FAIRFAX CITY ECONOMIC DEVELOPMENT AUTHORITY

A Component Unit of the City of Fairfax, Virginia

Financial Statements

As of and for the fiscal year ended June 30, 2025

(With Report of Independent Auditor Thereon)

Cherry Bekaert LLP
Your Guide Forward

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A Component Unit of the City of Fairfax, Virginia
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Report of Independent Auditor

To the Board of Commissioners
Fairfax City Economic Development Authority
Fairfax, Virginia

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and major fund of the Fairfax City Economic Development Authority (the "Authority"), a component unit of the City of Fairfax, Virginia, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Authority'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 and major fund of the Authority, as of June 30, 2025, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis of 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 Authorities, Boards, and Commissions* (the "Specifications"), issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Our responsibilities under those standards and Specifications are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Authority, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards,* and the Specifications 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, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority'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 the Authority'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 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 1, 2025, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Cherry Bekaert LLP

Tysons Corner, Virginia
October 1, 2025

FAIRFAX CITY
Economic Development Authority

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Management's Discussion and Analysis (Unaudited)

Fairfax City Economic Development Authority

For the Fiscal Year Ended June 30, 2025

Introduction and Purpose of the MD&A

This Management's Discussion and Analysis ("MD&A") provides a narrative overview of the Fairfax City Economic Development Authority's (the "Authority") financial activities for the year ended June 30, 2025. It should be read in conjunction with the Authority's basic financial statements and the accompanying notes. The Authority is a discreetly presented component unit of the City of Fairfax (the "City").

How to Use the Financial Section

- **Government-Wide Financial Statements -** The government-wide financial statements report information about the Authority using accounting methods similar to those used by private-sector companies. The Statement of Net Position and the Statement of Activities are financial statements that provide information about the activities of the Authority and present a long-term view of the Authority's finances. These statements utilize the accrual basis of accounting and the economic resources measurement focus.
- **Governmental Funds' Financial Statements -** The Authority's governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental funds' financial statements focus on near-term inflows and outflows of resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information is useful in evaluating the Authority's near-term financing requirements. The governmental funds' financial statements utilize the modified accrual basis of accounting and the current financial resources measurement focus. Under the modified accrual basis of accounting, governmental funds recognize revenues when they become available and measurable and recognize expenditures when the liability is incurred (if measurable), except for long-term obligations, which are recognized as they become due. The modified accrual basis of accounting measures cash and all other financial assets that can be readily converted to cash, and as such, provides a short-term view of general operations.
- **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 governmental fund financial statements. Financial Highlights (Summary)
- **Net Position:** At June 30, 2025, total net position was $3,358,412, a decrease of $1,025,781 from FY24, primarily driven by the timing of grant disbursements, investment income, operating outlays, etc.
- **Change in Net Position:** Program revenues of $666,279 and general revenues of $1,746,539 supported total expenses of $3,438,599, resulting in a decrease in net position of $1,025,781.
- **Fund Perspective:** The Authority's governmental fund reported an ending fund balance of $2,824,771, lower by $793,779 than FY24 due to grant cycle timing, project pacing, and decreased budget allocation, etc..

- **Capital & Debt:** The Authority held $7,932,847 of capital assets, net, and $7,078,661 of long-term obligations.
- **Unrestricted Net Position:** The Authority's unrestricted net position balance is primarily working capital designated for multi-year Board-approved programs and fixed, non-discretionary obligations (e.g., lease payments), rather than uncommitted surplus. See "Understanding the Authority's 'Unrestricted' Balance" for details.

Government-Wide Financial Analysis

The following table reflects the condensed net position of the Authority for the fiscal years ended June 30, 2025 and 2024.:

Line Item	2025	2024
Current and other assets	$4,234,331	$5,157,710
Capital assets	$7,932,847	$8,450,352
Total assets	$12,167,178	$13,608,062
Current liabilities	$269,831	$268,577
Long-term liabilities	$7,383,208	$7,668,094
Current and long-term liabilities	$7,653,039	$7,936,671
Deferred inflows of resources	$1,155,727	$1,287,198
Net investment in capital assets	$549,639	$782,258
Unrestricted	$2,808,773	$3,601,935
Net position	$3,358,412	$4,384,193

Revenues

The following table reflects the condensed changes in net position for the fiscal years ended June 30, 2025 and 2024:

Category	FY25	FY24
Program revenues	$666,279	$2,010,280
General revenues	$1,746,539	$920,643
Economic Development expenses	$2,909,644	$1,851,763
Mason Enterprise Center expenses	$528,955	$463,051
Total expenses	$3,438,599	$2,314,814
Net position, beginning of year	$4,384,193	$3,768,084
Change in net position	-$1,025,781	$616,109
Net position, end of year	$3,358,412	$4,384,193

Analytical Narrative: The change in the Authority's net position primarily reflects the timing of City appropriation revenues and the pacing of multi-year grant and program expenditures, including MEC-Fairfax and other strategic initiatives. Modest increases in investment earnings and steady MEC-Fairfax rental income further influenced results, while overall operating costs remained consistent with the prior year.

General Revenues by Major Source

Major Source	FY25	FY24
City appropriation / transfer	$1,547,931	$2,010,280
Investment earnings	$166,865	$168,847
Program revenues	$666,279	$2,010,280
General revenues	$1,746,539	$920,643

Fund Financial Statements – Governmental Fund Highlights

Budgetary Highlights (Final Budget vs. Actual) (dollars)

Line Item	Budget	Actual
Revenues	$1,547,931	$2,412,818
Expenditures	$1,547,931	$3,206,597
Change in fund balance	$0	-$793,779

Understanding the Authority's' s "Unrestricted" Balance (What it is — and isn't)

The Authority's year-end unrestricted balance is a GAAP accounting category; it is not the same as idle cash. It reflects assets minus liabilities at the reporting date and supports (i) multi-year, Board-approved programs, (ii) near-term, non-discretionary obligations (e.g., lease payments), and (iii) timing differences between City appropriations and program disbursements. This MD&A will present the encumbrances, Board designations, and next-12-months fixed obligations to show how the ending balance is already spoken for.

- **Government-wide vs. fund view:** On the government-wide statements this appears as unrestricted net position; in the governmental fund it appears as unassigned fund balance. Both may be called "unrestricted" under GAAP even when management and the Board have designated them for specific purposes.
- **Working capital, not windfall:** The Authority maintains working capital to meet fixed, recurring obligations and to deliver programs whose expenditures do not align precisely with revenue timing.
- **Designations & encumbrances:** A portion of year-end resources is committed through Board-approved programs, purchase orders, and signed agreements that will liquidate in FY26 and beyond.
- **Update for FY25:** Upon completion of the FY25 audit, amounts will be added for: (i) encumbrances outstanding at 6/30/25; (ii) Board-designated program amounts; and (iii) the next-12-months fixed obligations (e.g., lease payments).

Crosswalk to Cash

Item	Amount
Cash & cash equivalents at year-end	$2,906,304
+ Other current assets / receivables	$1,328,027
– Current liabilities (A/P, accruals)	$(253,833)
– Deferred inflows (e.g., lease accounting)	$(1,155,727)
= Unassigned fund balance (fund basis)	$2,824,771

Narrative: While cash is a component, unassigned fund balance ≠ cash on hand. It is reduced by liabilities and deferrals and is further designated internally for Board-approved programs and required to meet fixed obligations.

Capital Assets and Long-Term Obligations

As of year-end, the Authority held $7,932,847 in capital assets, net, and $7,078,661 in long-term outstanding obligations.

FY25 Programmatic Highlights (Operational Context)

- **Budget Stewardship and Audit Readiness:** Managed a multi-million-dollar operating plan from appropriation through closeout; delivered FY25 trial balances and schedules to auditors on time; maintained separate, transparent books for the EDA consistent with component-unit reporting.
- **Procurement, Grants, and Cash Management:** Streamlined purchasing and grant administration to accelerate program delivery while maintaining compliance with Virginia procurement requirements (including VPPA-aligned practices). Advanced internal controls for treasury operations and fee monitoring; continued emphasis on documentation and audit trails across grant cycles.
- **Business Retention, Expansion, and Attraction (BR&E):** Supported retention and expansion conversations with existing Fairfax City businesses; cultivated attraction prospects aligned with the City's strategic priorities; coordinated with stakeholders to maintain a responsive project pipeline.
- **MEC-Fairfax and Entrepreneurship Ecosystem:** Provided financial/leasing oversight to MEC-Fairfax; advanced an Advisory Board structure to strengthen governance and accountability; focused on utilization and outcomes for small-business growth.
- **Partnerships with George Mason University (GMU):** Deepened "town-gown" collaboration through the Costello College of Business/Center for Innovation and Entrepreneurship (CIE). Prepared groundwork for FY26 initiatives (e.g., student-led commercialization and supplier diversity activities) and explored opportunities to increase Fairfax City businesses' participation in GMU procurement channels.
- **Program Delivery and Operational Efficiency:** Embedded compliance reviews early in program design to reduce rework; standardized internal reporting to support management decision-making and Commissioner oversight.

Economic Factors and Outlook

Regional economic conditions (employment trends, commercial vacancy/absorption, and interest-rate environment) continue to influence the Authority's program timing and private-sector project feasibility. In FY26, management will emphasize:

1. Strengthening BR&E and pipeline visibility;
2. Executing entrepreneurship and supplier-diversity partnerships with GMU (including CIE-led initiatives) to widen opportunities for Fairfax City firms;
3. Maintaining disciplined grant administration and procurement compliance to safeguard public funds;
4. Monitoring any policy or governance actions that may affect program funding or the pacing of strategic investments.

Currently Known Facts and Subsequent Events

Management is not aware of subsequent events through the date of this draft that require disclosure beyond what will be presented in the notes.

Contacting the Authority's Financial Management

Questions about this report may be directed to:
Interim President and CEO Matthew Easley
Chair Jeff Hermann
Treasurer Dawn McGruder

Fairfax City Economic Development Authority
A Component Unit of the City of Fairfax, Virginia
Statement of Net Position
June 30, 2025

ASSETS	
Cash and cash equivalents	$ 2,906,304
Lease receivable	1,257,432
Other assets	70,595
Capital assets, net of accumulated depreciation and amortization	7,932,847
Total assets	12,167,178
LIABILITIES	
Accounts payable and accrued liabilities	31,094
Accrued interest	15,998
Mason Enterprise Center liability	217,992
Unearned revenues	4,747
Long-term liabilities:	
Portion due or payable within one year:	
Lease liability	304,547
Portion due or payable after one year:	
Lease liability	7,078,661
Total liabilities	7,653,039
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to leases	1,155,727
Total deferred inflows of resources	1,155,727
NET POSITION	
Net investment in capital assets	549,639
Unrestricted	2,808,773
Net position	$ 3,358,412

See accompanying notes to the financial statements.

Fairfax City Economic Development Authority
A Component Unit of the City of Fairfax, Virginia
Statement of Activities
For the Fiscal Year Ended June 30, 2025

EXPENSES	
Economic Development	$ 2,909,644
Mason Enterprise Center expenses	528,955
Program expenses	3,438,599
REVENUES	
Program revenues:	
Mason Enterprise Center revenue	666,279
General revenues:	
City of Fairfax, Virginia grants	1,547,931
Revenue from use of money and property	166,865
Miscellaneous	31,743
Total general revenues	1,746,539
Total revenues	2,412,818
Change in net position	(1,025,781)
Net position, beginning of year	4,384,193
Net position, end of year	$ 3,358,412

See accompanying notes to the financial statements.

Fairfax City Economic Development Authority
A Component Unit of the City of Fairfax, Virginia
Balance Sheet – Governmental Fund
June 30, 2025

ASSETS		
Cash and cash equivalents		$ 2,906,304
Lease receivables		1,257,432
Other assets		70,595
Total assets		4,234,331
LIABILITIES		
Accounts payable and accrued liabilities		31,094
Mason Enterprise Center liability		217,992
Other liabilities		4,747
Total liabilities		253,833
DEFERRED INFLOWS OF RESOURCES		
Leases		1,155,727
Total deferred inflows of resources		1,155,727
FUND BALANCE		
Unassigned fund balance		2,824,771
Total liabilities, deferred inflows of resources, and fund balance		$ 4,234,331

Reconciliation of the Balance Sheet to the Statement of Net Position

Fund balance - governmental funds		$ 2,824,771
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds:		
Equipment and computers	349,497	
Buildings	862,594	
Right-to-use lease assets	8,120,156	
Less accumulated depreciation and amortization	(1,399,400)	7,932,847
Lease liability are not due and payable in the current period and, therefore, are not reported in the governmental funds.		(7,383,208)
Accrued interest are not due and payable in the current period and, therefore, are not reported in the governmental funds.		(15,998)
Net position of governmental activities		$ 3,358,412

See accompanying notes to the financial statements.

Fairfax City Economic Development Authority
A Component Unit of the City of Fairfax, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Fund
June 30, 2025

REVENUES		
Intergovernmental revenues	$	1,547,931
Mason Enterprise Center (MEC) revenues		666,279
Lease revenues		131,471
Lease interest revenues		35,394
Miscellaneous		31,743
Total revenues		2,412,818
EXPENDITURES		
Authority programs		177,353
Economic development initiatives		174,709
Business investment program		53,615
Public relations marketing		136,408
Tourism program funding		79,280
Administrative expenses		143,544
Strategic initiatives		244,039
Executive Director budget		55,291
Priority developmnet projects		370,031
Economic opportunities		757,357
Mason Enterprise Center operating expenses		378,955
Mason Enterprise Center other expenses		150,000
Debt principal payments		284,886
Debt interest payments		196,026
Capital outlay		5,103
Total expenditures		3,206,597
Net change in fund balance		(793,779)
Fund balance at beginning of year		3,618,550
Fund balance at end of year	$	2,824,771

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities

Net change in fund balance - governmental fund	$	(793,779)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental fund report capital outlays as expenditures. However, in the Statement of Activities, the cost of these assets is expensed over their estimated useful lives and reported as depreciation/amortization expense.		
Capital outlay		5,103
Depreciation and amortization expense		(522,608)
Lease payments do not require the use of current financial resources and, therefore, are not reported in the governmental funds.		284,886
Interest accrued on leases do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		617
Change in net position of governmental activities	$	(1,025,781)

See accompanying notes to the financial statements.

1. Summary of Significant Accounting Policies

The financial statements of the Fairfax City Economic Development Authority ("Authority") have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as promulgated by the Governmental Accounting Standards Board ("GASB"), which is the accepted primary standard-setting body for establishing governmental accounting and financial reporting principles. The Authority's significant accounting policies are described herein.

A. Reporting Entity

The Authority is responsibility for encouraging industrial and commercial development in the City and making recommendations to City Council. The Authority is governed by a Board of Directors consisting of seven directors, appointed by City Council, who oversee proposed budgets and programs. The Authority has authority to enter into contracts, agreements, and grants with third parties separately from the City. Although the Authority is legally separate, it is fiscally dependent on the City, which also acts as their fiscal agent by paying all their associated personnel and administrative expenses associated with the Authority. Accordingly, for reporting entity purposes, the Authority is considered to be a component unit of the City.

The Authority and the City Economic Development Department ("EDD"), both operate under the same common brand of Fairfax City Economic Development. Each year, City Council appropriates funds to both EDD and the Authority to facilitate programs that benefit general economic development of the City. The City Manager appoints the Director of EDD who concurrently serves as the President/CEO of the Authority and oversees staff, proposes budgets, and programing of the Authority.

B. Basis of Presentation

The basic financial statements include both government-wide (based on the Authority as a whole) and governmental fund financial statements. The Authority categorizes its primary activities solely as governmental activities. In the government-wide Statement of Net Position, the Authority's governmental type activities are reported using the economic resources measurement focus and the accrual basis of accounting.

The Authority's government-wide Statement of Activities reflects all expenses, including depreciation and amortization.

In the governmental fund financial statements, financial transactions and accounts of the Authority are presented for the Authority's major governmental fund (General Fund). The governmental fund is considered to be a fiscal and 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 General Fund is the operating fund of the Authority and is used to account for and report all revenues and expenditures, which are not accounted for in other funds. The General Fund's revenues are derived primarily from City funding.

C. Measurement Focus and Basis of Accounting

The basis of accounting determines when transactions are reported in the financial statements. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting wherein revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting wherein revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the fiscal period. Available means collectible within the current period or within 45 days thereafter. Expenditures are recorded when the related liability is incurred and payment is due. Revenue from the use of money and property are recognized when received and intergovernmental revenue is recorded when all eligibility requirements are met.

Since the governmental fund financial statements are presented using a different measurement focus and basis of accounting than the government-wide financial statements, reconciliations are presented to explain the adjustments necessary to reconcile these two sets of financial statements.

D. Capital Assets

Capital outlays are recorded as expenditures of the governmental funds and as asset in the government-wide financial statements to the extent the Authority's capitalizations threshold is met. The Authority capitalizes assets which have an initial cost of $10,000 or more per unit for equipment and buildings and $500 or more per unit for computers and a useable life of two or more years. Repairs and maintenance are charged to operations as they are incurred. The cost of assets retired, along with accumulated depreciation, are removed from the accounts.

Equipment, buildings, and computers are included in the financial statements at historical cost or estimated historical cost if actual cost is not available. Donated capital assets are valued at their acquisition value on the date donated. Right-of-use assets are included in the financial statements at the present value of lease payments at the commencement date of the lease.

Accumulated depreciation and amortization are reported as a reductions of depreciable capital assets. Depreciation of buildings, computers, and equipment is computed using the straight-line method based on an estimated useful life of 10 to 50 years, 3 to 5 years, and 5 to 25 years, respectively. The value of right-to-use lease assets is amortized using the straight-line method over the shorter of term of the lease or the estimated useful life of the underlying asset.

E. Deferred Inflows of Resources

In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources representing an acquisition of net assets that applies to a future period and so will not be recognized as an inflow of resources until that time.

F. Fund Balance Policies

Due to the nature of the funding relationship with the City, the Authority does not maintain a fund balance eligible for commitment or assignment. Therefore, policies to commit or assign fund balance have not been established.

G. Net Position

The Authority's net position is comprised of two categories: net investment in capital assets and unrestricted net position. The first category of net position consists of capital-related assets, net of accumulated depreciation and amortization, reduced by the outstanding liabilities used to acquire these assets. Net position that is not related to net investment in capital assets is reported as unrestricted net position. At June 30, 2025, the Authority had a net investment in capital assets of $549,639 and unrestricted net position of $2,808,773.

2. Cash and Cash Equivalents

The Authority's cash and cash equivalents are demand deposits with a banking institution. 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.

3. Capital Assets

The following is a summary of the changes in capital assets for the fiscal year ended June 30, 2025:

	Balances July 1, 2024	Increases	Decreases	Balances June 30, 2025
Equipment	$ 344,394	$ -	$ -	$ 344,394
Computers	-	5,103	-	5,103
Building	862,594	-	-	862,594
Right-to-use lease buildings	8,120,156	-	-	8,120,156
Total capital assets	9,327,144	5,103	-	9,332,247
Accumulated depreciation	(124,926)	(71,488)	-	(196,414)
Accumulated amortization	(751,866)	(451,120)	-	(1,202,986)
Total accumulated depreciation and amortization	(876,792)	(522,608)	-	(1,399,400)
Total capital assets, net	$ 8,450,352	$ (517,505)	$ -	$ 7,932,847

4. Long-term Liabilities

The following is a summary of the changes in long-term liabilities for the fiscal year ended June 30, 2025:

	Balances July 1, 2024	Increases	Decreases	Balances June 30, 2025	Due Within One Year
Lease liability	$ 7,668,094	$ -	$ (284,886)	$ 7,383,208	$ 304,547
	$ 7,668,094	$ -	$ (284,886)	$ 7,383,208	$ 304,547

The Authority leases an office space located at 10300 Eaton Place under a non-cancellable lease. On November 1, 2022, the Authority recorded an 18-year term as lessee with an initial lease liability valued in the amount of $8,081,698. The Authority used its incremental borrowing rate of 2.60% as a discount rate for the lease. The Authority is required to make a monthly fixed payment of $39,418 for principal and interest during the year that increases annually. The value of the right-to-use lease asset was also recorded at $8,120,156, which differs from the lease liability due to previous prepaid rent on the property, with the estimated useful life of 18 years as of November 1, 2022. As of June 30, 2025, the total value of the lease liability was $7,383,208, while the value of the right-to-use lease asset was $8,120,156 with accumulated amortization of $1,202,986.

All lease obligations are contingent upon the Board appropriating funds for each year's payments.

Debt service requirements to maturity for the lease liability as of June 30, 2025 are as follows:

Fiscal Yeaar Ending June 30	Principal	Interest	Total
2026	$ 304,547	$ 188,386	$ 492,933
2027	325,031	180,226	505,257
2028	346,366	171,523	517,889
2029	368,581	162,255	530,836
2030	391,708	151,550	543,258
2031-2035	2,339,687	586,747	2,926,434
2036-2040	3,074,480	235,585	3,310,065
2041	232,808	758	233,566
Total	$ 7,383,208	$ 1,677,030	$ 9,060,238

5. Commitments and Contingencies

Various claims and lawsuits may arise in the ordinary course of business. In the opinion of legal counsel, there are no cases, claims, or assessments of any nature against the Authority that are pending or threatened as of June 30, 2025.

6. Leases

The Authority leases out office space located at 3936 Lee Highway under a non-cancellable lease. On July 1, 2022, the Authority recorded a 36.7-year term as lessor with an initial lease receivable of $1,149,051 and beginning deferred inflows of $1,149,676. The Authority used its incremental borrowing rate of 2.60% as a discount rate for the lease. The Authority is meant to receive a monthly fixed payment of $4,935 for principal and interest during the year that increases in 5-year increments, except for a 33-month period of monthly rent offset related to approved construction costs resulting in a monthly minimum rent payment of $625 for those months. As of June 30, 2025, the total value of the lease receivable was $1,257,432 and deferred inflows related to leases of $1,155,727.

7. Transactions with Related Parties

Certain financial management and accounting services along with certain legal services are provided to the Authority by the City. Services were provided at no charge during the fiscal year ending June 30, 2025. In addition, certain personnel costs in 2025 were incurred by the City for the benefit of the Authority at no charge to the Authority.

The Mason Enterprise Center (“MEC”) is administered as a flagship program of the Authority in partnership with a large local university and the City. MEC provides small business services such as low-cost office space, mentorship and other development programs. The Authority oversees MEC operations and finances through monthly transaction reports prepared by MEC which the City finance division audits for accuracy and approved spending. The MEC director attends the Authority’s monthly meetings to present operational and financial updates and, as needed, works with the City treasurer to prepare such reports. The Authority manages the MEC program on behalf of the City. MEC related liabilities were $217,992 as of June 30, 2025 and MEC related revenues and expenditures were $666,279 and $528,955, respectively, for the year ending June 30, 2025.

8. Implementation of New Accounting Pronouncements

In fiscal year 2025, the Authority implemented the following GASB standards:

No. 101, *Compensated Absences*

This Statement updates the recognition and measurement guidance for compensated absences to better meet the information needs of financial statement users by establishing a unified model for recognizing liabilities associated with leave that has not been used and leave that has been used but not yet paid or settled in noncash means. A liability is recognized when the leave is attributable to services already rendered, accumulates, and is more likely than not to be used or otherwise paid or settled. The Statement also provides guidance for measuring such liabilities and amends certain disclosure requirements over compensated absences.

No. 102, *Certain Risk Disclosures*

This Statement requires governments to disclose information about certain risks that may significantly impact their financial position or operations. Specifically, this statement addresses risks arising from concentrations and constraints, including legal or contractual limitations that restrict the ability to respond to those risks. The disclosures are intended to help the users of the financial statements assess the potential for future financial stress or uncertainty.

The implementation of these standards did not have a material impact on the Authority's financial statements.

Cherry Bekaert
Your Guide Forward

Report of Independent Auditor 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 Board of Commissioners
Fairfax City Economic Development Authority
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 Authorities, Boards, and Commissions* (the "Specifications") issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities and major fund of the Fairfax City Economic Development Authority (the "Authority"), a component unit of the City of Fairfax, Virginia, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated October 1, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority'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 Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority'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 Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cherry Bekaert LLP

Tysons Corner, Virginia
October 1, 2025

Cherry Bekaert
Your Guide Forward

Report of Independent Auditor on Compliance with Commonwealth of Virginia's Laws, Regulations, Contracts, and Grants

To the Board of Commissioners
Fairfax City Economic Development Authority
Fairfax, Virginia

We have audited, in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *Specifications for Audits of Authorities, Boards, and Commissions* (the "Specifications") issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the Fairfax City Economic Development Authority (the "Authority"), a component unit of the City of Fairfax, Virginia, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated October 1, 2025.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of the Authority's compliance with certain provisions of the Commonwealth of Virginia's laws, regulations, contracts, and grants, 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 following is a summary of the Commonwealth of Virginia's laws, regulations, contracts, and grants for which we performed tests of compliance:

Code of Virginia
Auditing Standards and Audit Contract
Cash and Investments
Conflicts of Interest
Reporting

The results of our tests disclosed one instance of noncompliance that is required to be reported under the Specifications as described in the accompanying Schedule of Findings and Responses as item 2025-001.

Authority's Response to Finding

The Authority's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of compliance with certain provisions of the Commonwealth of Virginia's laws, regulations, contracts, and grants and the results of that testing, and not to provide an opinion on the Authority's compliance. Accordingly, this communication is not suitable for any other purpose.

Cherry Bekaert LLP

Tysons Corner, Virginia
October 1, 2025

Schedule of Findings and Responses

(1) Finding Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards*:

None reported.

(2) Finding Relating to Compliance with Commonwealth of Virginia Laws, Regulations, Contracts, and Grants

2025-001: Non-material Noncompliance – Statement of Economic Interests ("SOEI")

Condition: One (1) of the seven (7) individuals did not file the required SOEI by the February 1, 2025 due date.

Criteria: Section 2.2-3115 of the Code of Virginia requires local officials to file a SOEI with the Clerk of the governing body by February 1st or prior to assuming office or taking employment to disclose personal financial interests that may cause conflicts. Additionally, the Council requires that the local official may not sign, date, or submit a disclosure form for the regular annual filing period prior to January 1st each year.

Cause: Lack of controls over the SOEI to ensure that all statements are filed within the prescribed time constraints.

Effect: Noncompliance may result in action by the Commonwealth.

Questioned Cost: Non-financial finding.

Recommendation: Local government officials should complete the SOEI in accordance with prescribed requirements.

Views of Responsible Officials and Planned Corrective Action:

Responsible Person: Matthew Easley, Assistant Director of Finance, and the City Clerk's Office

Estimated Completion: June 30, 2026

Corrected Action: The Authority will analyze the process of state filings by local government officials and determine what, if any, controls can be put in place to ensure accurate and timely filing of the Statement of Economic Interests forms.