging from 2.863% to 5.125%

\$ 18,605,000

Total Lease Revenue Bonds

\$ 18,605,000

Compensated absences

\$ 230,526

Net OPEB liability

\$ 936,772

Net pension liability

\$ 3,288,521

Premium on bonds payable

\$ 1,838,735

Total business-type activities

\$ 24,899,554

NOTE 8—PENSION PLANS:

Plan Description

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

NOTE 8—PENSION PLANS: (CONTINUED)

Benefit Structures

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

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

Average Final Compensation and Service Retirement Multiplier

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

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
June 30, 2022 (Continued)

NOTE 8—PENSION PLANS: (CONTINUED)

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

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

Employees Covered by Benefit Terms

As of the June 30, 2020 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Primary Government
Inactive members or their beneficiaries currently receiving benefits	369
Inactive members:	
Vested inactive members	71
Non-vested inactive members	71
Long-term disability (LTD)	-
Inactive members active elsewhere in VRS	78
Total inactive members	220
Active members	364
Total covered employees	953

Contributions

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

The City's contractually required employer contribution rate for the year ended June 30, 2022 was 13.73% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the City were \$4,164,956 and \$3,926,288 for the years ended June 30, 2022 and June 30, 2021, respectively.

NOTE 8—PENSION PLANS: (CONTINUED)

Net Pension Liability

The net pension liability (NPL) is calculated separately for each employer and represents that particular employer’s total pension liability determined in accordance with GASB Statement No. 68, less that employer’s fiduciary net position. The City’s net pension liability was measured as of June 30, 2021. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2020, and rolled forward to the measurement date of June 30, 2021.

Actuarial Assumptions - General Employees

The total pension liability for General Employees in the City’s Retirement Plan was based on an actuarial valuation as of June 30, 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, 2021.

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

Mortality rates:

- All Others (Non-10 Largest) - Non-Hazardous Duty: 15% of deaths are assumed to be service-related
- Pre-Retirement:
 - Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years
- Post-Retirement:
 - Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years
- Post-Disablement:
 - Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years
- Beneficiaries and Survivors:
 - Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years
- Mortality Improvement:
 - Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
June 30, 2022 (Continued)

NOTE 8—PENSION PLANS: (CONTINUED)

Actuarial Assumptions - General Employees (Continued)

Mortality rates: (Continued)

The actuarial assumptions used in the June 30, 2020 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:

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the City's Retirement Plan was based on an actuarial valuation as of June 30, 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, 2021.

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

Mortality rates:

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

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally with a Modified MP-2020 Improvement Scale; 95% of rates for males; 105% of rates for females set forward 2 years

NOTE 8—PENSION PLANS: (CONTINUED)***Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits: (Continued)***

Mortality rates: (Continued)

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally with a Modified MP-2020 Improvement Scale; 110% of rates for males; 105% of rates for females set forward 3 years

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally with a Modified MP-2020 Improvement Scale; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally with a Modified MP-2020 Improvement Scale; 110% of rates for males and females set forward 2 years

Mortality Improvement:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2020 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:

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased 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
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
June 30, 2022 (Continued)

NOTE 8—PENSION PLANS: (CONTINUED)

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	34.00%	5.00%	1.70%
Fixed Income	15.00%	0.57%	0.09%
Credit Strategies	14.00%	4.49%	0.63%
Real Assets	14.00%	4.76%	0.67%
Private Equity	14.00%	9.94%	1.39%
MAPS - Multi-Asset Public Strategies	6.00%	3.29%	0.20%
PIP - Private Investment Partnership	3.00%	6.84%	0.21%
Total	100.00%		4.89%
		Inflation	2.50%
		Expected arithmetic nominal return*	7.39%

*The above allocation provides a one-year expected return of 7.39%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.94%, including expected inflation of 2.50%.

*On October 10, 2019, the VRS Board elected a long-term rate of return of 6.75% which was 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%.

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
June 30, 2022 (Continued)

NOTE 8—PENSION PLANS: (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes, and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; the City) was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2021, the alternate rate was the employer contribution rate used in FY 2012 or 90% of the actuarially determined employer contribution rate from the June 30, 2017 actuarial valuations, whichever was greater. Through the fiscal year ended June 30, 2021, the rate contributed by the school division for the VRS Teacher Retirement Plan was subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2021 on, participating employers and school divisions are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	Primary Government		
	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balances at June 30, 2020	\$ 179,286,628	\$ 127,278,168	\$ 52,008,460
Changes for the year:			
Service cost	\$ 2,549,850	\$ -	\$ 2,549,850
Interest	11,754,265	-	11,754,265
Differences between expected and actual experience	(203,279)	-	(203,279)
Changes of assumptions	5,550,736	-	5,550,736
Contributions - employer	-	3,924,981	(3,924,981)
Contributions - employee	-	1,429,325	(1,429,325)
Net investment income	-	34,331,697	(34,331,697)
Benefit payments, including refunds	(10,298,747)	(10,298,747)	-
Administrative expenses	-	(87,996)	87,996
Other changes	-	(8,118)	8,118
Net changes	\$ 9,352,825	\$ 29,291,142	\$ (19,938,317)
Balances at June 30, 2021	\$ 188,639,453	\$ 156,569,310	\$ 32,070,143

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
June 30, 2022 (Continued)

NOTE 8—PENSION PLANS: (CONTINUED)

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

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

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
City Net Pension Liability	\$ 56,914,572	\$ 32,070,143	\$ 11,680,631

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

For the year ended June 30, 2022, the City and recognized pension expense of \$3,955,082. At June 30, 2022, the City and reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Primary Government	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 298,210	\$ 132,696
Change in assumptions	4,385,923	-
Net difference between projected and actual earnings on pension plan investments	-	17,008,324
Changes in proportion and differences between employer contributions and proportionate share of contributions	304,250	304,250
Employer contributions subsequent to the measurement date	4,164,956	-
Total	\$ 9,153,339	\$ 17,445,270

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
June 30, 2022 (Continued)

NOTE 8—PENSION PLANS: (CONTINUED)

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

\$4,164,956 reported as deferred outflows of resources related to pensions resulting from the City's and contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year Ended June 30</u>	<u>Primary Government</u>
2023	\$ (1,095,208)
2024	(2,216,056)
2025	(3,963,515)
2026	(5,182,108)
2027	-
Thereafter	-

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2021 Annual Comprehensive Financial Report (Annual Report). A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2021-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Component Unit School Board (Professional)

Plan Description

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

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Each school division's contractually required employer contribution rate for the year ended June 30, 2022 was 16.62% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the school division were \$16,224 and \$16,224 for the years ended June 30, 2022 and June 30, 2021, respectively.

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
June 30, 2022 (Continued)

NOTE 8—PENSION PLANS: (CONTINUED)

Component Unit School Board (professional) (Continued)

Contributions: (Continued)

In June 2021, the Commonwealth made a special contribution of approximately \$61.3 million to the VRS Teacher Retirement Plan. This special payment was authorized by a budget amendment included in Chapter 552 of the 2021 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, 2022, the school division reported a liability of \$89,275 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2021 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation performed as of June 30, 2020 and rolled forward to the measurement date of June 30, 2021. 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, 2021 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2021, the school division's proportion was .00115% as compared to .00115% at June 30, 2020.

For the year ended June 30, 2022, the school division recognized pension expense of \$560. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2022, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 7,604
Change in assumptions	15,641	-
Net difference between projected and actual earnings on pension plan investments	-	56,259
Changes in proportion and differences between employer contributions and proportionate share of contributions	163	3,110
Employer contributions subsequent to the measurement date	<u>16,224</u>	<u>-</u>
Total	<u>\$ 32,028</u>	<u>\$ 66,973</u>

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
June 30, 2022 (Continued)

NOTE 8—PENSION PLANS: (CONTINUED)

Component Unit School Board (professional) (Continued)

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

\$16,224 reported as deferred outflows of resources related to pensions resulting from the school division’s contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2023	\$ (12,228)
2024	(11,169)
2025	(11,930)
2026	(15,857)
2027	15

Actuarial Assumptions

The total pension liability for the VRS Teacher 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, 2021.

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

Mortality rates:

- Pre-Retirement:
 - Pub-2010 Amount Weighted Teachers Employee Rates projected generationally; 110% of rates for males
- Post-Retirement:
 - Pub-2010 Amount Weighted Teachers Healthy Retiree Rates projected generationally; males set forward 1 year; 105% of rates for females

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
June 30, 2022 (Continued)

NOTE 8—PENSION PLANS: (CONTINUED)

Component Unit School Board (professional) (Continued)

Actuarial Assumptions: (Continued)

Mortality rates: (Continued)

Post-Disablement:

Pub-2010 Amount Weighted Teachers Disabled Rates projected generationally; 110% of rates for males and females

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Teachers Contingent Annuitant Rates projected generationally

Mortality Improvement:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2020 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:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
June 30, 2022 (Continued)

NOTE 8—PENSION PLANS: (CONTINUED)

Component Unit School Board (professional) (Continued)

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, 2021, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

		Teacher Employee Retirement Plan
Total Pension Liability	\$	53,381,141
Plan Fiduciary Net Position		45,617,878
Employers' Net Pension Liability (Asset)	\$	<u>7,763,263</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		85.46%

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

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

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

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

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
School division's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability	\$ 172,297	\$ 89,275	\$ 20,979

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
June 30, 2022 (Continued)

NOTE 8—PENSION PLANS: (CONTINUED)

Component Unit School Board (professional) (Continued)

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2021 Annual Comprehensive Financial Report (Annual Report). A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2021-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

City Supplemental Pension Plans

The City's Supplemental Retirement Plans cover all full-time employees and permanent part-time employees hired between March 1, 2004 and June 30, 2014 of the City except police officers and firefighters who are covered under a separate plan for police and firefighters. Permanent part-time employees hired after June 30, 2014 are not eligible to participate in the City's Supplemental Retirement Plan. Both plans are single-employer, defined benefit pension plans, authorized by the City Council, and administered by the City Retirement Committee composed of nine individuals appointed by the Mayor and Council.

Upon retirement, a participant in the two City plans would receive a monthly retirement allowance which is determined based on a certain percentage of the participant's average final compensation at the date of retirement and the number of years of the participant's credited service. In the event of death prior to retirement, the beneficiary receives the same monthly benefit that would have been payable to the participant, assuming the joint and 100% survivor option was elected.

Membership

According to the last available actuary statement, the membership in the City Supplemental Retirement (General) Plan and the Firefighters, Policemen, and Policewomen (Public Safety) Plan at June 30, 2022 is as follows:

	City General Plan	City Public Safety Plan
Inactive plan members or beneficiaries receiving benefits	\$ 228	\$ 123
Inactive plan members entitled to but not yet receiving benefits	45	19
Active members	249	132
Total	<u>\$ 522</u>	<u>\$ 274</u>

NOTE 8—PENSION PLANS: (CONTINUED)

City Supplemental Pension Plans: (Continued)

Significant Accounting Policies

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

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

Investment Policy - The Plans' policy in regard to the allocation of invested assets is established and may be amended by the Plan Board by a majority vote of its members. It is the policy of the Plans' Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The Plans' investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans.

Investment Valuation and Income Recognition - Shares of registered investment companies (mutual funds), corporate bonds, and stocks are reported at fair value based on the quoted market price of the investment, which represents the fair value of the shares held by the Plan.

Payment of Benefits - Benefits are recorded when paid.

Refunds - In the event that a participant terminates employment with the City before reaching normal retirement age, other than by death or disability, and has less than five years (or seven years if hired after July 1, 2014) of credited service, the participant's accumulated contributions including credited interest will be refunded. Participants with at least five years (or seven years if hired after July 1, 2014) of credited service will be eligible for a deferred retirement benefit if accumulated contributions remain in deposit in the plan.

Administrative Costs - Administrative costs are financed from investment earnings.

Contributions

The contribution requirements of Plan members and the City are established and may be amended by City Council.

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
June 30, 2022 (Continued)

NOTE 8—PENSION PLANS: (CONTINUED)**City Supplemental Pension Plans (Continued)*****Rate of Return***

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2022 are summarized in the following table:

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
US Large Cap Equity	23.75%	4.93%
US Small/Mid Cap Equity	7.25%	6.12%
Non-US Developed Equity	7.50%	5.46%
Non-US Developed Equity (USD Hedged)	4.00%	5.37%
Non-US Developed Small-Cap Equities	4.50%	6.85%
Emerging Market Equity	5.00%	9.30%
Global Equity	8.00%	5.76%
US TIPS	2.00%	0.51%
US Treasury Bond	6.00%	0.51%
US Aggregate Bond	15.00%	1.10%
Absolute Return Fixed Income	6.00%	2.23%
US Short-Term Corporate Bond (1-3 Year)	6.00%	1.34%
PIMCO All Assets	5.00%	2.69%
Total	<u>100.00%</u>	

For the year ended June 30, 2022, the annual money-weighted rate of return, which expresses investments performance, net of investment expense, adjusted for the changing amounts actually invested on pension plan investments, net of pension plan investment expense, was (14.16%).

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
June 30, 2022 (Continued)

NOTE 8—PENSION PLANS: (CONTINUED)

City Supplemental Pension Plans (Continued)

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

Pension Liabilities: The components of the pension liabilities at June 30, 2022, were as follows:

	<u>General</u>	<u>Public Safety</u>	<u>Total</u>
Total pension liability	\$ 75,364,247	\$ 89,981,392	\$ 165,345,639
Plan fiduciary net position	(60,455,509)	(68,753,632)	(129,209,141)
Net Pension Liability (Asset)	<u>\$ 14,908,738</u>	<u>\$ 21,227,760</u>	<u>\$ 36,136,498</u>
Plan fiduciary net position as a percentage of the total pension liability	80.22%	76.41%	78.14%

Pension Expense: For the year ended June 30, 2022, the City recognized pension expense of \$3,004,930 (General) and \$3,590,688 (Public Safety).

Deferred outflows of resources and deferred inflows of resources related to pensions: Deferred outflows of resources and deferred inflows of resources related to pensions were reported from the following sources:

	<u>City General Plan</u>		<u>City Public Safety Plan</u>		<u>Total</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,471,253	\$ 220,187	\$ 3,240,824	\$ 1,430,177	\$ 4,712,077	\$ 1,650,364
Change in assumptions	-	-	740,088	-	740,088	-
Net difference between projected and actual earnings on pension plan investments	7,304,573	-	8,283,091	-	15,587,664	-
Total	<u>\$ 8,775,826</u>	<u>\$ 220,187</u>	<u>\$ 12,264,003</u>	<u>\$ 1,430,177</u>	<u>\$ 21,039,829</u>	<u>\$ 1,650,364</u>

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

<u>Year Ended June 30</u>	<u>City General Plan</u>	<u>City Public Safety Plan</u>
2023	\$ 1,986,251	\$ 2,871,516
2024	1,849,062	2,144,416
2025	1,322,291	1,372,835
2026	3,398,035	3,847,555
2027	-	597,504
Thereafter	-	-

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
June 30, 2022 (Continued)

NOTE 8—PENSION PLANS: (CONTINUED)**City Supplemental Pension Plans (Continued)**

	City General Plan		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2021	\$ 71,689,008	\$ 72,275,354	\$ (586,346)
Changes for the year:			
Service cost	\$ 1,648,911	\$ -	\$ 1,648,911
Interest	4,405,109	-	4,405,109
Differences between expected and actual experience	1,684,651	-	1,684,651
Contributions - employer	-	2,054,994	(2,054,994)
Contributions - employee	-	578,224	(578,224)
Net investment income	-	(11,080,798)	11,080,798
Benefit payments, including refunds	(4,063,432)	(4,063,432)	-
Other changes	-	691,167	(691,167)
Net changes	\$ 3,675,239	\$ (11,819,845)	\$ 15,495,084
Balances at June 30, 2022	\$ 75,364,247	\$ 60,455,509	\$ 14,908,738
	City Public Safety Plan		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2021	\$ 84,237,662	\$ 81,794,803	\$ 2,442,859
Changes for the year:			
Service cost	\$ 2,002,345	\$ -	\$ 2,002,345
Interest	5,168,110	-	5,168,110
Differences between expected and actual experience	3,671,409	-	3,671,409
Contributions - employer	-	2,899,825	(2,899,825)
Contributions - employee	-	873,104	(873,104)
Net investment income	-	(12,495,367)	12,495,367
Benefit payments, including refunds	(5,098,134)	(5,098,134)	-
Other changes	-	779,401	(779,401)
Net changes	\$ 5,743,730	\$ (13,041,171)	\$ 18,784,901
Balances at June 30, 2022	\$ 89,981,392	\$ 68,753,632	\$ 21,227,760

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
June 30, 2022 (Continued)

NOTE 8—PENSION PLANS: (CONTINUED)

City Supplemental Pension Plans (Continued)

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2021, using the entry age actuarial cost method, a level percent of payroll and the following actuarial assumptions, applied to all periods included in the measurement:

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

The mortality table used to measure non-disabled retired life mortality is the RP-2014 Combined Healthy Mortality Table for males and females. The base table is the RP-2014 Combined Healthy Mortality Table including the use of the MP-2017 mortality improvement scale. The mortality tables used to measure disabled retired life mortality were the same as described above, set-forward 10-years.

Discount Rate

A Single Discount Rate of 6.25% was used to measure the total pension liability. This Single Discount Rate was based on an expected rate of return on pension plan investments of 6.25%. The projection of cash flows used to determine this Single Discount Rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all the projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments to determine the total pension liability.

Sensitivity of Net Pension Liability to Changes in Discount Rate

The following presents the net pension liability of the City Plans, calculated using the discount rate of 6.25%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.25%) or one percentage point higher (7.25%) than the current rate:

	1.00% Lower (5.25%)	Current Discount Rate (6.25%)	1.00% Higher (7.25%)
General Plan Net Pension Liability (Asset) \$	24,339,320	\$ 14,908,738	\$ 7,059,554
Public Safety Plan Net Pension Liability	33,828,238	21,227,760	10,979,361

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
June 30, 2022 (Continued)

NOTE 8—PENSION PLANS: (CONTINUED)

City Supplemental Pension Plans (Continued)

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

	Pension Trust Funds		
	City Supplemental Pension Trust Fund	Firefighters, Policemen and Policewomen Pension Trust Fund	Totals
Assets			
Cash and cash equivalents	\$ 93,578	\$ 106,422	\$ 200,000
Mutual and money market funds	58,080,683	66,052,838	124,133,521
Stocks	2,280,992	2,594,081	4,875,073
Accrued interest	256	291	547
Total assets	<u>\$ 60,455,509</u>	<u>\$ 68,753,632</u>	<u>\$ 129,209,141</u>
Net Position			
Held in trust for pension benefits	<u>\$ 60,455,509</u>	<u>\$ 68,753,632</u>	<u>\$ 129,209,141</u>
Additions			
Plan members contributions	<u>\$ 3,324,385</u>	<u>\$ 4,552,330</u>	<u>\$ 7,876,715</u>
Investment income:			
Interest and dividends earned on investments	\$ 95,505	\$ 107,697	\$ 203,202
Net appreciation in fair value of investments	(10,812,411)	(12,192,718)	(23,005,129)
Total investment income	<u>\$ (10,716,906)</u>	<u>\$ (12,085,021)</u>	<u>\$ (22,801,927)</u>
Less: Investment expenses	363,892	410,346	774,238
Net investment income	<u>\$ (11,080,798)</u>	<u>\$ (12,495,367)</u>	<u>\$ (23,576,165)</u>
Total additions	<u>\$ (7,756,413)</u>	<u>\$ (7,943,037)</u>	<u>\$ (15,699,450)</u>
Deductions			
Retirement and disability benefits	<u>\$ 4,063,432</u>	<u>\$ 5,098,134</u>	<u>\$ 9,161,566</u>
Total deductions	<u>\$ 4,063,432</u>	<u>\$ 5,098,134</u>	<u>\$ 9,161,566</u>
Change in net position	<u>\$ (11,819,845)</u>	<u>\$ (13,041,171)</u>	<u>\$ (24,861,016)</u>
Net position - beginning	72,275,354	81,794,803	154,070,157
Net position - ending	<u>\$ 60,455,509</u>	<u>\$ 68,753,632</u>	<u>\$ 129,209,141</u>

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
June 30, 2022 (Continued)

NOTE 8—PENSION PLANS: (CONTINUED)

City Supplemental Pension Plans (Continued)

Concentrations

At June 30, 2022, the Plans' assets were comprised of cash and cash equivalents, stocks, and mutual funds. The following table presents the fair value of the investments in the Plans. Single investments representing more than 5% of the Plans' net position as of June 30, 2022 are separately identified. Investments at fair value, as determined by quoted market prices, and accrued interest are as follows:

Investments at Fair Value as Determined by Quoted Market Prices	
Mutual Funds:	
SSGA Funds S&P 500	\$ 16,793,796
SSGA Funds S&P 1000	10,493,274
PIMCO All Asset Fund	7,016,947
Wellington Core Bond Plus	20,522,835
Fiam Group Small/Mid Cap Core Commingled Pool	9,517,832
Strategic Fixed Inc Fd Cl A	8,359,408
John Hancock Strategic FI Trust	7,302,774
Baxter Street Offshore Fund	9,381,495
NEPC Global Equity	10,117,464
NEPC Emerging Markets Equity	7,590,969
Other Investments Individually Less than 5% of Plan Assets	21,911,800
Total	\$ 129,008,594

Summary of Net Pension Liabilities and Related Items:

	Primary Government			
	Deferred Outflows	Deferred Inflows	Net Pension Liability (Asset)	Pension Expense
VRS Pension Plans:				
Primary Government	\$ 9,153,339	\$ 17,445,270	\$ 32,070,143	\$ 3,955,082
City General Plan	8,775,826	220,187	14,908,738	3,004,930
City Public Safety Plan	12,264,003	1,430,177	21,227,760	3,590,688
Totals	\$ 30,193,168	\$ 19,095,634	\$ 68,206,641	\$ 10,550,700
	Component Unit School Board			
	Deferred Outflows	Deferred Inflows	Net Pension Liability (Asset)	Pension Expense
VRS Pension Plans:				
School Board Professional	\$ 32,028	\$ 66,973	\$ 89,275	\$ 560
Totals	\$ 32,028	\$ 66,973	\$ 89,275	\$ 560

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
June 30, 2022 (Continued)

NOTE 9—FAIRFAX COUNTY AGREEMENTS:

The City and School Board are parties to certain contracts under which services are provided to its citizens by Fairfax County (the “County”), an unrelated local governmental entity. The costs of these services are summarized below.

Description	
Joint court service	\$ 284,569
Juvenile & domestic court	523,710
Commonwealth Attorney	182,298
Jail and custody services	1,098,019
Fire and rescue	185,969
Housing and community development	243,054
Health	1,692,909
Social services	996,535
Library services	908,556
Education	51,163,080
Refuse collection	481,350
Extension services	57,491
Sewage treatment	2,215,410
Total	\$ 60,032,950

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

The City pays tuition to Fairfax County Public Schools (FCPS) quarterly, based on estimates provided by FCPS. After the end of each fiscal year, FCPS provides a reconciliation of actual expenditures to estimates, and either increases or decreases the amount due from the City for the first quarter’s tuition for the following fiscal year as a result. As of June 30, 2022, the City had recorded a receivable of approximately \$1,309,583 for overpayment of tuition during fiscal year 2022. This amount will be subtracted by FCPS from the first quarter’s invoice for fiscal year 2023.

NOTE 10—TRANSPORTATION CONTRACTS:

The City provides bus transportation services to its citizens in two ways:

CUE Bus - CUE Bus is an intra-city bus service operation in cooperation with George Mason University. Funding received from George Mason University was \$750,000 for the fiscal year ended June 30, 2022.

Washington Metropolitan Area Transit Authority - The City contracts on an annual basis for rail service from the Washington Metropolitan Area Transit Authority (“WMATA”). The City’s share of WMATA’s capital and operating for bus and rail service for the year ended June 30, 2022 was \$2,158,193. This amount was paid from the City’s account at the Northern Virginia Transportation Commission (“NVTC”).

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
June 30, 2022 (Continued)

NOTE 10—TRANSPORTATION CONTRACTS: (CONTINUED)

Northern Virginia Transportation Commission (“NVTC”) - NVTC receives funds designated for the City and it also disburses the designated funds for the City. As of June 30, 2022, the balance designated for the City is \$7,454,236. The NVTC received \$5,453,515 and disbursed \$3,590,114 on behalf of the City for the fiscal year ended June 30, 2022.

NOTE 11—MAJOR CUSTOMER:

The City has one major sewer customer and for the year ended June 30, 2022, sewer revenue from this customer was approximately \$225,578.

NOTE 12—SURETY BOND:

	<u>Coverage</u>
City Funds:	
VML Insurance Programs:	
Tom Scibilia, City Treasurer	\$ 250,000
City Council and all employees	250,000
City of Fairfax School Board	250,000
State Funds:	
Tom Scibilia, City Treasurer	500,000
William Page Johnson, II, Commissioner of Revenue	450,000
Commonwealth of Virginia Performance of Duty Bond Self Insurance Plan:	
All Employees of constitutional officers-blanket bond-each loss	250,000

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

NOTE 13—OTHER POSTEMPLOYMENT BENEFITS - CITY PLAN:

Plan Description

In addition to the pension benefits described in Note 8, through a single employer defined benefit plan, the City provides postemployment health care insurance benefits for employees who are eligible for retirement benefits. General Government employees are eligible for normal retirement if they have attained the age of 60 with 5 years of service. Public Safety employees are eligible for normal retirement if they have attained the age of 50 with 5 years of service or have 20 years of service. General Government employees are eligible for early retirement if they have attained the age of 50 years with 5 years of service or have 25 years of service. Disabled individuals must have completed 5 years of service to be eligible to participate in the plan. No assets are accumulated in a trust that meets the criteria in GAAP.

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

Benefits Provided

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

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

Retirees and beneficiaries	140
Active members	376
Total	516

The City’s total OPEB liability of \$13,382,458 was measured as of June 30, 2022 and was determined by an actuarial valuation as of June 30, 2020.

The total OPEB liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Price Inflation	2.50%
Salary Increases	3.75% to 7.75%
Discount Rate	3.69%
Healthcare cost trend rates	Initial trend of 7.50% gradually decreasing to an ultimate trend rate of 3.5% in year 12 for pre-65. Initial trend of 6.25% gradually decreasing to an ultimate trend rate of 3.5% in year 12 for post-65.

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

Mortality rates were based on the RP-2014 Employee, Healthy Annuitant and Disabled Mortality Tables, adjusted backwards to 2006 with the MP-2014 scale, resulting in a base year of 2006 with future mortality improvements assumed each year using scale MP-2017. The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2017.

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
June 30, 2022 (Continued)

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

Changes in the Total OPEB Liability

	Total OPEB Liability
Balances at June 30, 2021	\$ 18,803,860
Changes for the year:	
Service cost	740,821
Interest	360,846
Change in benefit terms	(1,739,733)
Difference between expected and actual experience	74,673
Changes of assumptions	(4,097,613)
Benefit payments	(760,396)
Net changes	\$ (5,421,402)
Balances at June 30, 2022	\$ 13,382,458

Changes of assumptions and other inputs reflect a change in the discount rate from 1.92% in 2021 to 3.69% in 2022.

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

Rate		
1% Decrease (2.69%)	Current Discount Rate (3.69%)	1% Increase (4.69)
\$ 14,971,771	\$ 13,382,458	\$ 12,047,212

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

Rates		
1% Decrease	Healthcare Cost Trend	1% Increase
\$ 11,603,732	\$ 13,382,458	\$ 15,574,721

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
June 30, 2022 (Continued)

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

Changes in the Total OPEB Liability: (Continued)

For the year ended June 30, 2022, the City recognized OPEB expense of (\$767,658). At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 279,844	\$ 2,091,675
Changes in assumptions	3,415,953	3,623,518
Total	<u>\$ 3,695,797</u>	<u>\$ 5,715,193</u>

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

<u>Year Ended June 30</u>	
2023	\$ (129,592)
2024	(129,592)
2025	(129,019)
2026	(110,220)
2027	(436,323)
Thereafter	(1,084,650)

The City provides death and disability benefits to its public safety employees and surviving spouses as required by the Virginia Line of Duty Act (LODA). The obligation for LODA benefit payments has been transferred by the City to an insurance company. In the event of the insurance company's insolvency, the City retains an obligation for the benefits.

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

Plan Description

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

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

Plan Description: (Continued)

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

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

Eligible Employees

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

Benefit Amounts

The GLI Plan is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, seatbelt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. The benefit amounts are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value. For covered members with at least 30 years of service credit, the minimum benefit payable was set at \$8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was \$8,722 as of June 30, 2022.

Contributions

The contribution requirements for the GLI Plan are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Plan was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% x 60%) and the employer component was 0.54% (1.34% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2022 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the GLI Plan from the School Board were \$527 and \$527 for the years ended June 30, 2022 and June 30, 2021, respectively.

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
June 30, 2022 (Continued)

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

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

At June 30, 2022, the School Board reported a liability of \$5,473 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2021 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2020 and rolled forward to the measurement date of June 30, 2021. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Plan for the year ended June 30, 2021 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2021, the participating employer's proportion was .00050% as compared to .00050% at June 30, 2020.

For the year ended June 30, 2022, the participating employer recognized GLI OPEB expense of \$147. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2022, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	School Professional	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 624	\$ 42
Net difference between projected and actual earnings on GLI OPEB program investments	-	1,306
Change in assumptions	302	749
Changes in proportionate share	-	290
Employer contributions subsequent to the measurement date	527	-
Total	\$ 1,453	\$ 2,387

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
June 30, 2022 (Continued)

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

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

\$527 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2023	\$ (346)
2024	(286)
2025	(283)
2026	(460)
2027	(86)
Thereafter	-

Actuarial Assumptions

The total GLI OPEB liability 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, 2021. The assumptions include several employer groups as noted below. Salary increases and mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS Annual Report.

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

Mortality Rates - Teachers

Pre-Retirement:

Pub-2010 Amount Weighted Teachers Employee Rates projected generationally; 110% of rates for males

Post-Retirement:

Pub-2010 Amount Weighted Teachers Healthy Retiree Rates projected generationally; males set forward 1 year; 105% of rates for females

Post-Disablement:

Pub-2010 Amount Weighted Teachers Disabled Rates projected generationally; 110% of rates for males and females

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
June 30, 2022 (Continued)

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

Actuarial Assumptions: (Continued)

Mortality Rates - Teachers: (Continued)

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Teachers Contingent Annuitant Rates projected generationally

Mortality Improvement:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2020 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:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

NET GLI OPEB Liability

The net OPEB liability (NOL) for the GLI Plan represents the Plan's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2021, NOL amounts for the GLI Plan are as follows (amounts expressed in thousands):

	GLI OPEB Plan
Total GLI OPEB Liability	\$ 3,577,346
Plan Fiduciary Net Position	2,413,074
GLI Net OPEB Liability (Asset)	\$ 1,164,272
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	67.45%

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

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

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	34.00%	5.00%	1.70%
Fixed Income	15.00%	0.57%	0.09%
Credit Strategies	14.00%	4.49%	0.63%
Real Assets	14.00%	4.76%	0.67%
Private Equity	14.00%	9.94%	1.39%
MAPS - Multi-Asset Public Strategies	6.00%	3.29%	0.20%
PIP - Private Investment Partnership	3.00%	6.84%	0.21%
Total	100.00%		4.89%
		Inflation	2.50%
		Expected arithmetic nominal return*	7.39%

*The above allocation provides a one-year expected return of 7.39%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.94%, including expected inflation of 2.50%.

*On October 10, 2019, the VRS Board elected a long-term rate of return of 6.75% which was 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%.

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
June 30, 2022 (Continued)

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

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ended June 30, 2021, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2021 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

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

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

		Rate		
		1% Decrease	Current Discount	1% Increase
		(5.75%)	(6.75%)	(7.75%)
School Board proportionate share of the GLI Plan				
Net OPEB Liability	\$	7,995	\$ 5,473	\$ 3,435

GLI Program Fiduciary Net Position

Detailed information about the GLI Plan's Fiduciary Net Position is available in the separately issued VRS 2021 Annual Comprehensive Financial Report (Annual Report). A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2021-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

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

Plan Description

The Virginia Retirement System (VRS) Teacher Employee Health Insurance Credit (HIC) Plan was established pursuant to §51.1-1400 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Employee HIC Plan. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The HIC is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death.

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

Eligible Employees

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

Benefit Amounts

The Teacher Employee HIC Plan is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired teachers. For Teacher and other professional school employees who retire with at least 15 years of service credit, the monthly benefit is \$4.00 per year of service per month with no cap on the benefit amount. For Teacher and other professional school employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is either: \$4.00 per month, multiplied by twice the amount of service credit, or \$4.00 per month, multiplied by the amount of service earned had the employee been active until age 60, whichever is lower.

HIC Plan Notes

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

Contributions

The contribution requirements for active employees is governed by §51.1-1401(E) of the Code of Virginia, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Each school division's contractually required employer contribution rate for the year ended June 30, 2022 was 1.21% of covered employee compensation for employees in the VRS Teacher Employee HIC Plan.

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

This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the school division to the VRS Teacher Employee HIC Plan were \$1,181 and \$1,181 for the years ended June 30, 2022 and June 30, 2021, respectively.

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

At June 30, 2022, the school division reported a liability of \$14,120 for its proportionate share of the VRS Teacher Employee HIC Plan Net OPEB Liability. The Net VRS Teacher Employee HIC Plan OPEB Liability was measured as of June 30, 2021 and the total VRS Teacher Employee HIC Plan OPEB liability used to calculate the Net VRS Teacher Employee HIC Plan OPEB Liability was determined by an actuarial valuation performed as of June 30, 2020 and rolled forward to the measurement date of June 30, 2021. The school division's proportion of the Net VRS Teacher Employee HIC Plan OPEB Liability was based on the school division's actuarially determined employer contributions to the VRS Teacher Employee HIC Plan OPEB plan for the year ended June 30, 2021 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2021, the school division's proportion of the VRS Teacher Employee HIC Plan was .00110% as compared to .00111% at June 30, 2020.

For the year ended June 30, 2022, the school division recognized VRS Teacher Employee HIC Plan OPEB expense of \$994. Since there was a change in proportionate share between measurement dates a portion of the VRS Teacher Employee HIC Plan Net OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2022, the school division reported deferred outflows of resources and deferred inflows of resources related to the VRS Teacher Employee HIC Plan OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 246
Net difference between projected and actual earnings on Teacher HIC OPEB plan investments	-	186
Change in assumptions	382	57
Change in proportionate share	-	688
Employer contributions subsequent to the measurement date	1,181	-
Total	\$ 1,563	\$ 1,177

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
June 30, 2022 (Continued)

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

\$1,181 reported as deferred outflows of resources related to the Teacher Employee HIC OPEB resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Teacher Employee HIC OPEB Liability in the fiscal year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Teacher Employee HIC OPEB will be recognized in the Teacher Employee HIC OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2023	\$ (173)
2024	(175)
2025	(169)
2026	(166)
2027	(81)
Thereafter	(31)

Actuarial Assumptions

The total Teacher Employee HIC OPEB liability for the VRS Teacher Employee HIC Plan was based on an actuarial valuation as of June 30, 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, 2021.

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

Mortality Rates - Teachers

Pre-Retirement:

Pub-2010 Amount Weighted Teachers Employee Rates projected generationally; 110% of rates for males

Post-Retirement:

Pub-2010 Amount Weighted Teachers Healthy Retiree Rates projected generationally; males set forward 1 year; 105% of rates for females

Post-Disablement:

Pub-2010 Amount Weighted Teachers Disabled Rates projected generationally; 110% of rates for males and females

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Teachers Contingent Annuitant Rates projected generationally

Mortality Improvement:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
June 30, 2022 (Continued)

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

Actuarial Assumptions: (Continued)

Mortality Rates - Teachers: (Continued)

The actuarial assumptions used in the June 30, 2020 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:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

Net Teacher Employee HIC OPEB Liability

The net OPEB liability (NOL) for the Teacher Employee HIC Plan represents the plan's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2021, NOL amounts for the VRS Teacher Employee HIC Plan is as follows (amounts expressed in thousands):

		Teacher Employee HIC OPEB Plan
Total Teacher Employee HIC OPEB Liability	\$	1,477,874
Plan Fiduciary Net Position		194,305
Teacher Employee net HIC OPEB Liability (Asset)	\$	<u>1,283,569</u>
Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee HIC OPEB Liability		13.15%

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

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

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

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	34.00%	5.00%	1.70%
Fixed Income	15.00%	0.57%	0.09%
Credit Strategies	14.00%	4.49%	0.63%
Real Assets	14.00%	4.76%	0.67%
Private Equity	14.00%	9.94%	1.39%
MAPS - Multi-Asset Public Strategies	6.00%	3.29%	0.20%
PIP - Private Investment Partnership	3.00%	6.84%	0.21%
Total	100.00%		4.89%
		Inflation	2.50%
		Expected arithmetic nominal return*	7.39%

*The above allocation provides a one-year expected return of 7.39%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.94%, including expected inflation of 2.50%.

*On October 10, 2019, the VRS Board elected a long-term rate of return of 6.75% which was 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 Teacher Employee HIC OPEB was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ended June 30, 2021, the rate contributed by each school division for the VRS Teacher Employee HIC Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2021 on, all agencies are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the Teacher Employee HIC OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total Teacher Employee HIC OPEB liability.

NOTE 15—TEACHER EMPLOYEE HEALTH INSURANCE CREDIT (HIC) PLAN (OPEB PLAN): (CONTINUED)***Sensitivity of the School Division's Proportionate Share of the Teacher Employee HIC Net OPEB Liability to Changes in the Discount Rate***

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

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
School division's proportionate share of the VRS Teacher Employee HIC OPEB Plan Net HIC OPEB Liability	\$ 15,895	\$ 14,120	\$ 12,617

Teacher Employee HIC OPEB Fiduciary Net Position

Detailed information about the VRS Teacher Employee HIC Plan's Fiduciary Net Position is available in the separately issued VRS 2021 Annual Comprehensive Financial Report (Annual Report). A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2021-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

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

	Primary Government			
	Deferred Outflows	Deferred Inflows	Net OPEB Liability	OPEB Expense
City Stand-Alone Plan (Note 13)	\$ 3,695,797	\$ 5,715,193	\$ 13,382,458	\$ (767,658)
Totals	\$ 3,695,797	\$ 5,715,193	\$ 13,382,458	\$ (767,658)
	Component Unit School Board			
	Deferred Outflows	Deferred Inflows	Net OPEB Liabilities	OPEB Expense
VRS OPEB Plans:				
School Board Professional GLI (Note 14)	\$ 1,453	\$ 2,387	\$ 5,473	\$ 147
Teacher Health Insurance Credit Program (Note 15)	1,563	1,177	14,120	994
Totals	\$ 3,016	\$ 3,564	\$ 19,593	\$ 1,141

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
June 30, 2022 (Continued)

NOTE 16—RISK MANAGEMENT:

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. To reduce insurance costs and the need for self-insurance, the City has joined with other municipalities in the Commonwealth of Virginia in several public entity risk pools that operate as common risk management and insurance programs for member municipalities. The City is not self-insured.

The City has coverage with the VRSA Insurance Programs (“Program”). Each Program member jointly and severally agrees to assume, pay and discharge any liability. The City pays VRSA the contributions and assessments based upon classifications and rates into a designated cash reserve fund out of which expenses of the Program and claims and awards are to be paid. In the event of a loss deficit and depletion of all available excess insurance, the Program may assess all members in the proportion which the premium of each bears to the total premiums of all members in the year in which such deficit occurs.

The City also contracts with private insurance carriers for accident insurance for all volunteer firefighters and holds a policy for any pollution associated with underground storage tanks. Settled claims have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 17—COMMITMENTS AND CONTINGENCIES:

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

While no matters of material noncompliance were disclosed by audit, the Federal Government may subject grant programs to additional compliance tests which may result in disallowed expenditures. In the opinion of management, any future disallowance of current grant program expenditures, if any, would be immaterial.

In fiscal year 2014, the City entered into an agreement to sell certain water assets to Fairfax County Water Authority. The City has potential liability related to any material adverse effects of the sale on the Authority. As of June 30, 2022, management is unaware of any liabilities related to this part of the sale agreement.

NOTE 18—LITIGATION:

At June 30, 2022, there were no matters of litigation involving the City which would materially affect the City’s position should any court decisions on pending matters not be favorable.

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
June 30, 2022 (Continued)

NOTE 19—CONSTRUCTION COMMITMENTS:

At June 30, 2022, the City had several major projects under construction which are summarized below:

<u>Project</u>	<u>Contract Amount</u>	<u>Expenditures as of June 30, 2022</u>	<u>Contract Balance</u>
Primary Government:			
Street Repaving	\$ 1,152,969	\$ 508,708	\$ 644,261
Curb Gutter and Sidewalk	<u>2,033,398</u>	<u>1,894,917</u>	<u>138,481</u>
Total	<u>\$ 3,186,367</u>	<u>\$ 2,403,625</u>	<u>\$ 782,742</u>

NOTE 20—LEASE RECEIVABLE:

The City leases real property to third parties. The following summarizes the balances related to these leases for the year ended June 30, 2022:

<u>Lease Description</u>	<u>Component Unit IDA</u>			
	<u>Term Ends</u>	<u>Discount Rate</u>	<u>Lease Receivable June 30, 2022</u>	<u>Deferred Inflow of Resources June 30, 2022</u>
Parcel 114 & 113A	02/28/29	\$ 1.372%	<u>\$ 366,121</u>	<u>\$ 364,076</u>

Lease revenue totaled \$54,611 for the year ended June 30, 2022. Lease interest revenue totaled \$4,933 and \$1,299,326 for the year ended June 30, 2022.

NOTE 21—DEBT REFUNDING:

On January 18, 2022 the City issued \$33,210,000 in General Obligation Refunding Bonds with an interest rate of 2.45%. The bonds were issued to refund \$33,154,000 of 2019 Bonds. The bonds will be repaid in various installments from January 15, 2023 to January 15, 2037. As a result, the refunded bonds are considered to be defeased in substance and the liability for those bonds has been removed from the financial statements. The reacquisition price exceeded the carrying amount of the old debt by \$5,802. The refunding increased the total debt service payments over the next 15 years by \$9,531,532 and resulted in an economic loss of \$50,000.

NOTE 21—DEBT REFUNDING: (CONTINUED)

On March 22, 2022 the City issued \$33,499,000 in General Obligation Refunding Bonds with an interest rate of 1.955%. The bonds were issued to refund \$33,210,000 of 2022 Bonds. The bonds will be repaid in various installments from January 15, 2023 to January 15, 2037. As a result, the refunded bonds are considered to be defeased in substance and the liability for those bonds has been removed from the financial statements. The reacquisition price exceeded the carrying amount of the old debt by \$144,658. The refunding reduced the total debt service payments over the next 15 years by \$1,733,450 and resulted in an economic gain of \$1,499,339.

NOTE 22—NEW ACCOUNTING STANDARDS:

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

Statement No. 94, *Public-Private and Public-Public Partnerships and Availability of Payment Arrangements*, addresses issues related to public-private and public-public partnership arrangements. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022.

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

Statement No. 99, *Omnibus 2022*, enhances the comparability in accounting and financial reporting and improves 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 effective dates differ based on the requirements of the Statement, ranging from April 2022 to reporting periods beginning after June 15, 2023.

Statement No. 100, *Accounting Changes and Error Corrections* - an amendment of GASB Statement No. 62, enhances accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this Statement are effective for reporting periods beginning after June 15, 2023.

Statement No. 101, *Compensated Absences*, updates the recognition and measurement guidance for compensated absences. It aligns the recognition and measurement guidance under a unified model and amends certain previously required disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2023.

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

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
June 30, 2022 (Continued)

NOTE 23—COVID-19:

ARPA Funding

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

In June 2022, the City received its share of the first half of the CSLFRF funds. During fiscal year 2022 the City received additional ARPA funds totaling \$2,332,705. In July 2022 the City received additional ARPA tranches totaling \$14,792,761. As a condition of receiving CSLFRF funds, any funds unobligated by December 31, 2024, and unexpended by December 31, 2026, will be returned to the federal government. Unspent funds in the amount of \$14,792,761 from the initial allocation are reported as unearned revenue as of June 30.

NOTE 24 - SUBSEQUENT EVENTS:

In November 2022 the City entered into two leases as lessee for the use of buildings. The initial lease liabilities totaled \$8,401,854.

Subsequent to year end the City issued VRA Revenue Bonds, Series 2022 in the par amount of \$13,610,000. The bonds will be repaid in various principal installments through October 1, 2047.

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REQUIRED SUPPLEMENTARY INFORMATION

Note to Required Supplementary Information:

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

CITY OF FAIRFAX, VIRGINIA

Schedule of Changes in the Net Pension Liability (Asset) and Related Ratios - City General and Public Safety Pension Plans
Years Ended June 30, 2014 through June 30, 2022

	City General Plan									
	2021	2020	2020	2019	2018	2017	2016	2015	2014	
Total pension liability										
Service cost	\$ 1,648,911	\$ 1,661,358	\$ 1,640,419	\$ 1,602,295	\$ 1,386,401	\$ 1,353,611	\$ 1,321,396	\$ 1,223,136	\$ 1,238,483	
Interest	4,405,109	4,268,057	4,152,694	4,072,120	4,037,857	3,857,917	3,825,762	3,724,963	3,693,905	
Benefit changes	-	-	-	-	-	-	-	-	40,012	
Differences between expected and actual experience	1,684,651	230,670	(155,359)	(721,494)	(450,350)	765,030	(1,571,490)	(517,432)	(1,277,224)	
Assumption changes	-	-	-	-	3,791,472	-	-	-	-	
Benefit payments, including refunds of member contributions	(4,063,432)	(3,858,610)	(3,746,226)	(3,619,368)	(3,459,673)	(3,194,674)	(3,036,116)	(2,936,859)	(3,517,912)	
Net change in total pension liability	3,675,239	2,301,475	1,891,528	1,333,553	5,305,707	2,781,884	539,552	1,493,808	177,264	
Total pension liability - beginning	71,689,008	69,387,533	67,496,005	66,162,452	60,856,745	58,074,861	57,535,309	56,041,501	55,864,237	
Total pension liability - ending (a)	\$ 75,364,247	\$ 71,689,008	\$ 69,387,533	\$ 67,496,005	\$ 66,162,452	\$ 60,856,745	\$ 58,074,861	\$ 57,535,309	\$ 56,041,501	
Plan fiduciary net position										
Contributions - employer	\$ 2,054,994	\$ 1,757,645	\$ 1,722,578	\$ 932,247	\$ 796,752	\$ 745,267	\$ 758,268	\$ 1,064,636	\$ 876,511	
Contributions - member	578,224	537,398	576,715	524,773	530,846	508,749	489,511	478,806	512,116	
Net investment income	(11,080,798)	14,577,311	855,343	2,348,258	3,617,908	6,142,906	(861,774)	(598,006)	6,985,339	
Benefit payments, including refunds of member contributions	(4,063,432)	(3,858,610)	(3,746,226)	(3,619,368)	(3,459,673)	(3,194,674)	(3,036,116)	(2,936,859)	(3,517,912)	
Other	691,167	14,677	(1,237)	(7,568)	(133,202)	9,100	30,167	23,402	24,368	
Net change in plan fiduciary net position	(11,819,845)	13,028,421	(592,827)	178,342	1,352,631	4,211,348	(2,619,944)	(1,968,021)	4,880,422	
Plan fiduciary net position - beginning	72,275,354	59,246,933	59,839,760	59,661,418	58,308,787	54,097,439	56,717,383	58,685,404	53,804,982	
Plan fiduciary net position - ending (b)	\$ 60,455,509	\$ 72,275,354	\$ 59,246,933	\$ 59,839,760	\$ 59,661,418	\$ 58,308,787	\$ 54,097,439	\$ 56,717,383	\$ 58,685,404	
Net pension liability (asset) (a) - (b)	\$ 14,908,738	\$ (586,346)	\$ 10,140,600	\$ 7,656,245	\$ 6,501,034	\$ 2,547,958	\$ 3,977,422	\$ 817,926	\$ (2,643,903)	
Plan fiduciary net position as a percentage of the total pension liability	80.22%	100.82%	85.39%	88.66%	90.17%	95.81%	93.15%	98.58%	104.72%	
Covered payroll	\$ 19,741,803	\$ 18,501,082	\$ 18,451,387	\$ 18,410,991	\$ 17,962,946	\$ 17,308,380	\$ 16,835,961	\$ 16,374,172	\$ 15,346,754	
Net pension liability as a percentage of covered payroll	75.52%	-3.17%	54.96%	41.59%	36.19%	14.72%	23.62%	5.00%	-17.23%	

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

Public Safety Plan									
2022	2021	2020	2019	2018	2017	2016	2015	2014	
\$ 2,002,345	\$ 1,927,358	\$ 1,905,869	\$ 1,858,187	\$ 1,692,697	\$ 1,654,690	\$ 1,660,398	\$ 1,687,952	\$ 1,721,480	
5,168,110	5,153,734	5,035,873	4,896,030	4,955,670	4,689,991	4,608,292	4,549,584	4,482,529	
3,671,409	(1,823,360)	(37,117)	384,293	(1,069,579)	1,807,081	(1,105,294)	(1,642,507)	(1,925,872)	
(5,098,134)	(5,032,270)	(5,026,910)	(4,822,817)	(4,447,734)	(4,021,835)	(3,878,524)	(3,544,481)	(3,278,507)	
5,743,730	225,462	1,877,715	2,315,693	5,023,937	4,129,927	1,284,872	1,050,548	1,143,158	
84,237,662	84,012,200	82,134,485	79,818,792	74,794,855	70,664,928	69,380,056	68,329,508	67,186,350	
\$ 89,981,392	\$ 84,237,662	\$ 84,012,200	\$ 82,134,485	\$ 79,818,792	\$ 74,794,855	\$ 70,664,928	\$ 69,380,056	\$ 68,329,508	
\$ 2,899,825	\$ 2,520,097	\$ 2,282,066	\$ 1,477,700	\$ 1,261,540	\$ 1,173,293	\$ 1,359,471	\$ 1,854,639	\$ 1,772,644	
873,104	830,542	871,773	781,348	812,118	800,484	777,157	781,168	816,864	
(12,495,367)	16,438,245	964,537	2,648,038	4,079,768	6,654,814	(933,589)	(647,840)	7,567,450	
(5,098,134)	(5,032,270)	(5,026,910)	(4,822,817)	(4,447,734)	(4,021,835)	(3,878,524)	(3,544,481)	(3,278,507)	
779,401	16,550	(1,395)	(8,534)	122,489	9,858	32,681	25,352	26,399	
(13,041,171)	14,773,164	(909,929)	75,735	1,828,181	4,616,614	(2,642,804)	(1,531,162)	6,904,850	
81,794,803	67,021,639	67,931,568	67,855,833	66,027,652	61,411,038	64,053,842	65,585,004	58,680,154	
\$ 68,753,632	\$ 81,794,803	\$ 67,021,639	\$ 67,931,568	\$ 67,855,833	\$ 66,027,652	\$ 61,411,038	\$ 64,053,842	\$ 65,585,004	
\$ 21,227,760	\$ 2,442,859	\$ 16,990,561	\$ 14,202,917	\$ 11,962,959	\$ 8,767,203	\$ 9,253,890	\$ 5,326,214	\$ 2,744,504	
76.41%	97.10%	79.78%	82.71%	85.01%	88.28%	86.90%	92.32%	95.98%	
\$ 12,611,924	\$ 12,245,664	\$ 11,794,400	\$ 11,830,345	\$ 11,570,282	\$ 11,787,583	\$ 11,490,902	\$ 11,474,760	\$ 11,561,315	
168.32%	19.95%	144.06%	120.05%	103.39%	74.38%	80.53%	46.42%	23.74%	

Schedule of Employer Contributions - City General and Public Safety Pension Plans
Years Ended June 30, 2014 through June 30, 2022

City General Plan:	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 2,054,994	\$ 1,757,645	\$ 1,722,578	\$ 932,247	\$ 796,752	\$ 745,267	\$ 758,268	\$ 1,064,636	\$ 876,511
Contributions in relation to the actuarially determined contribution	<u>2,054,994</u>	<u>1,757,645</u>	<u>1,722,578</u>	<u>932,247</u>	<u>796,752</u>	<u>745,267</u>	<u>758,268</u>	<u>1,064,636</u>	<u>876,511</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 19,741,803	\$ 18,501,082	\$ 18,451,387	\$ 18,410,991	\$ 17,962,946	\$ 17,308,380	\$ 16,835,961	\$ 16,374,172	\$ 15,346,754
Contributions as a percentage of covered payroll	10.41%	9.50%	9.34%	5.06%	4.44%	4.31%	4.50%	6.50%	5.71%
City Public Safety Plan:									
Actuarially determined contribution	\$ 2,899,825	\$ 2,520,097	\$ 2,282,066	\$ 1,477,700	\$ 1,261,540	\$ 1,173,293	\$ 1,359,471	\$ 1,854,639	\$ 1,772,644
Contributions in relation to the actuarially determined contribution	<u>2,899,825</u>	<u>2,520,097</u>	<u>2,282,066</u>	<u>1,477,700</u>	<u>1,261,540</u>	<u>1,173,293</u>	<u>1,359,471</u>	<u>1,854,639</u>	<u>1,772,644</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 12,611,924	\$ 12,245,664	\$ 11,794,400	\$ 11,830,345	\$ 11,570,282	\$ 11,787,583	\$ 11,490,902	\$ 11,474,760	\$ 11,561,315
Contributions as a percentage of covered payroll	22.99%	20.58%	19.35%	12.49%	10.90%	9.95%	11.83%	16.16%	15.33%

Notes to Schedule

Valuation date:

Actuarially determined contribution rates are calculated as of June 30, 12 months prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

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

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

Schedule of Investment Returns - City General and Public Safety Pension Plans
 Years Ended June 30, 2015 through June 30, 2022

	2022	2021	2020	2019	2018	2017	2016	2015
Annual money-weighted rate of return, net of investment expense	-14.16%	25.39%	1.50%	4.50%	6.60%	11.29%	-1.50%	-1.10%

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

Schedule of Changes in Net Pension Liability and Related Ratios - VRS
Primary Government
Pension Plans
Measurement Dates of June 30, 2014 through June 30, 2021

	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability								
Service cost	\$ 2,549,850	\$ 2,641,322	\$ 2,399,209	\$ 2,381,646	\$ 2,495,898	\$ 2,423,842	\$ 2,409,740	\$ 2,553,033
Interest	11,754,265	11,460,855	11,141,537	10,543,188	10,484,207	10,049,084	9,813,324	9,430,342
Changes in benefit terms	-	-	-	-	-	-	65,193	-
Differences between expected and actual experience	(203,279)	214,430	1,352,480	4,284,241	(1,772,110)	1,376,065	(1,785,717)	-
Changes of assumptions	5,550,736	-	4,998,787	-	(2,275,619)	-	-	-
Benefit payments	(10,298,747)	(9,640,851)	(8,891,913)	(8,430,548)	(7,749,032)	(7,516,872)	(6,752,212)	(6,272,188)
Net change in total pension liability	\$ 9,352,825	\$ 4,675,756	\$ 11,000,100	\$ 8,778,527	\$ 1,183,344	\$ 6,332,119	\$ 3,750,328	\$ 5,711,187
Total pension liability - beginning	179,286,628	174,610,872	163,610,772	154,832,245	153,648,901	147,316,782	143,566,454	137,855,267
Total pension liability - ending (a)	\$ 188,639,453	\$ 179,286,628	\$ 174,610,872	\$ 163,610,772	\$ 154,832,245	\$ 153,648,901	\$ 147,316,782	\$ 143,566,454
Plan fiduciary net position								
Contributions - employer	\$ 3,924,981	\$ 3,608,836	\$ 3,547,019	\$ 3,606,104	\$ 3,571,518	\$ 3,527,021	\$ 3,485,306	\$ 3,659,625
Contributions - employee	1,429,325	1,457,166	1,499,039	1,478,222	1,633,968	1,393,173	1,355,267	1,374,989
Net investment income	34,331,697	2,487,781	8,210,321	8,775,432	13,186,788	1,867,356	4,869,624	14,717,193
Benefit payments	(10,298,747)	(9,640,851)	(8,891,913)	(8,430,548)	(7,749,032)	(7,516,872)	(6,752,212)	(6,272,188)
Administrator charges	(87,996)	(85,616)	(83,456)	(76,892)	(77,024)	(68,917)	(67,435)	(79,665)
Other	(8,118)	(2,870)	(5,168)	(7,769)	(11,711)	(800)	(1,026)	776
Net change in plan fiduciary net position	\$ 29,291,142	\$ (2,175,554)	\$ 4,275,842	\$ 5,344,549	\$ 10,554,507	\$ (799,039)	\$ 2,889,524	\$ 13,400,730
Plan fiduciary net position - beginning	127,278,168	129,453,722	125,177,880	119,833,331	109,278,824	110,077,863	107,188,339	93,787,609
Plan fiduciary net position - ending (b)	\$ 156,569,310	\$ 127,278,168	\$ 129,453,722	\$ 125,177,880	\$ 119,833,331	\$ 109,278,824	\$ 110,077,863	\$ 107,188,339
City's net pension liability (asset) - ending (a) - (b)	\$ 32,070,143	\$ 52,008,460	\$ 45,157,150	\$ 38,432,892	\$ 34,998,914	\$ 44,370,077	\$ 37,238,919	\$ 36,378,115
Plan fiduciary net position as a percentage of the total pension liability	83.00%	70.99%	74.14%	76.51%	77.40%	71.12%	74.72%	74.66%
Covered payroll	\$ 29,610,743	\$ 30,126,334	\$ 29,415,870	\$ 28,964,535	\$ 28,412,507	\$ 27,216,054	\$ 26,784,659	\$ 27,316,166
City's net pension liability (asset) as a percentage of covered payroll	108.31%	172.63%	153.51%	132.69%	123.18%	163.03%	139.03%	133.17%

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

Schedule of Employer's Share of Net Pension Liability VRS Teacher Retirement Plan
Pension Plans
Measurement Dates of June 30, 2014 through June 30, 2021

	2021	2020	2019	2018	2017	2016	2015	2014
Employer's Proportion of the Net Pension Liability (Asset)	0.00115%	0.00115%	0.00116%	0.0012%	0.0012%	0.00117%	0.00115%	0.00116%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 89,275	\$ 167,355	\$ 152,663	\$ 141,000	\$ 148,000	\$ 164,000	\$ 150,000	\$ 140,000
Employer's Covered Payroll	97,615	97,615	95,142	95,142	93,276	89,423	85,543	85,118
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	91.46%	171.44%	160.46%	148.20%	158.67%	183.40%	175.35%	164.48%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	85.46%	71.47%	73.51%	74.81%	72.92%	68.28%	70.68%	70.88%

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

Schedule of Employer Contributions - VRS Pension
Pension Plans
Years Ended June 30, 2013 through June 30, 2022

Date	Contractually Required Contribution (1)*	Contributions in Relation to Contractually Required Contribution (2)*	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
Primary Government					
2022	\$ 4,164,956	\$ 4,164,956	\$ -	\$ 31,540,166	13.21%
2021	3,926,288	3,926,288	-	29,610,743	13.26%
2020	3,625,317	3,625,317	-	30,126,334	12.03%
2019	3,545,470	3,545,470	-	29,415,870	12.05%
2018	3,613,693	3,613,693	-	28,964,535	12.48%
2017	3,616,912	3,616,912	-	28,412,507	12.73%
2016	3,557,138	3,557,138	-	27,216,054	13.07%
2015	3,500,755	3,500,755	-	26,784,659	13.07%
2014	3,425,447	3,425,447	-	27,316,166	12.54%
2013	3,499,490	3,499,490	-	27,906,618	12.54%
Component Unit School Board (professional)					
2022	\$ 16,224	\$ 16,224	\$ -	\$ 97,615	16.62%
2021	16,224	16,224	-	97,615	16.62%
2020	15,306	15,306	-	97,615	15.68%
2019	16,161	16,161	-	95,142	16.99%
2018	13,674	13,674	-	95,142	14.37%
2017	12,573	12,573	-	93,276	13.48%
2016	12,404	12,404	-	89,423	13.87%
2015	9,925	9,925	-	85,543	11.60%

*Excludes contributions (mandatory and match on voluntary) to the defined contribution portion of the Hybrid plan.

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

Notes to Required Supplementary Information - VRS Pension
Pension Plans
Year Ended June 30, 2022

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

Changes of assumptions - The actuarial assumptions used in the June 30, 2020 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:

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

All Others (Non 10 Largest) - Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased 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
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Component Unit School Board - Professional Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

Schedule of Changes in Total OPEB Liability and Related Ratios
City Pay-As-You-Go OPEB Plan
Years Ended June 30, 2018 through June 30, 2022

	2022	2021	2020	2019	2018
Total OPEB liability					
Service cost	\$ 740,821	\$ 648,126	\$ 588,840	\$ 493,978	\$ 479,137
Interest	360,846	473,434	538,713	509,096	489,539
Differences between expected and actual experience	74,673	(2,637,504)	(171,060)	429,083	(37,111)
Changes in benefit terms	(1,739,733)	-	-	-	-
Changes of assumptions	(4,097,613)	1,663,680	1,726,104	2,186,815	(117,292)
Benefit payments	(760,396)	(687,270)	(512,096)	(525,039)	(493,675)
Net change in total OPEB liability	\$ (5,421,402)	\$ (539,534)	\$ 2,170,501	\$ 3,093,933	\$ 320,598
Total OPEB liability - beginning	18,803,860	19,343,394	17,172,893	14,078,960	13,758,362
Total OPEB liability - ending	\$ 13,382,458	\$ 18,803,860	\$ 19,343,394	\$ 17,172,893	\$ 14,078,960
 Covered-employee payroll	 \$ 39,722,121	 \$ 38,457,799	 \$ 37,177,439	 \$ 36,723,863	 \$ 33,143,226
 City's total OPEB liability (asset) as a percentage of covered-employee payroll	 33.69%	 48.89%	 52.03%	 46.76%	 42.48%

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

Notes to Required Supplementary Information - City Pay-As-You-Go OPEB Plan
Year Ended June 30, 2022

Valuation Date: 6/30/2020
Measurement Date: 6/30/2022

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

Methods and assumptions used to determine OPEB liability:

Actuarial Cost Method	Entry age normal
Amortization Method	Level percentage of payroll
Discount Rate	3.69% as of June 30, 2022 and 1.92% as of June 30, 2021
Inflation	2.50%
Healthcare Trend Rate	Initial trend of 7.50% gradually decreasing to an ultimate trend rate of 3.50% in year 12 for pre-65. Initial trend of 6.25% gradually decreasing to an ultimate trend rate of 3.50% in year 12 for post-65.
Salary Increase Rates	3.75 to 7.75%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition and date of hire
Mortality Rates	RP-2014 Fully Generational Mortality Tables, adjusted backwards to 2006 with the MP-2014 Scale. Future mortality improvements assumed each year using scale MP-2017.

Schedule of City of Fairfax, Virginia's Share of Net OPEB Liability
 Group Life Insurance (GLI) Plan
 Measurement Dates of June 30, 2017 through 2021

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
Component Unit School Board (professional)					
2021	0.00050% \$	5,473 \$	97,615	5.61%	67.45%
2020	0.00050%	7,844	97,615	8.04%	52.64%
2019	0.00049%	7,973	95,142	8.38%	52.00%
2018	0.00051%	8,000	95,142	8.41%	51.22%
2017	0.00050%	8,000	93,276	8.58%	48.86%

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

Schedule of Employer Contributions

Group Life Insurance (GLI) Plan

Years Ended June 30, 2013 through June 30, 2022

Date	Contractually Required Contribution (1)	Contributions in Relation to		Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
		Contractually Required Contribution (2)				
Component Unit School Board (professional)						
2022	\$ 527	\$ 527	\$ -	\$ 97,615	0.54%	
2021	527	527	-	97,615	0.54%	
2020	508	508	-	97,615	0.52%	
2019	495	495	-	95,142	0.52%	
2018	495	495	-	95,142	0.52%	
2017	485	485	-	93,276	0.52%	
2016	429	429	-	89,423	0.48%	
2015	411	411	-	85,543	0.48%	
2014	409	409	-	85,118	0.48%	
2013	395	395	-	82,239	0.48%	

Notes to Required Supplementary Information
Group Life Insurance (GLI) Plan
Year Ended June 30, 2022

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

Changes of assumptions - The actuarial assumptions used in the June 30, 2020 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:

Teachers

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

Non-Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Non-Largest Ten Locality Employers - Hazardous Duty Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased 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 Top 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Schedule of Fairfax City School Board's Share of Net OPEB Liability
Teacher Employee Health Insurance Credit (HIC) Plan
Measurement Dates of June 30, 2017 through June 30, 2021

Date (1)	Employer's Proportion of the Net HIC OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total HIC OPEB Liability (6)
2021	0.00110% \$	14,120 \$	97,615	14.46%	13.15%
2020	0.00111%	14,480	97,615	14.83%	9.95%
2019	0.00113%	14,793	95,142	15.55%	8.97%
2018	0.00118%	15,000	95,142	15.77%	8.08%
2017	0.00118%	15,000	93,276	16.08%	7.04%

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

Schedule of Employer Contributions
Teacher Employee Health Insurance Credit (HIC) Plan
Years Ended June 30, 2013 through June 30, 2022

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2022	\$ 1,181	\$ 1,181	\$ -	\$ 97,615	1.21%
2021	1,181	1,181	-	97,615	1.21%
2020	1,171	1,171	-	97,615	1.20%
2019	1,142	1,142	-	95,142	1.20%
2018	1,170	1,170	-	95,142	1.23%
2017	1,035	1,035	-	93,276	1.11%
2016	948	948	-	89,423	1.06%
2015	907	907	-	85,543	1.06%
2014	945	945	-	85,118	1.11%
2013	913	913	-	82,239	1.11%

Notes to Required Supplementary Information
Teacher Employee Health Insurance Credit (HIC) Plan
Year Ended June 30, 2022

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

Changes of assumptions - The actuarial assumptions used in the June 30, 2020 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:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

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OTHER SUPPLEMENTARY INFORMATION

Combining Balance Sheet
Nonmajor Governmental Funds
At June 30, 2022

	Special Revenue Funds			Capital Projects Fund	Total Nonmajor Governmental Funds
	Legacy for Fairfax Fund	Old Town Fairfax Fund	Commercial Transportation Tax Fund	Stormwater Fund	
Assets					
Cash and cash equivalents	\$ 367,818	\$ 272,852	\$ 4,584,862	\$ 2,837,007	\$ 8,062,539
Receivables (Net of allowance for uncollectibles):					
Accounts	-	-	-	97,400	97,400
Prepaid items	-	6,475	58,532	-	65,007
Due from other governments	-	50,611	-	-	50,611
Total assets	<u>\$ 367,818</u>	<u>\$ 329,938</u>	<u>\$ 4,643,394</u>	<u>\$ 2,934,407</u>	<u>\$ 8,275,557</u>
Liabilities					
Accounts payable and accrued liabilities	\$ 1,803	\$ 101,223	\$ -	\$ 416,953	\$ 519,979
Retainage payable	-	-	-	10,551	10,551
Total liabilities	<u>\$ 1,803</u>	<u>\$ 101,223</u>	<u>\$ -</u>	<u>\$ 427,504</u>	<u>\$ 530,530</u>
Fund Balances					
Fund balances:					
Nonspendable	\$ -	\$ 6,475	\$ 58,532	\$ -	\$ 65,007
Restricted	366,015	-	-	-	366,015
Assigned	-	222,240	4,584,862	2,506,903	7,314,005
Total fund balances	<u>\$ 366,015</u>	<u>\$ 228,715</u>	<u>\$ 4,643,394</u>	<u>\$ 2,506,903</u>	<u>\$ 7,745,027</u>
Total liabilities and fund balances	<u>\$ 367,818</u>	<u>\$ 329,938</u>	<u>\$ 4,643,394</u>	<u>\$ 2,934,407</u>	<u>\$ 8,275,557</u>

Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances - Nonmajor Governmental Funds
Year Ended June 30, 2022

	Special Revenue Funds			Capital Projects Fund	Total Nonmajor Governmental Funds
	Legacy for Fairfax Fund	Old Town Fairfax Fund	Commercial Transportation Tax Fund	Stormwater Fund	
Revenues					
Other local taxes	\$ -	\$ -	\$ 2,902,265	\$ -	\$ 2,902,265
Permits, privilege fees and regulatory licenses	-	-	-	13,378	13,378
Miscellaneous	12,800	-	-	-	12,800
Intergovernmental:					
Commonwealth	-	50,611	-	104,242	154,853
Total revenues	\$ 12,800	\$ 50,611	\$ 2,902,265	\$ 117,620	\$ 3,083,296
Expenditures					
Current:					
Public works	\$ -	\$ 159,490	\$ 307,289	\$ 1,751,080	\$ 2,217,859
Parks, recreation and cultural	15,091	-	-	-	15,091
Debt service:					
Principal retirement	-	63,104	-	-	63,104
Interest and other fiscal charges	-	68	-	-	68
Total expenditures	\$ 15,091	\$ 222,662	\$ 307,289	\$ 1,751,080	\$ 2,296,122
Excess (deficiency) of revenue over (under) expenditures	\$ (2,291)	\$ (172,051)	\$ 2,594,976	\$ (1,633,460)	\$ 787,174
Other financing sources (uses)					
Transfers in	\$ -	\$ 88,201	\$ 2,298,233	\$ 2,064,108	\$ 4,450,542
Transfers (out)	-	-	(5,603,770)	-	(5,603,770)
Total other financing sources (uses)	\$ -	\$ 88,201	\$ (3,305,537)	\$ 2,064,108	\$ (1,153,228)
Net changes in fund balances	\$ (2,291)	\$ (83,850)	\$ (710,561)	\$ 430,648	\$ (366,054)
Fund balances, beginning	368,306	312,565	5,353,955	2,076,255	8,111,081
Fund balances, ending	<u>\$ 366,015</u>	<u>\$ 228,715</u>	<u>\$ 4,643,394</u>	<u>\$ 2,506,903</u>	<u>\$ 7,745,027</u>

Combining Statement of Fiduciary Net Position
 Fiduciary Funds
 At June 30, 2022

	City Supplemental Pension Trust Fund	Firefighters, Policemen and Policewomen Pension Trust Fund	Totals
Assets			
Cash and cash equivalents	\$ 93,578	\$ 106,422	\$ 200,000
Mutual and money market funds	58,080,683	66,052,838	124,133,521
Stocks	2,280,992	2,594,081	4,875,073
Accrued interest	256	291	547
Total assets	\$ <u>60,455,509</u>	\$ <u>68,753,632</u>	\$ <u>129,209,141</u>
Net Position			
Restricted for pension benefits	\$ <u>60,455,509</u>	\$ <u>68,753,632</u>	\$ <u>129,209,141</u>

Combining Statement of Changes in Fiduciary Net Position
 Fiduciary Funds
 Year Ended June 30, 2022

	City Supplemental Pension Trust Fund	Firefighters, Policemen and Policewomen Pension Trust Fund	Totals
Additions			
Plan member and employer contributions	\$ 3,324,385	\$ 4,552,330	\$ 7,876,715
Investment income:			
Interest and dividends earned on investments	\$ 95,505	107,697	\$ 203,202
Net appreciation in fair value of investments	(10,812,411)	(12,192,718)	(23,005,129)
Total investment income	\$ (10,716,906)	\$ (12,085,021)	\$ (22,801,927)
Less: Investment expenses	363,892	410,346	774,238
Net investment income	\$ (11,080,798)	\$ (12,495,367)	\$ (23,576,165)
Total additions	\$ (7,756,413)	\$ (7,943,037)	\$ (15,699,450)
Deductions			
Retirement and disability benefits	\$ 4,063,432	\$ 5,098,134	\$ 9,161,566
Total deductions	\$ 4,063,432	\$ 5,098,134	\$ 9,161,566
Change in net position	\$ (11,819,845)	\$ (13,041,171)	\$ (24,861,016)
Net position - beginning	72,275,354	81,794,803	154,070,157
Net position - ending	\$ 60,455,509	\$ 68,753,632	\$ 129,209,141

Combining Balance Sheet -
Discretely Presented Component Unit - School Board
At June 30, 2022

	School Operating Fund	School Bond Renovation Fund	Total
ASSETS			
Cash and cash equivalents	\$ -	\$ 2,500	\$ 2,500
Due from other governments	<u>2,556,633</u>	<u>-</u>	<u>2,556,633</u>
Total assets	<u>\$ 2,556,633</u>	<u>\$ 2,500</u>	<u>\$ 2,559,133</u>
LIABILITIES			
Accounts payable	\$ 184,511	\$ -	\$ 184,511
Due to primary government	<u>2,372,122</u>	<u>-</u>	<u>2,372,122</u>
Total liabilities	<u>\$ 2,556,633</u>	<u>\$ -</u>	<u>\$ 2,556,633</u>
FUND BALANCES			
Assigned - capital projects	\$ -	\$ 2,500	\$ 2,500
Total fund balances	<u>\$ -</u>	<u>\$ 2,500</u>	<u>\$ 2,500</u>
Total liabilities and fund balances	<u>\$ 2,556,633</u>	<u>\$ 2,500</u>	<u>\$ 2,559,133</u>

Reconciliation of the Balance Sheet of the Governmental Funds
to the Statement of Net Position -
Discretely Presented Component Unit - School Board
At June 30, 2022

		Governmental Funds
Total fund balances - governmental funds	\$	2,500
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore not reported in the governmental funds:		
Capital assets:		
Land	\$ 1,381,115	
Buildings and improvements	60,586,630	
Machinery and equipment	1,376,298	
Accumulated depreciation	<u>(49,620,026)</u>	13,724,017
Deferred outflows of resources are not available to pay for current-period expenditures and, therefore are not reported in the funds.		
Pension related items	\$ 32,028	
OPEB related items	<u>3,016</u>	35,044
Long-term liabilities, including compensated absences, are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds.		
Net pension liabilities	\$ (89,275)	
Net OPEB liabilities	(19,593)	
Compensated absences	<u>(70,407)</u>	(179,275)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.		
Pension related items	\$ (66,973)	
OPEB related items	<u>(3,564)</u>	(70,537)
Net position of governmental activities	\$	<u><u>13,511,749</u></u>

Combining Statement of Revenues, Expenditures and Changes in Fund Balances -
Discretely Presented Component Unit - School Board
Year Ended June 30, 2022

	School Operating Fund	School Bond Renovation Fund	Total
Revenues:			
Revenue from use of money and property	\$ 2,228,917	\$ -	\$ 2,228,917
Charges for services	312,547	-	312,547
Intergovernmental:			
City contribution to School Board	39,566,368	-	39,566,368
Commonwealth	10,053,835	-	10,053,835
Total revenues	\$ 52,161,667	\$ -	\$ 52,161,667
Expenditures:			
Current:			
Education	\$ 52,161,667	\$ -	\$ 52,161,667
Total expenditures	\$ 52,161,667	\$ -	\$ 52,161,667
Net changes in fund balances	\$ -	\$ -	\$ -
Fund balances at beginning of year	-	2,500	2,500
Fund balances at end of year	\$ -	\$ 2,500	\$ 2,500

Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities -
Discretely Presented Component Unit - School Board
Year Ended June 30, 2022

		<u>Governmental Funds</u>
Amounts reported for governmental activities in the Statement of Activities are different because:		
Net changes in fund balances - total governmental funds	\$	-
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the depreciation expense exceeded capital outlay in the current period.		
Depreciation expense	\$ (3,981,228)	(3,981,228)
Transfer of joint tenancy assets from Primary Government to Component Unit School Board, net		1,312,449
Assets contributed by the Primary Government		162,287
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds. The following is a summary of items supporting this adjustment:		
Pension expense	\$ 15,726	
OPEB expense	562	
Change in compensated absences	<u>(7,560)</u>	8,728
Special contributions received from the Commonwealth for the teacher cost sharing pool are not reported in governmental funds.		<u>705</u>
Change in net position of governmental activities	\$	<u><u>(2,497,059)</u></u>

Combining Statement of Net Position -
Discretely Presented Nonmajor Component Units
At June 30, 2022

	Industrial Development Authority	Economic Development Authority	Total
ASSETS			
Cash and cash equivalents	\$ 279,867	\$ 1,726,598	\$ 2,006,465
Leases receivable	366,121	-	366,121
Inventory - property held for resale	-	862,594	862,594
Total assets	<u>\$ 645,988</u>	<u>\$ 2,589,192</u>	<u>\$ 3,235,180</u>
LIABILITIES			
Current liabilities:			
Due to primary government	\$ -	\$ 1,100,825	\$ 1,100,825
Total liabilities	<u>\$ -</u>	<u>\$ 1,100,825</u>	<u>\$ 1,100,825</u>
DEFERRED INFLOWS OF RESOURCES:			
Leases related	\$ 364,076	-	\$ 364,076
NET POSITION			
Unrestricted	<u>\$ 281,912</u>	<u>\$ 1,488,367</u>	<u>\$ 1,770,279</u>
Total net position	<u>\$ 281,912</u>	<u>\$ 1,488,367</u>	<u>\$ 1,770,279</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 645,988</u>	<u>\$ 2,589,192</u>	<u>\$ 3,235,180</u>

Combining Statement of Activities -
Discretely Presented Nonmajor Component Units
Year Ended June 30, 2022

Functions/Programs	Expenses	Program Revenues			Industrial Development Authority	Economic Development Authority	Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions			
Nonmajor component units:							
Industrial Development Authority	\$ 1,028,089	\$ 54,611	\$ -	\$ -	\$ (973,478)	\$ -	\$ (973,478)
Economic Development Authority	711,178	-	-	-	-	(711,178)	(711,178)
Total nonmajor component units	<u>\$ 1,739,267</u>	<u>\$ 54,611</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (973,478)</u>	<u>\$ (711,178)</u>	<u>\$ (1,684,656)</u>
General revenues:							
Unrestricted revenues from use of money					\$ 801,766	\$ 1,331	\$ 803,097
Contributions from/(to) City of Fairfax					-	1,507,000	1,507,000
Miscellaneous					-	80,429	80,429
Total general revenues					<u>\$ 801,766</u>	<u>\$ 1,588,760</u>	<u>\$ 2,390,526</u>
Change in net position					<u>\$ (171,712)</u>	<u>\$ 877,582</u>	<u>\$ 705,870</u>
Net position - beginning					453,624	610,785	1,064,409
Net position - ending					<u>\$ 281,912</u>	<u>\$ 1,488,367</u>	<u>\$ 1,770,279</u>

Combining Balance Sheet -
Discretely Presented Nonmajor Component Units
At June 30, 2022

	Industrial Development Authority	Economic Development Authority	Total
ASSETS			
Cash and cash equivalents	\$ 279,867	\$ 1,726,598	\$ 2,006,465
Leases receivable	<u>366,121</u>	<u>-</u>	<u>366,121</u>
Total assets	<u>\$ 645,988</u>	<u>\$ 1,726,598</u>	<u>\$ 2,372,586</u>
LIABILITIES			
Due to primary government	\$ -	\$ 1,100,825	\$ 1,100,825
Total liabilities	<u>\$ -</u>	<u>\$ 1,100,825</u>	<u>\$ 1,100,825</u>
DEFERRED INFLOWS OF RESOURCES:			
Leases related	<u>\$ 364,076</u>	<u>\$ -</u>	<u>\$ 364,076</u>
FUND BALANCES			
Unassigned	<u>\$ 281,912</u>	<u>\$ 625,773</u>	<u>\$ 907,685</u>
Total fund balances	<u>\$ 281,912</u>	<u>\$ 625,773</u>	<u>\$ 907,685</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 645,988</u>	<u>\$ 1,726,598</u>	<u>\$ 2,372,586</u>

Combining Reconciliation of the Balance Sheet of the Governmental Funds to the Statement of Net Position -
Discretely Presented Nonmajor Component Units
At June 30, 2022

	Industrial Development Authority	Economic Development Authority	Totals
Total fund balances - governmental funds	\$ 281,912	\$ 625,773	\$ 907,685
Amounts reported for governmental activities in the statement of net position are different because:			
Assets used in governmental activities are not current financial resources and therefore not reported in the governmental funds:			
Inventory held for resale	-	862,594	862,594
Net position of governmental activities	\$ 281,912	\$ 1,488,367	\$ 1,770,279

Combining Statement of Revenues, Expenditures and Changes in Fund Balances -
Discretely Presented Nonmajor Component Units
Year Ended June 30, 2022

	Industrial Development Authority	Economic Development Authority	Totals
Revenues:			
Revenue from use of money and property	\$ 856,377	\$ 1,331	\$ 857,708
Contribution from City	-	1,507,000	1,507,000
Miscellaneous	-	80,429	80,429
Total revenues	\$ 856,377	\$ 1,588,760	\$ 2,445,137
Expenditures:			
Current:			
Planning and community development	\$ 1,028,089	\$ 711,178	\$ 1,739,267
Total expenditures	\$ 1,028,089	\$ 711,178	\$ 1,739,267
Excess (deficiency) of revenues over (under) expenditures	\$ (171,712)	\$ 877,582	\$ 705,870
Net changes in fund balances	\$ (171,712)	\$ 877,582	\$ 705,870
Fund balances at beginning of year	453,624	(251,809)	201,815
Fund balances at end of year	\$ 281,912	\$ 625,773	\$ 907,685

CITY OF FAIRFAX, VIRGINIA

STATISTICAL SECTION TABLE OF CONTENTS

The statistical section of the City's comprehensive annual financial report presents detailed information as a context for understanding what the information presented in the financial statements, note disclosures and required supplementary information say about the City's overall financial health. This information has not been audited by the independent auditor.

Contents	Table Number
Financial Trends These tables contain trend information to help the reader understand how the City's financial performance and well being have changed over time.	1 to 5
Revenue Capacity These tables contain information to help the reader assess the City's most significant local revenue sources, the property tax, as well as other revenue sources.	6 to 10
Debt Capacity These tables present information to help the reader assess the affordability of the City's current level of outstanding debt and the City's ability to issue additional debt in the future.	11 to 13
Demographic and Economic Information These tables offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	14
Operating Information These tables contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	15 to 18

Sources:

Unless otherwise noted, the information in these tables is derived from the annual comprehensive financial report for the relevant year.

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

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

CITY OF FAIRFAX, VIRGINIA

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

	2013	2014	2015	2016
Governmental activities:				
Net investment in capital assets	\$ 53,890,492	\$ 63,399,428	\$ 65,367,317	\$ 71,652,799
Restricted	-	-	-	1,853,012
Unrestricted	20,325,737	18,424,001	(15,838,209)	(12,935,193)
Total governmental activities net position	\$ 74,216,229	\$ 81,823,429	\$ 49,529,108	\$ 60,570,618
Business-type activities:				
Net investment in capital assets	\$ 25,745,684	\$ 7,100,899	\$ 12,154,408	\$ 13,084,192
Restricted	-	-	-	-
Unrestricted	1,471,619	3,678,285	(3,269,148)	(2,464,223)
Total business-type activities net position	\$ 27,217,303	\$ 10,779,184	\$ 8,885,260	\$ 10,619,969
Primary government:				
Net investment in capital assets	\$ 79,636,176	\$ 70,500,327	\$ 77,521,725	\$ 84,736,991
Restricted	-	-	-	1,853,012
Unrestricted (deficit)	21,797,356	22,102,286	(19,107,357)	(15,399,416)
Total primary government net position	\$ 101,433,532	\$ 92,602,613	\$ 58,414,368	\$ 71,190,587
Component units:				
Component unit - school board:				
Net investment in capital assets	\$ 8,786,215	\$ 7,567,026	\$ 5,943,493	\$ 4,215,500
Unrestricted	1,350,904	1,323,608	1,060,848	1,065,071
Total component unit - school board net position	\$ 10,137,119	\$ 8,890,634	\$ 7,004,341	\$ 5,280,571
Component unit - all others aggregate				
Unrestricted (deficit)	\$ 427,561	\$ 537,986	\$ 501,631	\$ 438,089
Total component unit - all others aggregate net position	\$ 427,561	\$ 537,986	\$ 501,631	\$ 438,089
Component units:				
Net investment in capital assets	\$ 8,786,215	\$ 7,567,026	\$ 5,943,493	\$ 4,215,500
Unrestricted (deficit)	1,778,465	1,861,594	1,562,479	1,503,160
Total component units net position	\$ 10,564,680	\$ 9,428,620	\$ 7,505,972	\$ 5,718,660
Total reporting entity:				
Net investment in capital assets	\$ 88,422,391	\$ 78,067,353	\$ 83,465,218	\$ 88,952,491
Restricted	-	-	-	1,853,012
Unrestricted (deficit)	23,575,821	23,963,880	(17,544,878)	(13,896,256)
Total reporting entity net position	\$ 111,998,212	\$ 102,031,233	\$ 65,920,340	\$ 76,909,247

Table 1

2017	2018	2019	2020	2021	2022
\$ 89,994,608	\$ 92,337,222	\$ 110,643,629	\$ 109,962,326	\$ 113,626,873	\$ 108,810,593
-	-	-	-	549,875	1,519,372
(17,230,148)	(34,599,438)	(37,890,603)	(42,272,728)	(35,990,643)	(27,928,863)
<u>\$ 72,764,460</u>	<u>\$ 57,737,784</u>	<u>\$ 72,753,026</u>	<u>\$ 67,689,598</u>	<u>\$ 78,186,105</u>	<u>\$ 82,401,102</u>
\$ 16,760,073	\$ 14,815,699	\$ 12,941,456	\$ 16,842,813	\$ 20,242,955	\$ 22,675,922
-	-	-	-	36,471	-
(4,915,848)	(3,331,788)	1,440,834	794,349	(1,854,850)	1,736,301
<u>\$ 11,844,225</u>	<u>\$ 11,483,911</u>	<u>\$ 14,382,290</u>	<u>\$ 17,637,162</u>	<u>\$ 18,424,576</u>	<u>\$ 24,412,223</u>
\$ 106,754,681	\$ 107,152,921	\$ 123,585,085	\$ 126,805,139	\$ 133,869,828	\$ 131,486,515
-	-	-	-	586,346	1,519,372
(22,145,996)	(37,931,226)	(36,449,769)	(41,478,379)	(37,845,493)	(26,192,562)
<u>\$ 84,608,685</u>	<u>\$ 69,221,695</u>	<u>\$ 87,135,316</u>	<u>\$ 85,326,760</u>	<u>\$ 96,610,681</u>	<u>\$ 106,813,325</u>
\$ 2,408,470	\$ 22,093,807	\$ 20,174,371	\$ 18,367,571	\$ 16,230,509	\$ 13,724,017
1,090,278	358,067	355,687	(211,906)	(221,701)	(212,268)
<u>\$ 3,498,748</u>	<u>\$ 22,451,874</u>	<u>\$ 20,530,058</u>	<u>\$ 18,155,665</u>	<u>\$ 16,008,808</u>	<u>\$ 13,511,749</u>
\$ 701,999	\$ 972,023	\$ 1,043,267	\$ 1,269,036	\$ 1,064,409	\$ 1,770,279
<u>\$ 701,999</u>	<u>\$ 972,023</u>	<u>\$ 1,043,267</u>	<u>\$ 1,269,036</u>	<u>\$ 1,064,409</u>	<u>\$ 1,770,279</u>
\$ 2,408,470	\$ 22,093,807	\$ 20,174,371	\$ 18,367,571	\$ 16,230,509	\$ 13,724,017
1,792,277	1,330,090	1,398,954	1,057,130	842,708	1,558,011
<u>\$ 4,200,747</u>	<u>\$ 23,423,897</u>	<u>\$ 21,573,325</u>	<u>\$ 19,424,701</u>	<u>\$ 17,073,217</u>	<u>\$ 15,282,028</u>
\$ 109,163,151	\$ 129,246,728	\$ 143,759,456	\$ 145,172,710	\$ 150,100,337	\$ 145,210,532
-	-	-	-	586,346	1,519,372
(20,353,719)	(36,601,136)	(35,050,815)	(40,421,249)	(37,002,785)	(24,634,551)
<u>\$ 88,809,432</u>	<u>\$ 92,645,592</u>	<u>\$ 108,708,641</u>	<u>\$ 104,751,461</u>	<u>\$ 113,683,898</u>	<u>\$ 122,095,353</u>

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

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Expenses:										
Governmental activities:										
General government administration	\$ 6,866,783	\$ 7,903,372	\$ 10,251,105	\$ 10,396,072	\$ 15,427,080	\$ 13,246,118	\$ 11,767,354	\$ 14,131,161	\$ 13,934,723	\$ 15,007,999
Judicial administration	2,066,544	2,527,823	2,566,975	2,760,270	2,641,135	2,849,199	2,312,436	2,288,540	2,035,541	2,277,280
Public safety	24,072,403	25,761,694	24,773,928	24,685,951	28,319,921	29,330,107	30,930,693	32,673,151	29,823,889	31,762,211
Public works	15,425,436	18,350,340	18,944,387	25,058,080	18,019,293	24,659,649	18,056,484	24,671,425	24,266,930	27,378,820
Health and social services	5,168,971	5,287,258	5,591,135	5,755,718	5,989,432	6,385,447	6,678,195	6,650,856	6,685,641	7,487,450
Parks, recreation and cultural	5,067,701	6,239,803	8,089,994	7,111,958	7,621,091	7,423,229	7,776,853	6,994,746	5,404,350	7,547,705
Planning and community development	2,761,343	2,096,919	2,444,565	2,468,106	2,541,882	2,853,045	3,211,377	3,397,246	5,264,656	4,713,754
Education	40,413,546	42,997,193	42,165,145	39,722,829	39,529,350	43,851,048	44,119,478	45,025,477	43,500,973	44,200,847
Interest	6,311,082	5,932,138	5,209,890	5,261,694	5,572,324	3,770,205	4,398,387	5,419,221	4,608,757	4,397,779
Total governmental activities expenses	\$ 108,153,809	\$ 117,096,540	\$ 120,037,124	\$ 123,220,678	\$ 125,661,508	\$ 134,368,047	\$ 129,251,257	\$ 141,251,823	\$ 135,525,460	\$ 144,773,845
Business-type activities:										
Wastewater	\$ 4,145,887	\$ 5,396,798	\$ 5,445,448	\$ 6,357,667	\$ 6,532,510	\$ 6,985,840	\$ 6,878,926	\$ 6,775,824	\$ 7,059,800	\$ 7,429,209
Water	9,116,938	7,199,246	102,544	96,419	62	-	-	-	-	-
Transportation	3,126,339	3,472,495	3,481,209	6,646,669	4,211,823	4,190,978	4,246,680	4,548,644	4,830,660	5,610,177
Total business-type activities expenses	\$ 16,389,164	\$ 16,068,539	\$ 9,029,201	\$ 13,100,755	\$ 10,744,395	\$ 11,176,818	\$ 11,125,606	\$ 11,324,468	\$ 11,890,460	\$ 13,039,386
Total primary government expenses	\$ 124,542,973	\$ 133,165,079	\$ 129,066,325	\$ 136,321,433	\$ 136,405,903	\$ 145,544,865	\$ 140,376,863	\$ 152,576,291	\$ 147,415,920	\$ 157,813,231
Program revenue:										
Governmental activities:										
Charges for services:										
General government administration	\$ 323,121	\$ 242,671	\$ 318,520	\$ 310,464	\$ 294,818	\$ 295,811	\$ 278,206	\$ 228,231	\$ 197,779	\$ 172,041
Judicial administration	944,447	1,011,907	1,331,838	1,369,624	1,450,925	1,540,749	1,315,495	1,121,641	664,425	703,707
Public safety	2,628,651	2,251,606	1,979,808	1,924,837	2,043,009	2,223,789	2,068,077	1,903,152	2,286,600	2,287,131
Public works	369,964	436,455	433,037	424,200	470,969	538,581	699,270	718,157	776,194	986,193
Parks, recreation and cultural	991,345	996,192	1,103,761	1,292,436	1,278,022	1,499,689	1,547,129	580,731	631,011	1,574,526
Planning and community development	288,651	336,430	377,567	277,677	226,924	276,205	216,330	132,510	165,691	157,562
Operating grants and contributions:										
General government administration	260,485	276,398	335,323	344,923	444,375	480,771	378,758	406,340	882,638	471,947
Public safety	912,478	1,340,855	-	1,093,181	1,335,099	1,890,426	1,218,981	1,762,716	2,587,849	1,095,626
Public works	2,557,748	2,459,170	1,196,520	2,548,618	2,638,335	2,700,501	2,787,324	3,078,988	3,011,088	3,017,121
Health and social services	-	-	-	-	-	-	-	-	150,628	-
Parks, recreation and cultural	-	32,500	2,449,215	801,116	810,779	844,490	4,500	890	33,209	8,391
Planning and community development	3,527	-	-	-	-	-	-	37,097	1,848,594	-
Capital grants and contributions:										
Public safety	-	-	-	-	-	600,000	1,359,022	-	-	-
Public works	1,576,275	3,193,417	7,035,270	11,132,480	11,459,648	18,189,782	11,533,207	4,631,833	8,250,412	7,636,346
Total governmental activities program revenue	\$ 10,856,692	\$ 12,577,601	\$ 16,560,859	\$ 21,519,556	\$ 22,452,903	\$ 31,080,794	\$ 23,406,299	\$ 14,602,286	\$ 21,486,118	\$ 18,110,591
Business-type activities:										
Charges for services:										
Wastewater	\$ 5,221,887	\$ 4,752,802	\$ 6,095,415	\$ 6,346,155	\$ 7,572,436	\$ 9,000,919	\$ 9,403,803	\$ 10,611,433	\$ 8,582,159	\$ 14,488,968
Water	9,835,466	5,418,292	-	-	-	-	-	-	-	-
Transportation	1,332,652	1,298,553	1,309,277	1,282,670	1,225,567	793,755	1,138,470	1,057,746	750,008	750,098
Operating grants and contributions:										
Wastewater	209,767	284,508	-	-	-	-	377,580	22,073	-	-
Water	193,631	89,845	-	-	-	-	-	-	-	-
Transportation	1,122,784	224,602	855,874	3,045,305	828,000	227,467	628,000	681,583	758,432	752,480
Capital grants and contributions:										
Wastewater	-	-	-	-	-	-	-	-	-	-
Water	-	-	-	-	-	-	-	-	-	-
Transportation	-	-	-	2,536,210	-	-	-	-	-	-
Total business-type activities program revenues	\$ 17,916,187	\$ 12,068,602	\$ 8,260,566	\$ 13,210,340	\$ 9,626,003	\$ 10,022,141	\$ 11,547,853	\$ 12,372,835	\$ 10,090,599	\$ 15,991,546
Total primary government program revenues	\$ 28,772,879	\$ 24,646,203	\$ 24,821,425	\$ 34,729,896	\$ 32,078,906	\$ 41,102,935	\$ 34,954,152	\$ 26,975,121	\$ 31,576,717	\$ 34,102,137
Net (expense) revenue:										
Governmental activities	\$ (97,297,117)	\$(104,518,939)	\$(103,476,265)	\$(101,701,122)	\$(103,208,605)	\$(103,287,253)	\$(105,844,958)	\$(126,649,537)	\$(114,039,342)	\$(126,663,254)
Business-type activities	1,527,023	(3,999,937)	(768,635)	109,585	(1,118,392)	(1,154,677)	422,247	1,048,367	(1,799,861)	2,952,160
Total primary government net expense	\$ (95,770,094)	\$(108,518,876)	\$(104,244,900)	\$(101,591,537)	\$(104,326,997)	\$(104,441,930)	\$(105,422,711)	\$(125,601,170)	\$(115,839,203)	\$(123,711,094)
General revenues and other changes in net position:										
Governmental activities:										
Taxes:										
General property	\$ 65,024,377	\$ 66,643,189	\$ 68,867,941	\$ 72,363,196	\$ 76,549,453	\$ 77,535,525	\$ 78,319,253	\$ 80,676,373	\$ 83,891,346	\$ 86,216,049
Local sales	10,263,955	11,580,673	11,181,909	11,283,271	11,276,435	11,721,703	11,836,812	11,790,794	12,555,783	13,076,127
Business license	8,932,634	8,709,712	8,740,824	8,838,556	8,698,368	8,745,395	9,344,777	9,249,810	8,575,536	10,365,899
Consumer utility	1,704,649	1,653,003	1,710,251	1,660,434	1,524,189	1,607,476	1,577,007	1,500,793	1,686,103	1,570,569
Meals	5,553,975	5,703,399	5,771,239	5,918,534	5,972,064	5,967,535	6,374,777	5,501,543	5,503,374	6,829,649
Other local taxes	4,353,693	4,436,047	4,567,148	8,068,674	8,229,780	8,461,494	7,603,370	7,213,280	8,245,832	8,848,348
Intergovernmental, other than grants	5,679,569	5,674,059	5,676,034	3,428,813	3,440,176	3,486,573	5,544,011	5,439,259	5,163,619	5,367,874
Gain/(loss) on disposal of capital assets	582,790	-	-	-	-	-	-	-	-	-
Use of money and property	130,632	628,143	896,735	734,272	929,833	1,366,908	1,861,660	1,275,119	303,925	129,892
Miscellaneous	491,046	7,088,666	2,462,153	1,221,634	345,723	400,836	693,952	1,087,413	1,188,573	1,509,307
Transfers	(115,181)	9,248	(310,186)	(774,752)	(1,563,574)	(1,424,406)	(2,295,419)	(2,148,275)	(2,578,242)	(3,035,463)
Total governmental activities	\$ 102,602,139	\$ 112,126,139	\$ 109,564,048	\$ 112,742,632	\$ 115,402,447	\$ 117,869,039	\$ 120,860,200	\$ 121,586,109	\$ 124,535,849	\$ 130,878,251

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

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Program revenue: (Continued)										
Business-type activities:										
Use of money and property	\$ 48,589	\$ 26,106	\$ 24,836	\$ 428,437	\$ 93,898	\$ 192,214	\$ 180,713	\$ 58,230	\$ 9,033	\$ 24
Special items	-	(12,455,040)	666,219	421,935	-	-	-	-	-	-
Miscellaneous	-	-	-	-	375,765	376,168	-	-	-	-
Transfers	115,181	(9,248)	310,186	774,752	1,563,574	1,424,406	2,295,419	2,148,275	2,578,242	3,035,463
Total business-type activities	\$ 163,770	\$ (12,438,182)	\$ 1,001,241	\$ 1,625,124	\$ 2,033,237	\$ 1,992,788	\$ 2,476,132	\$ 2,206,505	\$ 2,587,275	\$ 3,035,487
Total primary government	\$ 102,765,909	\$ 99,687,957	\$ 110,565,289	\$ 114,367,756	\$ 117,435,684	\$ 119,861,827	\$ 123,336,332	\$ 123,792,614	\$ 127,123,124	\$ 133,913,738
Changes in net position:										
Governmental activities	\$ 5,305,022	\$ 7,607,200	\$ 6,087,783	\$ 11,041,510	\$ 12,193,842	\$ 14,581,786	\$ 15,015,242	\$ (5,063,428)	\$ 10,496,507	\$ 4,214,997
Business-type activities	1,690,793	(16,438,119)	232,606	1,734,709	914,845	838,111	2,898,379	3,254,872	787,414	5,987,647
Total primary government	\$ 6,995,815	\$ (8,830,919)	\$ 6,320,389	\$ 12,776,219	\$ 13,108,687	\$ 15,419,897	\$ 17,913,621	\$ (1,808,556)	\$ 11,283,921	\$ 10,202,644
Component units:										
Component unit - school board:										
Expenses:										
Instruction	\$ 47,853,635	\$ 48,786,613	\$ 50,362,924	\$ 47,936,225	\$ 48,759,533	\$ 52,232,547	\$ 53,138,471	\$ 55,365,618	\$ 54,298,377	\$ 56,138,284
Total expenses	\$ 47,853,635	\$ 48,786,613	\$ 50,362,924	\$ 47,936,225	\$ 48,759,533	\$ 52,232,547	\$ 53,138,471	\$ 55,365,618	\$ 54,298,377	\$ 56,138,284
Program revenues:										
Charges for services	\$ 490,199	\$ 500,072	\$ 532,062	\$ 605,906	\$ 635,693	\$ 682,418	\$ 735,198	\$ 542,198	\$ 333,364	\$ 312,547
Operating grants and contributions	7,329,947	7,115,499	7,562,576	7,785,439	8,168,160	7,922,539	8,365,807	8,836,196	9,212,805	10,058,657
Capital grants and contributions	-	-	-	-	-	2,252,557	-	-	-	-
Total program revenues	\$ 7,820,146	\$ 7,615,571	\$ 8,094,638	\$ 8,391,345	\$ 8,803,853	\$ 10,857,514	\$ 9,101,005	\$ 9,378,394	\$ 9,546,169	\$ 10,371,204
Net expense (1)	\$ (40,033,489)	\$ (41,171,042)	\$ (42,268,286)	\$ (39,544,880)	\$ (39,955,680)	\$ (41,375,033)	\$ (44,037,466)	\$ (45,987,224)	\$ (44,752,208)	\$ (45,767,080)
General revenues and other changes in net position:										
Component Unit-School Board:										
Contribution from City	\$ 37,291,280	\$ 37,852,745	\$ 38,700,601	\$ 35,872,072	\$ 36,603,922	\$ 38,120,686	\$ 40,367,829	\$ 41,647,072	\$ 40,465,698	\$ 41,041,104
Use of money and property	1,589,649	2,071,812	1,839,392	1,949,038	1,569,935	1,694,319	1,747,821	1,965,759	2,139,653	2,228,917
Miscellaneous	20,000	-	-	-	-	-	-	-	-	-
Total general revenues and other changes in net position	\$ 38,900,929	\$ 39,924,557	\$ 40,539,993	\$ 37,821,110	\$ 38,173,857	\$ 39,815,005	\$ 42,115,650	\$ 43,612,831	\$ 42,605,351	\$ 43,270,021
Total component unit - school board change in net position	\$ (1,132,560)	\$ (1,246,485)	\$ (1,728,293)	\$ (1,723,770)	\$ (1,781,823)	\$ (1,560,028)	\$ (1,921,816)	\$ (2,374,393)	\$ (2,146,857)	\$ (2,497,059)
Component unit - all others aggregate										
Expenses:										
Industrial Development Authority	\$ 474,560	\$ 866,228	\$ 42,028	\$ 1,025,749	\$ 860,192	\$ 973,034	\$ 992,549	\$ 979,381	\$ 977,301	\$ 1,028,089
Economic Development Authority	59,406	3,487	10,593	3,892	72,134	158,978	180,738	207,709	2,130,301	711,178
Total expenses	\$ 533,966	\$ 869,715	\$ 52,621	\$ 1,029,641	\$ 932,326	\$ 1,132,012	\$ 1,173,287	\$ 1,187,090	\$ 3,107,602	\$ 1,739,267
General revenues and other changes in net position										
Use of money and property	\$ 174	\$ 18,504	\$ 16,201	\$ 966,099	\$ 1,196,236	\$ 1,402,036	\$ 770,546	\$ 1,044,175	\$ 774,962	\$ 803,097
Miscellaneous	-	-	-	-	-	-	473,985	368,684	21,263	80,429
Contribution from City	-	-	-	-	-	-	-	-	2,106,750	1,507,000
Charges for services	795,560	961,636	65	-	-	-	-	-	-	54,611
Total general revenues and other changes in net position	\$ 795,734	\$ 980,140	\$ 16,266	\$ 966,099	\$ 1,196,236	\$ 1,402,036	\$ 1,244,531	\$ 1,412,859	\$ 2,902,975	\$ 2,445,137
Total component unit - all others aggregate change in net position	\$ 261,768	\$ 110,425	\$ (36,355)	\$ (63,542)	\$ 263,910	\$ 270,024	\$ 71,244	\$ 225,769	\$ (204,627)	\$ 705,870
Total component units change in net position	\$ (870,792)	\$ (1,136,060)	\$ (1,764,648)	\$ (1,787,312)	\$ (1,517,913)	\$ (1,290,004)	\$ (1,850,572)	\$ (2,148,624)	\$ (2,351,484)	\$ (1,791,189)
Total reporting entity change in net position	\$ 6,125,023	\$ (9,966,979)	\$ 4,555,741	\$ 10,988,907	\$ 11,590,774	\$ 14,129,893	\$ 16,063,049	\$ (3,957,180)	\$ 8,932,437	\$ 8,411,455

Notes:

(1) Net (expense) revenue is the difference between the expenses and program revenues. This difference indicates the degree to which a function or program is supported with its own fees and program-specific grants versus its reliance upon funding from taxes and other general revenues. Numbers in parentheses are net expenses indicating that expenses were greater than program revenues and, therefore, general revenues were needed to finance that function or program. Numbers without parentheses are net revenues, demonstrating that program revenues were more than sufficient to cover expenses.

CITY OF FAIRFAX, VIRGINIA

Program Revenues by Function/Program
 Last Ten Fiscal Years
(accrual basis of accounting)
 (Unaudited)

Function / Program	2013	2014	2015	2016
Primary government:				
Governmental activities:				
General government administration	\$ 583,606	\$ 519,069	\$ 653,843	\$ 655,387
Judicial administration	944,447	1,011,907	1,331,838	1,369,624
Public safety	3,610,023	3,592,461	3,176,328	3,018,018
Public works	4,435,093	6,089,042	9,917,522	14,105,298
Health and social services	-	-	-	-
Parks, recreation and cultural	991,345	1,028,692	1,103,761	2,093,552
Planning and community development	292,178	336,430	377,567	277,677
Total governmental activities	\$ 10,856,692	\$ 12,577,601	\$ 16,560,859	\$ 21,519,556
Business-type activities:				
Wastewater	\$ 5,431,654	\$ 5,037,310	\$ 6,095,415	\$ 6,346,155
Water	10,029,097	5,508,137	-	-
Transportation	2,455,436	1,523,155	2,165,151	4,546,880
Total business-type activities	\$ 17,916,187	\$ 12,068,602	\$ 8,260,566	\$ 10,893,035
Total government	\$ 28,772,879	\$ 24,646,203	\$ 24,821,425	\$ 32,412,591
Component units:				
Component unit - school board:				
Instruction	\$ 7,820,146	\$ 7,615,571	\$ 8,094,638	\$ 8,391,345
Component unit - all others aggregate				
Industrial Development Authority	\$ 782,732	\$ 961,636	\$ 65	\$ -
Economic Development Authority	12,828	-	-	-
Total nonmajor component unit	795,560	961,636	65	-
Total reporting entity	\$ 37,388,585	\$ 33,223,410	\$ 32,916,128	\$ 40,803,936

Table 3

2017	2018	2019	2020	2021	2022
\$ 739,193	\$ 776,582	\$ 656,964	\$ 634,571	\$ 1,080,417	\$ 643,988
1,450,925	1,540,749	1,315,495	1,121,641	664,425	703,707
3,378,108	4,714,215	4,646,080	3,665,868	4,874,449	3,382,757
14,568,952	21,428,864	15,019,801	8,428,978	12,037,694	11,639,660
-	-	-	-	150,628	-
2,088,801	2,344,179	1,551,629	581,621	664,220	1,582,917
226,924	276,205	216,330	169,607	2,014,285	157,562
\$ <u>22,452,903</u>	\$ <u>31,080,794</u>	\$ <u>23,406,299</u>	\$ <u>14,602,286</u>	\$ <u>21,486,118</u>	\$ <u>18,110,591</u>
\$ 7,572,436	\$ 9,000,919	\$ 9,781,383	\$ 10,633,506	\$ 8,582,159	\$ 14,488,968
-	-	-	-	-	-
2,053,567	1,021,222	1,766,470	1,739,329	1,508,440	1,502,578
\$ <u>9,626,003</u>	\$ <u>10,022,141</u>	\$ <u>11,547,853</u>	\$ <u>12,372,835</u>	\$ <u>10,090,599</u>	\$ <u>15,991,546</u>
\$ <u>32,078,906</u>	\$ <u>41,102,935</u>	\$ <u>34,954,152</u>	\$ <u>26,975,121</u>	\$ <u>31,576,717</u>	\$ <u>34,102,137</u>
\$ <u>8,803,853</u>	\$ <u>10,857,514</u>	\$ <u>9,101,005</u>	\$ <u>9,378,394</u>	\$ <u>9,546,169</u>	\$ <u>10,371,204</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 54,611
-	-	-	-	-	-
-	-	-	-	-	54,611
\$ <u>40,882,759</u>	\$ <u>51,960,449</u>	\$ <u>44,055,157</u>	\$ <u>36,353,515</u>	\$ <u>41,122,886</u>	\$ <u>44,527,952</u>

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

	Fiscal Year Ended June 30,				
	2013	2014	2015	2016	2017
General Fund:					
Nonspendable	\$ 724,455	\$ 793,671	\$ 834,723	\$ 1,037,026	\$ 1,154,363
Restricted	188,048	230,671	623,913	557,948	618,971
Assigned	4,422,688	381,377	484,181	507,402	352,661
Unassigned	16,288,209	15,130,848	13,429,441	14,734,868	16,931,385
Total General Fund	\$ 21,623,400	\$ 16,536,567	\$ 15,372,258	\$ 16,837,244	\$ 19,057,380
All Other Governmental Funds:					
Nonspendable	\$ 4,061,007	\$ -	\$ 61,611	\$ 5,065	\$ -
Restricted	192,927	514,198	4,272,822	2,478,724	2,934,918
Committed	579,763	7,534,934	3,507,814	5,304,227	3,659,521
Assigned	4,766,255	10,788,822	9,131,829	10,280,944	9,980,238
Unassigned*	(568,873)	-	-	-	-
Total all other government funds	\$ 9,031,079	\$ 18,837,954	\$ 16,974,076	\$ 18,068,960	\$ 16,574,677
	Fiscal Year Ended June 30,				
	2018	2019	2020	2021	2022
General Fund:					
Nonspendable	\$ 950,369	\$ 1,443,028	\$ 1,901,016	\$ 2,111,959	\$ 3,453,719
Restricted	12,210,339	11,815,202	11,493,896	15,793,451	849,386
Assigned	249,088	208,028	265,079	296,231	475,334
Unassigned	17,139,651	17,841,003	17,917,998	24,571,770	31,453,451
Total General Fund	\$ 30,549,447	\$ 31,307,261	\$ 31,577,989	\$ 42,773,411	\$ 36,231,890
All Other Governmental Funds:					
Nonspendable	\$ -	\$ 408,512	\$ 51,395	\$ 148,056	\$ 4,032,428
Restricted	1,334,510	708,038	665,293	368,306	366,015
Committed	4,346,426	1,270,346	3,749,542	-	-
Assigned	11,657,324	15,419,282	9,436,068	7,678,202	7,314,005
Unassigned	-	-	-	(3,523,383)	(5,804,333)
Total all other government funds	\$ 17,338,260	\$ 17,806,178	\$ 13,902,298	\$ 4,671,181	\$ 5,908,115

* This negative unassigned fund balance is a temporary timing difference. Funds assigned to pay off debt associated with the sale of the inventory in this fund, which closed in early 2014, had been assigned in the General Fund.

CITY OF FAIRFAX, VIRGINIA

Changes In Fund Balances, Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

(Unaudited)

	2013	2014	2015	2016
Revenues:				
General property taxes	\$ 64,350,723	\$ 66,650,305	\$ 68,513,720	\$ 72,377,725
Other local taxes	30,808,906	32,082,834	31,971,371	36,900,641
Permits, privilege fees and licenses	1,638,948	1,612,136	1,300,349	1,584,549
Fines and forfeitures	1,148,262	1,113,718	1,233,802	1,232,773
Use of money and property	582,790	628,143	896,735	734,272
Charges for services	2,758,969	2,549,407	2,767,312	2,781,916
Miscellaneous	491,046	7,088,666	2,603,713	1,238,009
Intergovernmental	11,727,058	13,720,623	17,534,748	19,332,756
Total revenues	<u>\$ 113,506,702</u>	<u>\$ 125,445,832</u>	<u>\$ 126,821,750</u>	<u>\$ 136,182,641</u>
Expenditures:				
General government administration	\$ 7,479,585	\$ 7,858,184	\$ 11,032,996	\$ 12,772,823
Judicial administration	1,990,262	2,431,157	2,524,409	2,760,270
Public safety	23,422,922	25,324,764	25,729,580	24,755,406
Public works	19,022,312	22,956,008	27,421,472	30,837,567
Health and social services	5,139,751	5,243,811	5,499,532	5,755,718
Education	34,822,695	35,482,847	36,363,877	35,973,538
Planning and community development	2,702,948	2,139,855	6,996,194	6,492,492
Parks, recreation and cultural	5,372,128	6,865,979	2,390,017	2,551,354
Debt service:				
Principal	8,627,619	16,884,749	7,923,005	8,006,433
Interest and fiscal charges	6,007,069	5,806,134	5,244,669	5,131,898
Total expenditures	<u>\$ 114,587,291</u>	<u>\$ 130,993,488</u>	<u>\$ 131,125,751</u>	<u>\$ 135,037,499</u>
Excess of revenues (under) expenditures	<u>\$ (1,080,589)</u>	<u>\$ (5,547,656)</u>	<u>\$ (4,304,001)</u>	<u>\$ 1,145,142</u>
Other financing sources (uses):				
Transfers in	\$ 4,834,425	\$ 12,756,654	\$ 8,482,156	\$ 10,595,449
Transfers out	(4,949,606)	(12,747,406)	(8,792,342)	(11,370,201)
Issuance of debt	875,000	10,258,450	1,586,000	2,189,480
Proceeds from the sale of capital assets	150,000	-	-	-
Issuance of refunding bonds	35,685,000	-	-	-
Payment to refunded bond escrow agent	(35,826,362)	-	-	-
Premium on issuance debt	619,778	-	-	-
Total other financing sources (uses)	<u>\$ 1,388,235</u>	<u>\$ 10,267,698</u>	<u>\$ 1,275,814</u>	<u>\$ 1,414,728</u>
Net changes in fund balance	<u>\$ 307,646</u>	<u>\$ 4,720,042</u>	<u>\$ (3,028,187)</u>	<u>\$ 2,559,870</u>
Debt Service as a percentage of noncapital expenditures:				
Primary government:				
Total debt service	\$ 14,634,688	\$ 22,690,883	\$ 13,167,674	\$ 13,138,331
Total expenditures	\$ 114,587,291	\$ 130,993,488	\$ 131,125,751	\$ 135,037,499
Less: Capital outlay - primary government	7,549,604	7,796,757	11,475,931	14,936,926
Noncapital expenditures	<u>\$ 107,037,687</u>	<u>\$ 123,196,731</u>	<u>\$ 119,649,820</u>	<u>\$ 120,100,573</u>
Debt service as a percentage of Noncapital expenditures	<u>13.67%</u>	<u>18.42%</u>	<u>11.01%</u>	<u>10.94%</u>
Component units: (2)				
Expenditures:				
School board	\$ 44,122,119	\$ 44,900,191	\$ 46,358,234	\$ 46,212,455
All others aggregate	528,269	1,528,441	52,621	1,029,641
Less: Capital outlay - school board	-	-	-	3,726,550
Noncapital expenditures	<u>\$ 44,650,388</u>	<u>\$ 46,428,632</u>	<u>\$ 46,410,855</u>	<u>\$ 43,515,546</u>
Total reporting entity:				
Total noncapital expenditures (3)	<u>\$ 116,995,751</u>	<u>\$ 134,428,790</u>	<u>\$ 129,696,798</u>	<u>\$ 127,642,581</u>
Debt service as a percentage of noncapital expenditures	<u>12.51%</u>	<u>16.88%</u>	<u>10.15%</u>	<u>10.29%</u>

Notes:

- (1) The amounts used for capital outlay were obtained from the Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities.
- (2) In Virginia, the City issues debt to finance the construction of school facilities for the public schools because the public schools do not have borrowing or taxing authority. Therefore, the debt service payments related to school facilities are presented as debt service of that component unit. Debt service as a percentage of noncapital expenditures for the total reporting entity more appropriately reflects the unique Virginia school debt requirement.

Table 5

2017	2018	2019	2020	2021	2022
\$ 72,039,315	\$ 76,305,278	\$ 78,208,786	\$ 80,480,776	\$ 83,717,767	\$ 86,207,650
36,854,900	37,660,874	36,736,743	35,256,220	36,566,628	40,690,592
1,667,130	1,905,027	1,604,403	1,562,070	2,163,233	2,235,424
1,344,266	1,408,264	1,312,020	1,118,390	663,424	701,588
929,833	1,179,638	1,861,660	1,275,119	303,925	129,892
2,753,271	3,061,844	3,208,084	2,003,962	1,895,043	2,944,148
353,685	1,064,935	1,443,952	1,087,413	1,188,573	1,205,336
23,219,455	27,715,403	22,958,723	16,224,400	22,774,938	18,505,861
\$ 139,161,855	\$ 150,301,263	\$ 147,334,371	\$ 139,008,350	\$ 149,273,531	\$ 152,620,491
\$ 10,937,883	\$ 11,367,578	\$ 11,165,964	\$ 12,965,019	\$ 12,894,318	\$ 15,142,502
2,641,135	2,849,199	2,312,436	2,288,540	2,035,541	2,277,280
26,534,586	30,513,312	30,553,347	31,911,247	37,372,342	33,729,065
31,592,799	36,655,857	30,646,122	29,199,178	28,336,751	30,758,046
6,021,992	6,385,447	6,674,964	6,602,705	6,654,856	7,492,008
37,022,219	38,243,246	39,480,138	40,411,583	39,355,298	40,349,335
6,616,398	6,863,935	8,408,841	7,275,585	6,158,473	5,113,410
2,530,958	2,931,699	3,091,975	3,802,832	5,220,985	8,497,510
8,172,242	7,878,462	7,956,523	8,576,013	9,044,835	8,833,911
5,097,492	4,293,550	4,483,910	4,463,397	3,406,033	3,083,822
\$ 137,167,704	\$ 147,982,285	\$ 144,774,220	\$ 147,496,099	\$ 150,479,432	\$ 155,276,889
\$ 1,994,151	\$ 2,318,978	\$ 2,560,151	\$ (8,487,749)	\$ (1,205,901)	\$ (2,656,398)
\$ 16,000,826	\$ 13,539,971	\$ 17,425,753	\$ 8,916,980	\$ 7,427,060	\$ 23,342,361
(17,564,400)	(14,964,377)	(19,721,172)	(11,065,255)	(10,005,302)	(26,377,824)
-	12,309,100	961,000	65,773,000	23,706,000	66,904,882
-	-	-	-	-	-
31,658,000	-	-	-	-	-
(31,362,724)	-	-	(59,514,289)	(17,957,552)	(66,517,608)
-	-	-	744,161	-	-
\$ (1,268,298)	\$ 10,884,694	\$ (1,334,419)	\$ 4,854,597	\$ 3,170,206	\$ (2,648,189)
\$ 725,853	\$ 13,203,672	\$ 1,225,732	\$ (3,633,152)	\$ 1,964,305	\$ (5,304,587)
\$ 13,269,734	\$ 12,172,012	\$ 12,440,433	\$ 13,039,410	\$ 12,450,868	\$ 11,917,733
\$ 137,167,704	\$ 147,982,285	\$ 144,774,220	\$ 147,496,099	\$ 150,479,432	\$ 155,276,889
16,787,756	17,927,713	20,473,697	13,401,040	16,178,697	13,071,663
\$ 120,379,948	\$ 130,054,572	\$ 124,300,523	\$ 134,095,059	\$ 134,300,735	\$ 142,205,226
11.02%	9.36%	10.01%	9.72%	9.27%	8.38%
\$ 46,997,710	\$ 49,120,225	\$ 49,916,417	\$ 52,246,006	\$ 50,629,872	\$ 52,161,667
932,326	1,132,012	1,173,287	1,187,090	3,107,602	1,739,267
3,865,264	35,589	-	-	-	-
\$ 44,064,772	\$ 50,216,648	\$ 51,089,704	\$ 53,433,096	\$ 53,737,474	\$ 53,900,934
\$ 127,422,501	\$ 142,027,974	\$ 136,322,636	\$ 147,179,047	\$ 149,094,159	\$ 157,162,110
10.41%	8.57%	9.13%	8.44%	8.25%	7.49%

(3) For the reporting entity totals, the expenditures have been reduced by the amounts given to the public schools and the other component units so that the expenditures are not counted twice.

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

Fiscal Year June 30,	Property	Local Sales	Business License	Consumer Utility	Meals	Tobacco	Other	Totals
2013	\$ 64,350,723	\$ 10,263,955	\$ 8,932,634	\$ 1,704,649	\$ 5,553,975	\$ 975,457	\$ 3,378,236	\$ 95,159,629
2014	66,650,305	11,580,673	8,709,712	1,653,003	5,703,399	924,350	3,511,697	98,733,139
2015	68,513,720	11,181,816	8,740,824	1,710,251	5,771,329	862,776	3,704,375	100,485,091
2016	73,277,725	11,283,271	8,838,556	1,660,434	5,918,534	853,890	3,795,712	105,628,122
2017	75,138,320	11,276,435	8,698,368	1,524,189	5,972,064	807,025	6,431,612	109,848,013
2018	76,305,278	11,721,703	8,745,395	1,607,476	5,967,535	718,296	4,423,666	109,489,349
2019	78,208,786	11,836,812	9,344,777	1,577,007	6,374,777	600,325	7,003,045	114,945,529
2020	80,480,776	11,790,794	9,249,810	1,500,793	5,501,543	566,145	6,647,135	115,736,996
2021	83,717,767	12,555,783	8,575,536	1,686,103	5,503,374	518,370	7,727,462	120,284,395
2022	86,207,650	13,076,127	10,365,899	1,570,569	6,829,649	490,689	8,357,659	126,898,242
Change 2013-2022	33.97%	27.40%	16.05%	-7.87%	22.97%	-49.70%	147.40%	33.35%

CITY OF FAIRFAX, VIRGINIA

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

Fiscal Year June 30,	Residential Property	Direct Tax Rate	Commercial Property	Direct Tax Rate	Public Service Corporation	Nontaxable
2013	\$ 3,266,638,900	\$ 1.060	\$ 2,073,994,400	\$ 1.060	\$ 90,856,256	\$ 494,790,700
2014	3,463,135,200	1.040	2,085,815,600	1.040	88,183,403	499,269,600
2015	3,624,478,000	1.052	2,068,542,000	1.052	92,174,117	496,129,000
2016	3,738,914,500	1.062	2,113,115,000	1.062	96,221,309	501,853,000
2017	3,822,160,300	1.060	2,119,723,700	1.060	97,739,044	529,977,400
2018	3,967,151,300	1.060	2,127,875,000	1.060	97,739,044	529,185,500
2019	4,044,043,800	1.075	2,195,140,900	1.075	97,302,622	595,269,200
2020	4,119,630,100	1.075	2,320,364,200	1.075	100,505,611	608,316,500
2021	4,362,131,700	1.075	2,319,509,940	1.075	102,534,552	591,414,400
2022	4,772,528,300	1.010	2,438,116,700	1.010	106,905,971	614,790,000

Source: Real Estate Assessor's Office

- Notes:
- 1) Real Estate assessments are on a calendar year basis. Values are reflective of published 2022 Land Book.
 - 2) Commercial property values include commercial, industrial & apartments
 - 3) "Nontaxable" is interpreted to mean tax exempt properties.
 - 4) Total Assessed Value category includes real estate, public service corporations and exempt properties.
 - 5) Total taxable assessed value includes real estate and public service corporation properties.
 - 6) 2022 Public Service Corporation, assessed by the State Corporation Commission not yet available as of date of this document.

Table 7

Total Assessed Value		Total Taxable Assessed Value		Percent Growth		Total Direct Tax Rate		Actual Taxable Value		Value as a Percentage of Actual Value	
\$	5,926,280,258	\$	5,431,489,556		2.2%	\$	1.060	\$	5,431,489,556		100%
	6,136,403,805		5,637,134,203		3.8%		1.040		5,637,134,203		100%
	6,281,323,117		5,785,194,117		2.6%		1.052		5,785,194,117		100%
	6,450,103,809		5,948,250,809		2.8%		1.062		5,948,250,809		100%
	6,569,600,444		6,039,623,044		1.5%		1.060		6,039,623,044		100%
	6,721,950,844		6,192,765,344		2.5%		1.060		6,192,765,344		100%
	6,931,756,522		6,336,487,322		2.3%		1.075		6,336,487,322		100%
	7,148,816,411		6,540,499,911		3.2%		1.075		6,540,499,911		100%
	7,375,590,592		6,784,176,192		3.7%		1.075		6,784,176,192		100%
	7,932,340,971		7,317,550,971		7.9%		1.010		7,317,550,971		100%

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

Fiscal Year June 30,	Real Estate	Personal Property
2013	\$ 1.060	\$ 4.13
2014	1.040	4.13
2015	1.052	4.13
2016	1.062	4.13
2017	1.060	4.13
2018	1.060	4.13
2019	1.075	4.13
2020	1.075	4.13
2021	1.075	4.13
2022	1.075	4.13

Note:

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

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

Taxpayer	2022			2013		
	Taxable Assessed Value	Rank	Percentage (%) of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage (%) of Total City Taxable Assessed Value
Combined Properties (1)	\$ 240,279,900	1	3.28%	\$ 37,473,800	5	0.69%
Van Metre (2)	126,717,200	2	1.73%	94,012,600	2	1.73%
Fair City HHH	91,277,800	3	1.25%	81,262,600	3	1.50%
Crow Holdings (3)	90,154,400	4	1.23%	35,266,400	6	0.65%
Fairfield Fairfax Gateway	74,656,800	5	1.02%	-	-	-
Capstone-Fairfax LLC	51,590,000	6	0.71%	-	-	-
Regency Centers (4)	47,213,200	7	0.65%	29,326,300	9	0.54%
Willowwood Property LLC	41,665,500	8	0.57%	-	-	-
Avalon at Providence Park LLC	41,050,200	9	0.56%	30,205,100	8	0.56%
Boulevard VI Development LLC (IDI)	40,705,800	10	0.56%	-	-	-
RKB/RPB Willowwood LLC (I, II)	-	-	-	104,455,500	1	1.92%
Army Navy Country Club	-	-	-	53,783,800	4	0.99%
Saul Holdings, LP	-	-	-	34,012,800	7	0.63%
JDC LLC's	-	-	-	28,369,400	10	0.52%
Total	\$ 845,310,800		12.92%	\$ 499,798,900		9.72%

Source:

Real Estate Assessments

*Taxable Assessed Values are based on 2022 Land Book

(1) Combined Properties include: (Courthouse, Fairfax Circle, LLC & Turnpike LLC)

(2) Van Metre properties include: (Fairfax Square Apts., Belleau Wood & VM Mid-Rise)

(3) Crow Holdings properties include: (CH Realty III/VI & Main Street Retail Partners, L.L.C.)

(4) Regency Centers properties include: (USRP I & Fairfax Regency LLC)

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

Fiscal Year June 30,	Taxes Levied for the Fiscal Year		Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
			Amount	Percentage of Levy		Amount	Percentage of Levy
2013	\$	56,984,359	\$ 56,079,986	\$ 98.41%	\$ 904,373	\$ 56,984,359	100.00%
2014		59,363,005	58,015,432	97.73%	1,347,573	59,363,005	100.00%
2015		60,183,528	58,867,230	97.81%	1,316,298	60,183,528	100.00%
2016		62,690,196	61,955,837	98.83%	734,359	62,690,196	100.00%
2017		64,546,058	63,867,036	98.95%	678,861	64,545,897	100.00%
2018		66,148,234	65,294,566	98.71%	851,297	66,145,863	100.00%
2019		68,324,114	67,250,029	98.43%	1,062,635	68,312,664	99.98%
2020		70,519,826	69,612,485	98.71%	868,028	70,480,513	99.94%
2021		73,371,537	72,284,423	98.52%	849,430	73,133,853	99.68%
2022		74,818,577	73,508,112	98.25%	948,387	74,456,499	99.52%

Source:

City of Fairfax Treasurer's Office.

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

Fiscal Year June 30,	Governmental Activities						Business-Type Activities		Total Primary Government	Percentage of Personal Income	Debt Per Capita
	General Obligation Bonds	Lease Revenue Bonds	Notes Payable	Public Improvement COPS	Lease Liabilities	Equipment Financing Agreements	Revenue Bonds	Notes Payable			
2013	\$ 104,170,295	\$ 37,287,030	\$ 8,316,733	\$ 15,095,100	\$ -	\$ 1,608,324	\$ 28,823,980	\$ -	\$ 195,301,462	12.08%	\$ 7,743
2014	100,033,400	36,114,928	7,250,000	12,573,100	-	3,956,280	24,701,945	19,635,079	204,264,732	12.06%	7,976
2015	94,565,323	34,912,827	7,250,000	10,925,800	-	4,818,092	24,193,910	-	176,665,952	9.94%	7,447
2016	89,550,655	33,660,725	6,750,000	10,134,800	-	5,793,139	23,660,875	-	169,550,194	9.21%	7,024
2017	84,625,958	41,910,623	6,240,000	-	-	4,871,973	23,102,840	-	160,751,394	8.48%	6,653
2018	79,371,261	40,364,523	5,720,000	11,361,000	-	4,718,611	22,514,805	-	164,050,200	8.26%	6,676
2019	75,384,778	37,782,421	5,185,000	11,185,000	-	4,521,088	22,619,060	-	156,677,347	7.62%	6,307
2020	71,585,720	40,033,827	5,790,000	10,984,000	-	3,461,075	21,897,285	-	153,751,907	6.94%	6,053
2021	66,836,760	37,735,943	10,830,000	10,778,000	-	2,707,666	21,140,510	-	150,028,879	7.40%	6,087
2022	62,465,800	35,347,059	10,260,000	10,055,000	173,065	2,131,285	20,443,735	-	140,875,944	6.54%	5,742

General bonded debt outstanding:

Fiscal Year June 30,	General Obligation Bonds	Percentage of Actual Taxable Value of Property	Debt Per Capita
2013	\$ 100,382,000	1.85%	4,187
2014	95,983,000	1.70%	3,934
2015	94,565,323	1.58%	3,795
2016	89,550,655	1.51%	3,683
2017	83,084,834	1.38%	3,439
2018	77,902,596	1.26%	3,170
2019	75,384,778	1.19%	3,035
2020	71,585,720	1.09%	2,818
2021	66,836,760	0.99%	2,712
2022	62,465,800	0.92%	2,546

Notes:

- (1) Details regarding the City's outstanding debt may be found in the notes to the basic financial statements.
- (2) Population and personal income data can be found in table 14
- (3) See table 7 for property value data
- (4) The Lease Revenue Bonds under the Governmental Activities will be repaid with general government resources
- (5) Premiums have been incorporated for the General Obligation, Lease Revenue and Business-type Activities Revenue Bonds.

CITY OF FAIRFAX, VIRGINIA

Legal Debt Margin Information
Last Ten Fiscal Years
(Unaudited)

	2013	2014	2015	2016
Debt limit	\$ 563,713,420	\$ 563,713,420	\$ 578,519,412	\$ 594,825,081
Total net debt applicable to limit	<u>157,447,147</u>	<u>159,927,708</u>	<u>152,472,042</u>	<u>145,889,319</u>
Legal debt margin	<u>\$ 406,266,273</u>	<u>\$ 403,785,712</u>	<u>\$ 426,047,370</u>	<u>\$ 448,935,762</u>
Total net debt applicable to the limit as a percentage of debt limit	27.93%	28.37%	26.36%	24.53%

Legal debt margin calculation for fiscal year 2022

Assessed value of real estate	<u>\$ 7,317,550,971</u>
Debt limit (10% of assessed value)	\$ 731,755,097
Debt applicable to limit:	
Net direct debt outstanding	<u>120,432,209</u>
Legal debt margin	<u>\$ 611,322,888</u>

Notes:

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

Table 12

	2017	2018	2019	2020	2021	2022
\$	603,962,304	\$ 619,276,534	\$ 633,648,732	\$ 654,049,991	\$ 678,417,619	\$ 731,755,097
	<u>137,648,554</u>	<u>141,535,395</u>	<u>134,058,287</u>	<u>131,854,622</u>	<u>128,888,369</u>	<u>120,432,209</u>
\$	<u>466,313,750</u>	<u>477,741,139</u>	<u>499,590,445</u>	<u>522,195,369</u>	<u>549,529,250</u>	<u>611,322,888</u>
	22.79%	22.85%	21.16%	20.16%	19.00%	16.46%

Summary of outstanding debt:

	2022
Public Improvement COPS	10,055,000
General Obligation Bonds	62,465,800
Lease Revenue Bonds	35,347,059
Notes payable	10,260,000
Other	<u>2,304,350</u>
	<u>120,432,209</u>

CITY OF FAIRFAX, VIRGINIA

Pledged-Revenue Coverage
Last Ten Fiscal Years
(Unaudited)

Fiscal Year June 30,	Water Revenue Bonds					
	Utility Service Charges	Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2013	\$ 9,845,211	\$ 7,305,156	\$ 2,540,055	\$ 192,000	\$ 657,782	2.99
2014	N/A	N/A	N/A	N/A	N/A	N/A
2015	N/A	N/A	N/A	N/A	N/A	N/A
2016	N/A	N/A	N/A	N/A	N/A	N/A
2017	N/A	N/A	N/A	N/A	N/A	N/A
2018	N/A	N/A	N/A	N/A	N/A	N/A
2019	N/A	N/A	N/A	N/A	N/A	N/A
2020	N/A	N/A	N/A	N/A	N/A	N/A
2021	N/A	N/A	N/A	N/A	N/A	N/A
2022	N/A	N/A	N/A	N/A	N/A	N/A

Notes:

- (1) Total utility service charges include interest and transfers in from other funds, but do not include developer contributions.
- (2) Total operating expenses are exclusive of depreciation, amortization, interest expense and losses on disposition of assets.
- (3) The 2008 Water revenue bond was paid off in FY14 after the sale of the water utility, and the 2010 VRA bond was transferred to the Wastewater Fund (approved by VRA). Prior to the sale, some of the debt service for these two bonds was paid from the water fund, but 100% of the VRA bond debt service is presented in the Wastewater Fund here.

Table 13

Wastewater Revenue Bonds					
Utility Service Charges	Operating Expenses	Net Available Revenue	Debt Service		Coverage
			Principal	Interest	
5,351,015 \$	2,982,422 \$	2,368,593 \$	-	\$ 512,708	4.62
5,028,442	3,394,380	1,634,062	-	1,389,374	1.18
5,709,968	3,590,163	2,119,805	-	1,374,096	1.54
6,542,169	4,572,541	1,969,628	510,000	1,327,204	1.07
7,666,334	4,784,304	2,882,030	535,000	1,302,896	1.57
9,193,133	4,394,388	4,798,745	656,000	1,282,189	2.48
9,584,516	4,173,762	5,410,754	595,000	1,275,064	2.89
10,691,736	4,352,822	6,338,914	625,000	784,922	4.50
8,642,609	4,478,673	4,163,936	660,000	797,005	2.86
14,541,565	4,449,858	10,091,707	600,000	764,469	7.40

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Demographic and Economic Statistics
Last Ten Fiscal Years
(Unaudited)

Fiscal Year June 30,	Population	Per Capita Personal Income	School Enrollment	Unemployment Rate
	(1)	(2)	(3)	(4)
2013	23,051	\$ 61,500	3,039	4.10%
2014	23,207	64,200	3,078	4.00%
2015	23,364	68,000	3,160	3.50%
2016	23,520	67,000	3,106	3.00%
2017	23,677	69,400	3,081	2.80%
2018	23,833	71,300	3,079	2.30%
2019	23,990	76,500	3,004	2.10%
2020	24,146	81,600	3,040	5.80%
2021	24,276	84,700 *	2,840	3.40%
2022	24,536 *	87,855 *	3,001 *	2.50%

Notes:

*Estimated by City of Fairfax

- (1) Population updated from 2020 US Census Bureau results and annual population estimates. 2022 population estimated by City staff. 2013-19 population estimated by City staff based on avg. annual rate of change.
- (2) Personal income is published annually (with a 2-year delay) by the BEA. The most recent available figures are for 2020 (released in November 2021).
- (2) To estimate personal income for 2021 & 2022, an estimated annual change in personal income was projected based on the average of the previous five years' increases.
- (2) The BEA agglomerates the City of Fairfax with Fairfax County and the City of Falls Church in its reporting of personal income. To separate City data, the proportion of City/County income as estimated by the Census ACS was applied to the BEA per capita income figure.
- (3) Average Daily Membership "ADM" as reported in City of Fairfax annual budget.
- (4) US Bureau of Labor Statistics, Local Area Unemployment Statistics.
- (4) Unemployment rates are annual averages. 2022 unemployment rate is estimated by averaging all available months (Jan-Jul) of 2022 data.

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

Employer (1)	2022			2013		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
City of Fairfax	250-499	1	1.91%	425	1	2.20%
Zeta Associates	250-499	2	1.91%	275	6	1.43%
Ted Britt Ford	250-499	3	1.91%	300	5	1.56%
Fairfax Operator LLC	100-249	4	0.89%	-	-	-
Home Depot	100-249	5	0.89%	-	-	-
Farrish of Fairfax	100-249	6	0.89%	-	-	-
Lowe's	100-249	7	0.89%	-	-	-
Premium Home Health Care	100-249	8	0.89%	-	-	-
Nova Home Health Care LLC	100-249	9	0.89%	-	-	-
Ourisman Fairfax Toyota	100-249	10	0.89%	-	-	-
The Wackenhut Corporation	-	-	-	410	2	2.12%
Fairfax Nursing Center	-	-	-	400	3	2.07%
Inova Health System	-	-	-	390	4	2.02%
Multivision, Inc.	-	-	-	150	7	0.78%
Wal Mart	-	-	-	150	8	0.78%
Fairfax Volkswagen, Honda	-	-	-	150	9	0.78%
Dominion Virginia Power	-	-	-	150	10	0.78%
Total			<u>11.96%</u>			<u>14.52%</u>
Average Total Employment			18,196	19,291		

Sources:

City of Fairfax Commissioner of the Revenue's Office.

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

Function/program	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
City Clerk	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50
Electoral Board	2.50	2.50	2.50	2.50	2.50	2.50	2.50	3.00	3.00	3.00
City Manager	2.63	3.00	3.00	3.00	3.00	2.50	2.50	2.50	3.00	3.00
Personnel	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	5.00
Community Relations	1.00	1.00	1.00	1.00	1.00	1.00	2.00	2.00	2.00	2.00
Marketing	0.50	0.50	0.50	0.50	0.50	0.50	-	-	-	-
Cable TV	1.50	1.75	1.75	1.75	1.75	1.75	2.00	2.00	2.00	2.00
Information Technology	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	10.00	10.00
Printing & Office Supplies	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Motor Pool	13.00	12.00	12.00	12.00	12.00	12.00	12.75	12.75	12.75	13.00
Finance & Accounting	7.50	7.50	7.50	7.50	7.50	8.50	8.50	8.50	8.50	9.50
Real Estate Assessment	4.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Treasurer	7.75	7.75	7.75	7.75	7.75	8.75	8.75	8.75	8.75	8.75
Commissioner of Revenue	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00
Police Department	90.00	90.25	90.25	89.25	89.00	89.00	89.00	89.00	88.75	88.75
Fire Department	79.00	80.00	80.00	80.00	80.00	80.00	80.00	83.00	82.00	83.00
Public Works	75.50	77.20	76.10	76.10	76.95	78.95	78.95	79.45	79.45	79.45
Social Services	0.62	0.62	0.62	0.62	0.62	0.62	1.00	1.00	1.00	1.00
Parks & Recreation	19.13	19.88	19.38	20.38	20.63	20.38	20.88	20.88	20.88	20.88
Historic Resources	3.95	3.95	3.95	3.95	3.95	3.95	3.95	3.95	3.95	3.95
Planning & Design	15.70	16.50	17.50	17.50	17.50	16.50	17.00	16.50	16.50	16.50
Economic Development	1.00	1.00	1.00	1.00	1.00	1.50	2.50	2.50	2.00	3.50
Education	1.90	1.90	1.85	1.85	1.85	1.85	1.85	1.85	1.85	2.50
Wastewater	8.60	9.10	9.20	9.20	8.35	8.35	8.35	8.15	8.15	9.15
Water	34.40	0.00	0.00	0.00	0.00	0.00	-	-	-	-
Stormwater	0.00	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70	1.70
Transit	30.50	30.50	33.25	33.25	33.25	33.25	33.25	33.45	33.45	33.45
Total	425.18	397.10	399.30	399.30	399.30	402.05	405.93	409.43	409.18	416.58

Source:
City Budget Office.

CITY OF FAIRFAX, VIRGINIA

Operating Indicators By Function/Program

Last Ten Fiscal Years

(Unaudited)

	2013	2014	2015	2016	2017
<u>GENERAL GOVERNMENT:</u>					
Public Works					
Homes Served - Refuse Collection	6,498	6,498	6,498	6,498	6,473
Elections					
Registered Voters	15,794	15,372	15,496	14,887	15,995
# of Votes cast last General Election	11,706	7,120	7,052	4,743	12,077
% of Registered Voters last General Election	74.12%	46.32%	45.51%	31.86%	75.50%
Parks and Recreation					
Old Town Hall Rentals	165	153	160	165	165
Total Unique Recreation Programs	223	252	238	242	248
Total Recreation Programs	422	428	458	475	490
Day Camp program participants	707	727	938	956	1,040
Community Development and Planning					
Neighborhood Renaissance Conferences	600	*	*	*	*
Board of Architectural Review (BAR) Applications	80	62	81	57	67
Enforcement Citations	550	458	450	450	450
Land Use Applications	33	30	41	24	19
Development Plans & Subdivisions	49	59	56	40	42
Economic Development					
Vacancy Rate - Office Space	12.60%	13.90%	15.00%	13.50%	12.90%
Vacancy Rate - Retail Space	3.60%	3.20%	3.60%	3.00%	4.30%
<u>SCHOOLS:</u>					
Education					
Average Daily Membership	3,039	3,078	3,160	3,125	3,081
Elementary - Kindergarten	216	240	208	245	225
Elementary - (1-6)	1,346	1,351	1,415	1,361	1,357
Secondary - (7-12)	1,477	1,487	1,537	1,519	1,499
Tuition Cost Per Student	\$ 14,268	\$ 13,632	\$ 13,782	\$ 13,872	\$ 14,438
<u>PUBLIC SAFETY:</u>					
Police Department					
Cases Assigned	204	234	220	225	245
Cases Closed	178	175	165	155	118
Calls for Service	14,000	14,186	15,027	14,981	13,721
Criminal Arrests	1,359	1,326	1,192	1,092	986
Fire Department					
Staff Training Hours	13,790	12,022	8,566	16,775	14,010
Responses to Fire Incidents	2,899	2,273	2,320	2,200	2,312
Responses to EMS Incidents	7,709	4,330	4,311	4,317	4,187
Plans reviewed	1,353	1,003	884	1,023	1,194
Building Permits Issued	621	578	503	564	779
Cost Associated with Building Permits	\$ 34,633,451	\$ 30,308,610	\$ 27,034,602	\$ 33,430,366	\$ 121,674,456
<u>TRANSIT:</u>					
Total Ridership	850,809	832,481	766,708	678,967	646,096

Notes:

Source: City Annual Operating Budget & Comprehensive Annual Financial Report

* - information not available (not tracked)

Notes:

The City outsourced Wastewater billing to Fairfax County Water Authority in conjunction with the sale of the water

Table 17

	2018	2019	2020	2021	2022
	6,512	6,530	6,490	6,520	6,555
	15,841	16,364	16,424	17,190	17,493
	8,318	10,548	6,198	13,567	10,183
	52.51%	64.40%	40.90%	78.90%	62.00%
	151	155	20	45	42
	255	262	30	150	162
	495	503	50	250	274
	1,148	1,184	none	750	1,693
	*	*	*	*	*
	60	80	57	42	43
	450	*	*	*	*
	15	18	20	13	20
	46	32	66	63	48
	12.50%	11.50%	10.10%	10.50%	9.60%
	4.90%	5.30%	5.30%	4.10%	2.40%
	3,079	3,004	3,001	2,840	2,857
	246	210	224	164	215
	1,368	1,270	1,275	1,264	1,232
	1,523	1,524	1,502	1,460	1,410
\$	14,825	\$ 15,700	\$ 16,229	16,783	17,129
	220	204	230	228	224
	145	147	170	198	233
	13,202	13,622	14,580	12,457	14,616
	873	952	984	587	540
	18,741	13,354	13,389	14,450	20,003
	2,540	2,735	2,529	2,071	2,437
	4,445	4,177	4,447	3,159	4,749
	1,138	951	823	840	954
	356	359	292	589	339
\$	157,500,340	\$ 50,481,255	\$ 31,944,639	123,797,875	37,059,033
	605,962	606,000	488,602	480,000	471,899

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

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<u>GENERAL GOVERNMENT</u>										
Parks and Recreation										
Acres of Parks	279	283	286	286	286	286	286	286	286	286
Number of Major Parks	9	9	10	10	11	11	11	11	11	11
Number of Neighborhood Parks	15	15	15	15	15	15	15	15	15	15
Public Works										
Vehicle Availability (%)	98%	90%	88%	90%	95%	97%	98%	98%	98%	98%
Vehicle Repair Orders	3,766	2,872	3,112	3,670	3,650	3,966	3,950	4,000	4,100	4,150
Total Fleet	664	653	661	692	642	648	650	650	650	652
Miles of Streets - Primary	15.5	15.5	15.5	15.5	15.4	15.4	16.0	16.0	16.0	16.5
Miles of Streets - Secondary	56.5	56.5	56.5	56.5	56.1	56.3	57.0	57.0	57.0	57.0
Number of Street Lights	2,967	2,967	2,967	2,967	2,967	2,967	2,980	3,000	3,050	3,055
<u>PUBLIC SAFETY</u>										
Police										
Number of Stations*	1	1	1	1	1	1	1	1	1	1
Fire										
Number of Stations**	1	1	1	1	1	1	1	1	1	1
Number of Fire Hydrants***	870	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<u>UTILITIES:</u>										
Sewer										
Sanitary Sewers (miles)	100	100	100	100	108	108	108	108	108	108
<u>TRANSIT:</u>										
Number of Buses	12	12	12	12	12	12	12	12	12	12

Notes:

Source: City Annual Operating Budget & City Departments

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

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

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



ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Fairfax, Virginia, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City of Fairfax, Virginia's basic financial statements, and have issued our report thereon dated December 12, 2022.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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

Robinson, Farmer, Cox Associates

Fredericksburg, Virginia

December 12, 2022



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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited City of Fairfax, Virginia's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of City of Fairfax, Virginia's major federal programs for the year ended June 30, 2022. City of Fairfax, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, City of Fairfax, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

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 Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of City of Fairfax, Virginia and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of City of Fairfax, Virginia's compliance with the compliance requirements referred to above.

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 City of Fairfax, Virginia's federal programs.

Auditors' 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 City of Fairfax, Virginia'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 City of Fairfax, Virginia's compliance with 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 risks 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 City of Fairfax, Virginia'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 of Fairfax, Virginia'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 of Fairfax, Virginia'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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' 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 were not identified.

Report on Internal Control over Compliance: (Continued)

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.

Robinson, Farmer, Cox Associates
Fredericksburg, Virginia
December 12, 2022

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CITY OF FAIRFAX, VIRGINIA

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

Federal Grantor/Pass - Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Federal Expenditures
DEPARTMENT OF JUSTICE:			
<u>Pass through payments:</u>			
Virginia Department of Criminal Justice Services: COVID-19 Coronavirus Emergency Supplemental Funding	16.034	20-A5067CE20	\$ 14,360
Total Department of Justice			\$ 14,360
DEPARTMENT OF TRANSPORTATION:			
<u>Pass through payments:</u>			
Virginia Department of Transportation: Highway Planning and Construction Cluster: Highway Planning and Construction	20.205	104354/105573/109299/ 108686/109309/112816/ 115545/115547/113614	\$ 1,822,268
Virginia Department of Motor Vehicles: Highway Safety Cluster: National Priority Safety Programs	20.616	FM6OT202151263/ FM6OT202252391	6,205
State and Community Highway Safety	20.600	FSC202151293/ FSC202252406	4,298
Total Highway Safety Cluster			\$ 10,503
Total Department of Transportation			\$ 1,832,771
DEPARTMENT OF TREASURY:			
<u>Pass through payments:</u>			
Virginia Department of Accounts: COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	12110	\$ 19,656
Total Department of Treasury			\$ 19,656
DEPARTMENT OF HOMELAND SECURITY:			
<u>Direct payments:</u>			
Homeland Security Grant Program	97.067	N/A	\$ 201,496
<u>Pass through payments:</u>			
Virginia Department of Emergency Management: Homeland Security Grant Program	97.067	116193	1,297
Total 97.067			\$ 202,793
COVID-19 - Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	116193	56,852
Emergency Management Performance Grants	97.042	117463	7,500
Total Department of Homeland Security			\$ 267,145
DEPARTMENT OF INTERIOR:			
<u>Direct payments:</u>			
Historic Preservation Fund Grants-In-Aid	15.904	N/A	\$ 1,391
Total Department of Interior			\$ 1,391
Total expenditures of federal awards			\$ 2,135,323

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

CITY OF FAIRFAX, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2022

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the City of Fairfax, Virginia under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of Fairfax, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Fairfax, Virginia.

Note 2 - Summary of Significant Accounting Policies

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

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

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

(4) The City did not pass any federal awards through to subrecipients during the year ended June 30, 2022.

Note 3 - Relationship to Financial Statements

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

Intergovernmental federal revenues per the basic financial statements:

Primary government:

Governmental Funds	\$ <u>2,135,323</u>
--------------------	---------------------

Total primary government	\$ <u>2,135,323</u>
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Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$ <u><u>2,135,323</u></u>
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CITY OF FAIRFAX, VIRGINIA

Schedule of Findings and Questioned Costs
Year Ended June 30, 2022

Section I - Summary of Auditors' Results

Financial Statements

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

Federal Awards

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

Identification of major programs:

Assistance
Listing
Number

Name of Federal Program or Cluster

20.205	Highway Planning and Construction
--------	-----------------------------------

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

Section II - Financial Statement Findings

There are no financial statement findings to report.

Section III - Federal Award Findings and Questioned Costs

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

Section IV - Prior Audit Findings

There were no prior year audit findings.

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