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**FAIRFAX COUNTY PUBLIC SCHOOLS**  
**A Component Unit of Fairfax County**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2002**

Prepared by:

DEPARTMENT OF FINANCIAL SERVICES

Daniel A. Domenech, Superintendent  
H. Charles Woodruff II, Chief Financial Officer, Financial Services  
Constance A. Downing, Director, Finance



10700 Page Avenue  
Fairfax, Virginia 22030  
<http://www.fcps.edu>

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## TABLE OF CONTENTS

<b>INTRODUCTORY SECTION</b>	<u>Page</u>	
Letter of Transmittal.....	iii	
Members of the School Board and School Board Officials.....	xii	
Organizational Chart.....	xiii	
GFOA Certificate of Achievement for Excellence in Financial Reporting.....	xiv	
ASBO Certificate of Excellence in Financial Reporting.....	xv	
<b>FINANCIAL SECTION</b>		
Independent Auditor’s Report.....	1	
Management’s Discussion and Analysis.....	5	
<b>Basic Financial Statements</b>		
<u>Exhibit</u>	<u>Government-wide Financial Statements</u>	
A	Statement of Net Assets.....	19
B	Statement of Activities.....	20
<u>Fund Financial Statements</u>		
C	Balance Sheet – Governmental Fund with Reconciliation.....	21
D	Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds with Reconciliation.....	23
E	Statement of Net Assets – Proprietary Funds.....	25
E-1	Statement of Revenues, Expenses, and Changes in Net Assets – Proprietary Funds.....	26
E-2	Statement of Cash Flows – Proprietary Funds.....	27
F	Statement of Fiduciary Net Assets – Fiduciary Funds.....	28
F-1	Statement of Changes in Fiduciary Net Assets – Pension Trust Fund.....	29
<u>Notes to the Financial Statements</u>		
I.	Summary of Significant Accounting Policies.....	30
II.	Reconciliation of Government-wide and Fund Financial Statements.....	38
III.	Stewardship, Compliance and Accountability.....	38
IV.	Detailed Notes on All Funds.....	38
V.	Other Information.....	46

*(continued)*

## Required Supplementary Information

<u>Exhibit</u>	<u>Budgetary Comparison Schedules</u>	
G	General Fund.....	60
G-1	Food and Nutrition Services Fund.....	61
G-2	Grants and Self-Supporting Programs Fund.....	62
G-3	Adult and Community Education Fund.....	63
	Notes to the Budgetary Comparison Schedule.....	64

## Supplementary Information

	<u>Combining Schedules</u>	
H	Combining Schedule of Net Assets – Internal Service Funds.....	68
H-1	Combining Schedule of Revenues, Expenses, and Changes in Fund Net Assets – Internal Service Funds.....	69
H-2	Combining Schedule of Cash Flows – Internal Service Funds.....	70

## STATISTICAL SECTION (Unaudited)

### Table

1	General School System Government – wide Expenses by Function.....	72
2	General School System Government – wide Revenues.....	72
3	General School System Governmental Expenditures by Function.....	74
4	General School System Governmental Revenues by Source.....	74
5	Food and Nutrition Services Program.....	76
6	Student Enrollment.....	77
7	Scholastic Assessment Test (SAT) Scores.....	78

### **Fairfax County, Virginia**

8	Real and Personal Property Tax Levies and Collections.....	79
9	Assessed Value and Estimated Actual Value of All Taxable Property.....	79
10	General Property Tax Rates.....	80
11	Real Property Tax Rates and Tax Levies – All Overlapping Governments....	80
12	Principal Real Estate Taxpayers.....	81
13	Computation of Debt Margin.....	81
14	Comparative Ratio of Net Bonded Debt to Estimated Actual Value of Taxable Property and Net Bonded Debt Per Capital.....	82
15	Ratio of Annual Debt Service Requirements for General Obligation Bonded Debt to General Fund Expenditures and Operating Transfers Out and to Total Expenditures.....	82
16	Computation of Direct and Overlapping and Underlying Debt.....	83
17	Construction and Property Values.....	83
18	Demographic Statistics.....	84
19	Miscellaneous Statistical Data.....	85



September 27, 2002

**The Board of Supervisors  
County of Fairfax, Virginia:**

**The Members of the School Board  
County of Fairfax, Virginia:**

We hereby submit the Comprehensive Annual Financial Report (CAFR) of the Fairfax County Public Schools (FCPS) for the fiscal year ended June 30, 2002. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the management of FCPS. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds of FCPS. We believe we have included all disclosures necessary to enable the reader to gain an understanding of FCPS' financial activities. FCPS is considered a component unit of Fairfax County (County) and, accordingly, the financial position and results of operations of FCPS are also reflected in the financial statements included in the Comprehensive Annual Financial Report of the County.

This year's CAFR is presented using the new financial reporting model as prescribed by the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB 34). The changes required are described extensively in the Management's Discussion and Analysis (MD&A) in the Financial Section of the CAFR.

Our CAFR is divided into three sections: introductory, financial and statistical. The introductory section includes this letter of transmittal, a list of the FCPS' School Board members and principal officials, the organizational chart, and awards from the major professional governmental associations. The financial section, prepared in accordance with GASB 34, includes the independent auditors' report, MD&A, and basic financial statements including the notes and required supplementary information. In addition, the financial section provides supplemental data on the combining of individual funds. The statistical section contains selected financial and demographic information, generally presented on a multi-year basis.

## **ORGANIZATIONAL STRUCTURE**

FCPS is located within the Washington, D.C. region that includes the District of Columbia, south central Maryland, and northern Virginia. It serves the citizens of Fairfax County, is the largest educational system in the Commonwealth of Virginia, and is the 12<sup>th</sup> largest in the continental United States.

The FCPS School Board is elected by County citizens and serves a four-year term. The Board is composed of nine district members, three at-large members, and a non-voting student representative who serves a one-year term.

FCPS is the second largest employer in Virginia and operates 204 schools and centers. It has 20,510 full-time employees, 18,411 of whom are school-based. In fiscal year (FY) 2002, FCPS students registered an average combined verbal and math SAT score of 1,096. The combined average score for Virginia was 1,016, and the national average was 1,020. More than 92 percent of the school system budget (\$1.52 billion for FY 2002) is spent on programs in schools. The FY 2002 cost per pupil of \$8,938 was among the lowest in the Washington, D.C. metropolitan area. Programs for gifted students are available at all grades in all schools and qualified students may attend Thomas Jefferson High School for Science and Technology, a Governor's School. A full range of programs, such as English for Speakers of Other Languages (ESOL), intervention initiatives, Head Start, special needs schools, disadvantaged children, and grade one reduced ratio, serving at-risk students, are operated by FCPS.

## **ECONOMIC CONDITION AND OUTLOOK**

### Economy

Fairfax County started out relatively strong in FY 2002 but the tragic events of September 11<sup>th</sup> and the continued recession occurring at the national level affected the County's economy. The County's Coincident Index, which measures the current state of the Fairfax County economy, fell in August 2002, continuing an ongoing trend in the last five months. The reduction indicates that the County's economy has worsened from the same time last year.

FCPS is a component unit of the County and as such is considered a County agency. At the same time, FCPS does not have taxing authority and must depend upon the County for the majority of its annual funding.

The school system educates a very diverse student population of more than 161,000 students who come from more than 150 nations and speak more than 100 different languages. This multi-cultural enrollment stems from the proximity to the nation's capital, the numerous embassies, international organizations, and the continuous influx of immigrants from around the world.

Although the national economy has improved over the last year, it has continued to show signs of weakness. The sluggish job growth and uncertainty among investors and consumers has slowed the recovery process. The Leading Index, which forecasts performance of the County's economy nine to twelve months in advance, has been showing an upward trend since the sharp drop in September 2001 and is tracking slightly above its historical trend line. This trend indicates that the economy will improve, albeit at a slow pace, through the fourth quarter of 2002 and into 2003.

The Center for Innovative Technology, chartered by the Commonwealth of Virginia in 1985, promotes economic development and competitiveness through many programs designed to promote Virginia as a leader in technology. It offers a wide variety of services to technology-based businesses through its relationships with state colleges and universities, regionally based manufacturing centers, business organizations, and federal laboratories.

The base of technology-oriented companies, particularly in computer software development, computer systems integration, telecommunications, and Internet and Internet-related services, has served as a strong magnet for the expansion and attraction of business and professional services. Fairfax County continues to attract a range of technology companies from Internet and information technology services, to aerospace and biotechnology companies. The Gannett Company built its headquarters in Tysons Corner and became the sixth Fortune 500 company based in Fairfax County. Other major corporations that have located their corporate headquarters in Fairfax County include American Management Systems (AMS), BTG, Booz-Allen & Hamilton, Cable & Wireless Communications, Capital One Financial, Federal Home Loan Mortgage Corporation, General Dynamics, Leica Microsystems, Logicon, Oracle, and the Student Loan Marketing Association.

### Employment

Approximately 28,000 payroll businesses, including corporate and regional headquarters, information technology firms, sales and marketing offices, and business services are located within Fairfax County. Local businesses create employment in such diverse areas as computer software development and systems integration, telecommunications, Internet and Internet-related services, wholesale and retail trade, and financial services.

While the unemployment rate in the County has risen to 2.9 percent in July 2002, it continues to be well below national and statewide averages. The 2001 average unemployment rate was 2.3 percent in the County. State and national 2001 unemployment rates were 3.5 percent and 4.8 percent, respectively. Through the efforts of the Economic Development Authority (EDA), more than 11,500 jobs were added by 164 companies and overall, approximately 22,000 jobs were added to the County's economy during 2001, bringing the number of jobs to about 558,000.

## **MAJOR INITIATIVES**

### International Baccalaureate Program

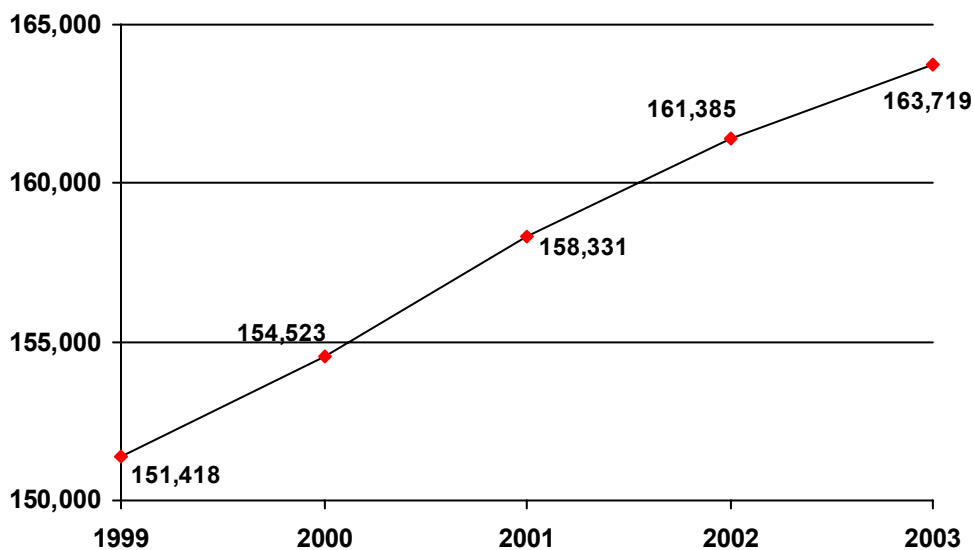
The International Baccalaureate Program (IB) is a rigorous and comprehensive academic curriculum developed for secondary students that emphasizes multi-cultural perspectives and international understanding, the education of the whole person, advanced studies, community service and responsible citizenship, and effective writing skills. Students must take subjects that comprise the core of the IB curriculum in six groups, including the study of languages, sciences, mathematics, and humanities.

The International Baccalaureate Office was established in Switzerland in 1968 and 20 schools initiated the program in 1970. Currently, 1,375 participating schools in over 113 countries offer an IB diploma course of study. Throughout the United States only a total of 434 high schools participate in the program. Thirty of these schools are in the Commonwealth of Virginia and eight of the Virginia high schools are located in Fairfax County.

Enrollment Growth and School Construction

Enrollment grew by 2,334 students from 161,385 in FY 2002 to 163,719 in FY 2003 school year. As student enrollment increases, FCPS projects that more than 13,563 new students will enter the system by the school year 2007-08. Enrollment has grown consistently from year to year as depicted in the following chart.

**Total Enrollment**



As FCPS’ student population continues to grow, new schools, classrooms, and facilities need to be provided. During FY 2002, FCPS operated 177 schools, 24 special education centers, and 3 alternative high schools. Capital project expenditures for FY 2002 totaled \$198.6 million (excluding capital leases), which consisted of new construction at \$47.5 million, renewals at \$140.2 million, and other related construction activity at \$10.9 million. Anticipated expenditures for capital projects in FY 2003 through 2007 will total \$664.1 million, of which \$166.0 million is for new construction.



### Technology Plan

In July 1998, FCPS established a roadmap to help guide planning and implementation activities for the next six years. The FY 2002 Technology Plan continues the process initiated in FY 1999, which outlined the school technology profiles. An integral part of the technology plan is to meet the Virginia technology standards for instruction. These standards have two components: (1) instructional personnel and (2) learning for students. For instructional personnel, technology-related courses are being correlated to the standards, which will serve as a planning guide for developing teacher competency for licensure renewal. Technology programs are structured not only to assist students in learning but also to ensure they meet the Virginia Standards of Learning.

For this fiscal year, \$18.0 million was budgeted to fund the most critical needs throughout the system. An allocation of \$13.0 million was made for technology in schools, \$0.7 million was set aside for the education decision support library, and \$4.3 million was provided for systemwide operational support and infrastructure.

### Professional Technical Studies

Professional Technical Studies provides instructional programs for middle and high school students in business and information technology, family and consumer sciences, health and medical sciences, industrial technology, marketing, and trade and industrial education. Students acquire knowledge and learn relevant technical applications of current and emerging careers while preparing for post-secondary studies and employment opportunities following high school graduation. Cooperative efforts with post-secondary educational institutions ensure that FCPS graduates are provided with comprehensive links to additional education opportunities through articulation agreements. In addition, professional technical studies staff members organize and coordinate local business and community advisory committees.

Advanced technical and specialized professional technical studies courses that successfully integrate career and academic preparation are offered in high school academies. The academies are centers within existing high schools offering elective courses for juniors and seniors in one or more career fields. Academies are located at Chantilly, Edison, Fairfax, Marshall, and West Potomac High Schools for students interested in pursuing careers in international studies and business; engineering and scientific technology; health and human services; or communications and the arts.

## **ACCOMPLISHMENTS**

### Student Achievement

The National Merit Scholarship Corporation announced that 198 FCPS seniors, representing 17 county high schools, had been named semifinalists in the 2003 National Merit Scholarship program. Thomas Jefferson High School for Science and Technology, Virginia's first Governor's School for Northern

Virginia, had 153 semifinalists, making it the number one school in the nation for the last 12 out of 13 years based on the number of semifinalists. This year’s 198 semifinalists represent 50 percent of Virginia’s semifinalists.

In 2002, FCPS had one of the highest combined Scholastic Assessment Test (SAT) scores in the Washington, D.C. metropolitan area. The following table highlights the combined SAT scores and total enrollment for local jurisdictions.

**Combined SAT Scores  
Comparison of Local Jurisdictions  
School Year 2001-2002**

<u>Division</u>	<u>Total</u>	<u>Total Enrollment</u>
City of Falls Church	1,139	1,758
<b>Fairfax County</b>	<b>1,096</b>	<b>161,385</b>
Montgomery County	1,092	130,689
Arlington County	1,052	19,097
Loudoun County	1,049	34,589
Prince William County	1,019	58,071
City of Alexandria	976	10,895
Prince George’s County	879	122,993

Source: Metropolitan Area Boards of Education Guide

FCPS seniors in the class of 2002 who took the SAT scored much higher than students in Virginia and the nation. In 2002, FCPS students recorded an average combined verbal and math SAT score of 1,096, the average for Virginia was 1,016, and the national average was 1,020.

Cost Per Pupil

Cost per pupil figures provide a broader view of the investment made in the instructional programs, as well as a measure of the overall efficiency of the school system in comparison to surrounding jurisdictions. FCPS has traditionally maintained a cost per pupil lower than many other school districts. As the chart indicates, FCPS ranks fifth in comparison to other metropolitan school districts.

<b>Fiscal Year 2002 Cost Per Pupil Comparison</b>	
City of Falls Church	\$12,467
Arlington County	11,756
City of Alexandria	10,862
Montgomery County	9,645
<b>Fairfax County</b>	<b>8,938</b>
Loudoun County	8,515
Prince William County	7,107
Prince George’s County	6,072

Source: Metropolitan Area Boards of Education Guide

## MANAGEMENT CONTROLS

FCPS management is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the school system are protected from loss, theft, or misuse and to ensure 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.

### Internal Controls

The internal control structure is designed to provide reasonable, but not absolute, assurance that FCPS' management objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgments by management.

### Budgetary Controls

FCPS maintains budgetary controls to ensure compliance with the annual appropriated budget adopted by the School Board. In accordance with state law, the advertised budget is submitted to the Board of Supervisors (BOS) for appropriation. The BOS determines the level of funding to be provided to FCPS. Based on that allocation, the School Board makes changes in its advertised budget and adopts the approved budget in May. Management control is exercised over the budget at the budgetary line item level within each fund. FCPS also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Appropriations lapse at the end of each fiscal year.

### Risk Management

The insurance and risk management program administers safety, environmental health, and insurance (including self-insurance), and provides loss control guidance to schools and departments.

FCPS' insurance policies and bonds include: property insurance; surety bonds; fiduciary insurance; and fine arts insurance. The self-insurance programs cover: comprehensive general liability; vehicle liability; employee personal property; legal liability; property losses; and volunteer injuries. In addition, FCPS is self-insured for workers' compensation.

### Cash Management

The County is the custodian of all cash and investments of FCPS except certain cash on hand or in banks and certain investments of the Pension Trust and Student Activity funds. Funds held in trust by the Educational Employees' Supplementary Retirement System of Fairfax County (ERFC) are invested in accordance with the *Code of Virginia*. All investments, except for the mutual funds, are held by an

unaffiliated custodian in the name of the ERFC. The Board of Trustees or investment advisors selected by the ERFC Board makes investment decisions for these assets.

### OTHER INFORMATION

#### Independent Audit

The County requires independent certified public accountants to perform an annual audit of its financial statements, which includes FCPS. This report includes the independent auditors' opinion on FCPS' financial statements.

#### Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to FCPS for its Comprehensive Annual Financial Report for the year ended June 30, 2001. This is the eighth consecutive year that the school system has received this prestigious award. In order to be awarded a GFOA Certificate of Achievement, certain requirements must be met, including the issuance of an easily readable and efficiently organized Comprehensive Annual Financial Report. The report, also, satisfied both accounting principles generally accepted in the United States of America and applicable legal requirements. We believe the current CAFR continues to meet the GFOA Certificate of Achievement program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

As with the CAFR, the GFOA also established another awards program, the Popular Annual Financial Report (PAFR) Award for Outstanding Achievement, to recognize reports issued to the jurisdiction's general constituency. In 2001, FCPS issued a Summary Annual Report (SAR), also known as PAFR, for the fourth consecutive year. This report provides summary information, such as, an organizational chart, a list of recent accomplishments, and financial data of the general operating revenue and expenditures. It is presented to familiarize citizens with the financial operation of the school system. The information for the SAR is derived from the division's CAFR. FCPS submitted the SAR to GFOA for evaluation under this program and the report was bestowed their Award for Outstanding Achievement.

In addition, the Association of School Business Officials International (ASBO) sponsors a Certificate of Excellence in Financial Reporting program to foster excellence in the preparation and issuance of school system annual financial reports. The ASBO program is similar to the GFOA Certificate of Achievement program. FCPS was awarded the ASBO Certificate of Excellence for the year ended 2001 report. Thus, this is the eighth year that the school system received prestigious awards from both GFOA and ASBO. We believe that the current CAFR also conforms to the ASBO Certificate of Excellence program requirements, and we are therefore submitting it to ASBO to confirm our compliance and to obtain another ASBO certificate.

FCPS also has won several awards for its budgeting reports, forecasting reports, and separately issued financial statements for the retirement system. For FY 2002, ASBO International presented FCPS with the Meritorious Budget Award and the GFOA presented FCPS with the Distinguished Budget Presentation Award. The Educational Employees' Supplementary Retirement System was awarded a Certificate of Achievement for Excellence in Financial Reporting and an Award for Outstanding Achievement in Popular Annual Financial Reporting - both from the GFOA.

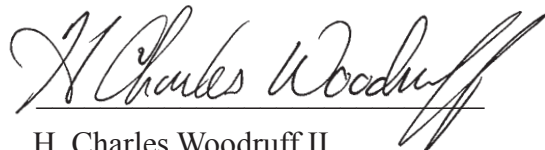
#### Acknowledgements

We would like to express our sincere gratitude to the personnel in the Department of Financial Services who participated in the preparation of this report and to our independent auditors, KPMG LLP. Appreciation is also extended to the School Board and the administration, whose continuing support is vital to the financial health of the school system.

Respectfully submitted,



Daniel A. Domenech  
Superintendent



H. Charles Woodruff II  
Chief Financial Officer

**MEMBERS OF THE SCHOOL BOARD AND SCHOOL BOARD OFFICIALS**  
**as of June 30, 2002**

**SCHOOL BOARD**

Stuart D. Gibson, *Chairman*  
Isis M. Castro, *Vice Chairman*  
Catherine Belter  
Christian N. Braunlich  
Mychele B. Brickner  
Robert E. Frye, Sr.  
Ernestine C. Heastie  
Kaye Kory  
Kathy L. Smith  
Jane K. Strauss  
Rita S. Thompson  
Judith (Tessie) Wilson  
Matthew Wansley

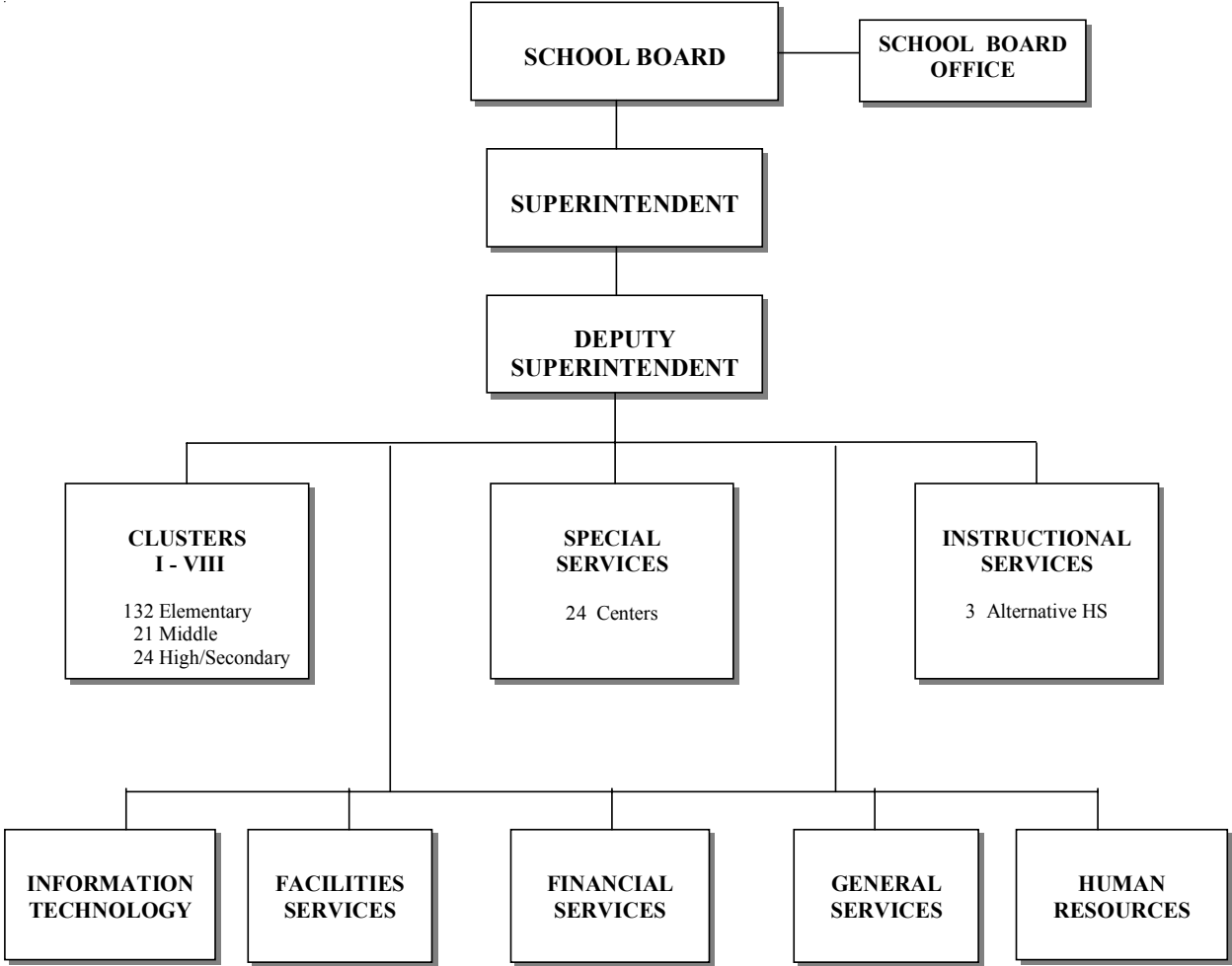
Hunter Mill District  
Mount Vernon District  
Springfield District  
Lee District  
Member at Large  
Member at Large  
Providence District  
Mason District  
Sully District  
Dranesville District  
Member at Large  
Braddock District  
Student Representative

**OFFICIALS**

Daniel A. Domenech  
Alan E. Leis  
Don P. Sheldon  
Michael E. Glascoe  
Thomas M. Brady  
H. Charles Woodruff II  
Dean Tistadt  
Brad Draeger  
Nancy Sprague  
Maribeth Luftglass  
Alice Farling  
Pamela Goddard  
Joan Wilcox  
Ellen Schoetzau  
John English  
Calanthia Tucker  
Betsy Fenske  
Thomas Engley  
Carma Norman  
Betsy Goodman

Superintendent of Schools  
Deputy Superintendent  
Assistant Superintendent, Administration  
Assistant Superintendent, Educational Accountability  
Assistant Superintendent, Facilities Services  
Chief Financial Officer, Financial Services  
Assistant Superintendent, General Services  
Assistant Superintendent, Human Resources  
Assistant Superintendent, Instructional Services  
Chief Information Officer, Information Technology  
Assistant Superintendent, Special Services  
Executive Assistant/Clerk to the School Board  
Director, Cluster I  
Director, Cluster II  
Director, Cluster III  
Director, Cluster IV  
Director, Cluster V  
Director, Cluster VI  
Director, Cluster VII  
Director, Cluster VIII

# ORGANIZATIONAL CHART



# Certificate of Achievement for Excellence in Financial Reporting

Presented to

Fairfax County Public  
Schools, Virginia

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2001

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Timothy Brewer*  
President

*Jeffrey L. Esler*  
Executive Director



**ASSOCIATION OF SCHOOL BUSINESS OFFICIALS  
INTERNATIONAL**



This Certificate of Excellence in Financial Reporting is presented to

**FAIRFAX COUNTY PUBLIC SCHOOLS**

For its Comprehensive Annual Financial Report (CAFR)  
For the Fiscal Year Ended June 30, 2001

Upon recommendation of the Association's Panel of Review which has judged that the Report substantially conforms to principles and standards of ASBO's Certificate of Excellence Program

President

Executive Director



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2001 M Street, N.W.  
Washington, D.C. 20036

## Independent Auditors' Report

The Board of Supervisors  
County of Fairfax, Virginia

The School Board  
County of Fairfax, Virginia

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fairfax County Public Schools (FCPS), a component unit of the County of Fairfax, Virginia, as of and for the year ended June 30, 2002, which collectively comprise FCPS' basic financial statements as listed in the accompanying table of contents. These financial statements are the responsibility of the FCPS' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of FCPS as of June 30, 2002, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note I.B. to the basic financial statements, FCPS has implemented Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*, Statement No. 38, *Certain Financial Statement Note Disclosures*, and Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, effective July 1, 2001.

The management discussion and analysis and budgetary comparison information, as listed in the accompanying table of contents, are not required parts of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



KPMG LLP, a U.S. limited liability partnership, is a member of KPMG International, a Swiss association.



Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise FCPS' basic financial statements. The introductory section, combining fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

KPMG LLP

September 27, 2002

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# MANAGEMENT'S DISCUSSION AND ANALYSIS





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## I. Introduction

This section of the Comprehensive Annual Financial Report (CAFR) presents management's discussion and analysis of Fairfax County Public Schools' (FCPS) financial performance as of and for the fiscal year (FY) ended June 30, 2002. The intent of this discussion and analysis is to enhance the understandability and usefulness of the financial statements and schedules provided in this report. This section should be read in conjunction with FCPS' transmittal letter located at the front of this CAFR and the financial statements, which immediately follow this section.

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* (GASB 34) issued in June 1999.

In future years, FCPS will be required to present comparative financial information between the current year and the prior year in its MD&A. The MD&A displays information to help the reader identify the reasons for changes in expenses, revenues, or fund balances from the previous year. GASB 34, however, permits the omission of comparative data in the first year of implementing the new reporting model. Considering the financial resources that would be required to prepare this comparative prior year information, FCPS has opted to exclude that information from this report.

## II. Financial Highlights

FCPS' total net assets (assets less liabilities) on a government-wide basis were \$1,433.6 million at June 30, 2002. For the fiscal year, net assets increased \$116.9 million.

For the fiscal year, FCPS' governmental activities' expenses of \$1,574.5 million exceeded charges for services, operating grants and contributions, and capital grants and contributions of \$186.4 million by \$1,388.1 million. General revenues (funds available for all educational purposes) include a transfer from Fairfax County of \$1,078.3 million and combined general contributions from the Commonwealth of Virginia (State) and the Federal government of \$280.9 million.

FCPS' governmental funds reported revenues of \$1,692.7 million, expenditures of \$1,738.5 million, and other financing sources of \$24.7 million resulting in a net change in fund balance of (\$21.1) million for the fiscal year.

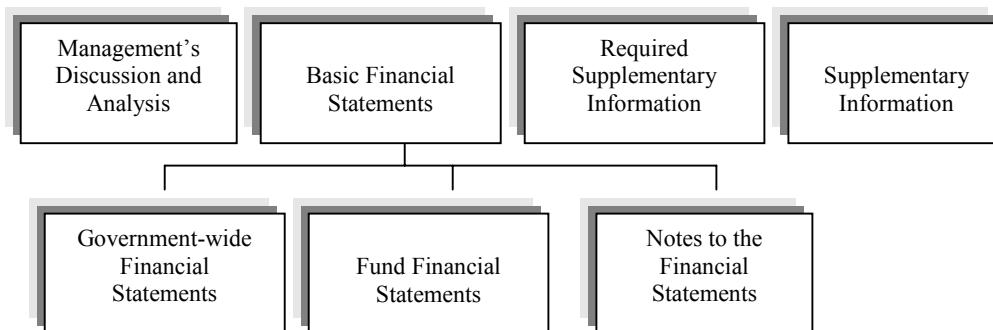
FCPS' General fund (hereafter referred to as the Operating fund) reported a fund balance of \$71.2 million, which is primarily composed of undelivered orders and committed but unencumbered balances for items such as the FY 2003 budgeted beginning balance, the School Board flexibility reserve, and balances automatically carried forward for school textbook and supply accounts. The total uncommitted and available balance is \$16.2 million.

(Continued)

In June 2002, the County issued \$130 million of general obligation public improvement bonds. These funds were used to finance construction of new facilities and improvements to existing ones.

**III. Using this Comprehensive Annual Financial Report**

The financial section of this annual report consists of four parts: (1) management’s discussion and analysis (presented here), (2) basic financial statements, (3) required supplementary information, and (4) supplementary information.



FCPS’ basic financial statements consist of two kinds of statements, each with a different view of FCPS’ finances. The new government-wide financial statements provide both long-term and short-term information about FCPS’ overall financial status. The fund financial statements, which have been provided in the past, focus on individual parts of FCPS government, reporting FCPS’ operations in more detail than the government-wide statements. The basic financial statements also include explanatory notes, which provide supplemental detailed data.

The statements and notes are followed by required supplementary information that contains data pertaining to budgeting comparisons. In addition to these required schedules, FCPS includes supplementary information with combining fund schedules to provide details about the internal service funds.

**Government-wide Statements**

The statement of net assets and the statement of activities are new financial statements that provide information about the activities of FCPS as a whole, and present a longer term view of FCPS’ financial condition. These statements utilize the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used in the private-sector. Full accrual accounting recognizes the financial effect of event when they occur, without regard to the timing of cash flows related to those events.

*(Continued)*



The first government-wide statement - the statement of net assets - presents information on all of FCPS' assets and liabilities, with the difference between the two reported as net assets. From this statement, the reader can identify the types of assets FCPS owns, the nature of liabilities owed, and what remaining assets are available for use. This information is used to assess FCPS' ability to cover costs and continue financing services in the future.

The second statement - the statement of activities - contains information on FCPS' costs of providing services (i.e., expenses), and resources obtained to finance those services (i.e., revenues). This statement also highlights to what extent those services are able to cover their own costs with user fees, contributions, and grants, as opposed to being financed with general revenues. In addition, the statement provides overall information, as to whether the financial status has improved or deteriorated during the fiscal year.

### **Fiduciary Responsibilities**

The statement of fiduciary net assets presents financial information about activities for which FCPS acts solely as an agent for the benefit of employees, students, and parents. These activities are excluded from FCPS' previously noted financial statements because FCPS cannot use these assets to finance its operational needs. FCPS is responsible for ensuring that the assets reported in these funds are used for their intended purposes. FCPS is the trustee, or fiduciary, for two funds. These are the Pension Trust fund and the Student Activity fund.

### **Fund Financial Statements**

The fund financial statements provide an additional level of detail not found in the government-wide statements. These statements utilize modified accrual basis of accounting and the current financial resource measurement focus, whereas, the internal service funds use the full accrual basis of accounting and the flow of economic resources measurement focus. Under modified accrual accounting, the fund recognizes revenues when they become available and measurable, and expenditures when the liability is incurred (if measurable), except for long-term debt and obligations, which are recognized as they become due. Modified accrual accounting measures cash and all other financial assets that can be readily converted to cash, and as such, provides a more detailed short-term view of operations.

Fund financial statements provide FCPS' operations in more detail than the government-wide financial statements by providing information at the individual fund level. These include the Operating, Food and Nutrition Services, Grants and Self-Supporting Programs, Adult and Community Education, and Capital Projects (hereafter referred to as the School Construction) funds. From these statements, the reader can understand how services were financed in the short-term as well as what remains for future spending for those services.

*(Continued)*

**Notes to the Financial Statements**

Note disclosures provide additional information to the user about the financial statements contained in this report. It is intended to supplement the financial data presented. They are an integral part of the statements and contain vital information not readily apparent from the statements.

**Other Information**

Statistical and other information is presented to facilitate the statement reader’s understanding of the underlying facts about the jurisdiction and the County.

**IV. Reporting FCPS as a Whole**

The statement of net assets and the statement of activities provide the financial status and operating results of FCPS as a whole. The financial data presented in these statements provides insight as to how FCPS fared fiscally in FY 2002. These two statements report FCPS’ net assets and the operating results affecting those assets. In addition, the information reveals whether the financial position of FCPS has improved or deteriorated during the fiscal year.

**FCPS’ Net Assets**

The following table provides a summary of FCPS’ net assets as of June 30, 2002.

<b>Summary Statement of Net Assets</b>	
<b>June 30, 2002</b>	
<b>(Dollars in millions)</b>	
	<b>Governmental Activities</b>
<b>Assets</b>	
Current and other	\$ 267.7
Capital	<u>1,376.7</u>
Total Assets	1,644.4
<b>Liabilities</b>	
Other Liabilities	159.0
Long-Term Liabilities	<u>51.8</u>
Total Liabilities	210.8
<b>Net Assets</b>	
Invested in Capital Assets	1,376.7
Restricted	14.8
Unrestricted	<u>42.1</u>
Total Net Assets	<u>\$ 1,433.6</u>

*(Continued)*

For the fiscal year ended June 30, 2002, FCPS' total net assets were \$1,433.6 million. Of this total net asset amount, \$42.1 million was unrestricted. Under the new GASB 34 model, capital assets, long-term obligations, and internal service activities are also incorporated in the government-wide statements along with the governmental funds. The unrestricted net assets represent total net resources less capital asset investments and restricted assets. This is cumulative and represents the results of operations from inception through June 30, 2002. Although this amount is labeled unrestricted for financial statement presentation purposes, there are commitments and obligations of \$41.6 million against this balance.

Restricted assets are reported separately to show legal constraints from covenants and enabling legislation that limit FCPS' ability to use those funds in day-to-day operations. The restricted net assets of \$14.8 million represents the unspent bond proceeds that are reserved for use on school construction.

FCPS ended FY 2002 with an increase in net assets of \$116.9 million, which is approximately 7.0 % of FCPS' revenues. At the same time, FCPS had net capital outlays of \$198.6 million that were capitalized rather than expensed under the modified accrual basis of accounting.

### Long-term Obligations

FCPS has long-term obligations that will be funded from future revenues. At June 30, 2002, they were (dollars in millions):

<u>Long-term Obligations</u>	<u>Amount Outstanding</u>
Contract retainages	\$ 10.8
Actuarial claims payable	26.0
Capital leases	27.7
Accrued employee leave	<u>22.5</u>
Total	<u>\$ 87.0</u>

The funding sources to liquidate these obligations are detailed in Section IV. H of the Notes to the Financial Statements.

### FCPS' Operating Results

The statement of activities presents FCPS' revenues and expenses by program. For each program or activity, the statement presents gross expenses, offset by program revenues and the resulting net cost of each program or activity. The vast majority of FCPS' revenues are not directly associated with any specific program or activity. This results in each program or activity displaying a net deficit.

(Continued)

The results of this year's operations as a whole are reported in the statement of activities. These are summarized in the following table:

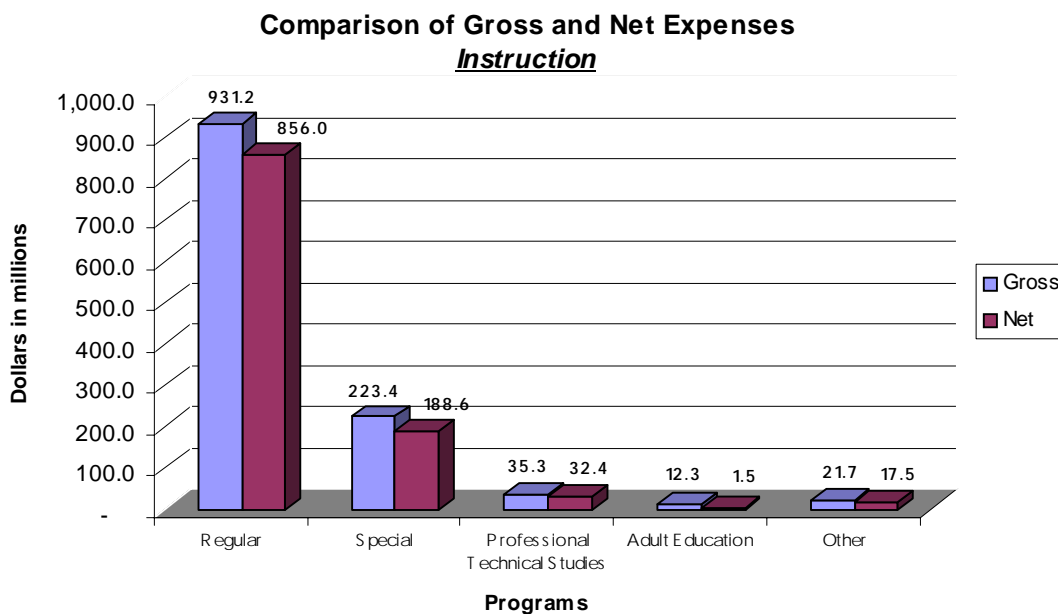
**Statement of Activities**  
**For the Year Ended June 30, 2002**  
(Dollars in millions)

<b>Revenues</b>	
<b>Program Revenues:</b>	
Charges for services	\$ 78.3
Operating grants & contributions	100.1
Capital grants & contributions	<u>8.0</u>
Total program revenues	<u>186.4</u>
<b>Expenses</b>	
<b>Instruction:</b>	
Regular	931.2
Special	223.4
Professional technical studies	35.3
Adult education	12.3
Other	21.7
<b>Support:</b>	
Administration	68.6
Food operations	50.9
Student transportation	68.6
Operation & maintenance	141.0
Facilities	<u>21.5</u>
Total expenses	<u>1,574.5</u>
Net program expenses	<u>(1,388.1)</u>
<b>General Revenues</b>	<u>1,505.0</u>
Increase in net assets	116.9
Net assets, July 1, 2001, as restated	<u>1,316.7</u>
Net assets, June 30, 2002	<u>\$ 1,433.6</u>

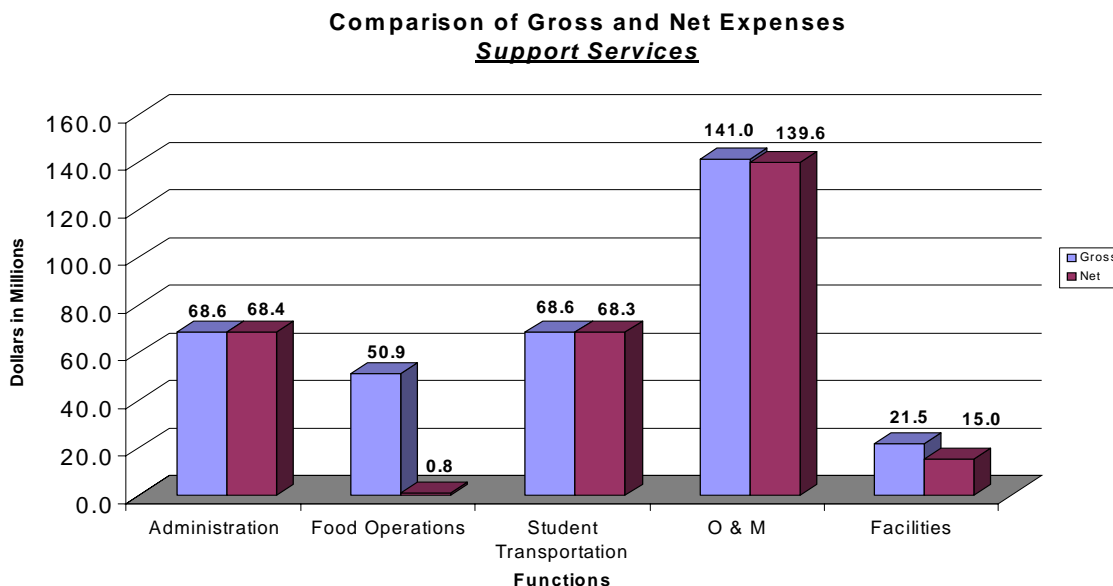
*(Continued)*

### FCPS' Cost of Services by Major Functional Expense Category

The following graph illustrates the gross and net expenses for instruction incurred by each of the major programs presented in the FCPS' statement of net activities.



The following graph illustrates the gross and net expenses for support services incurred by each of the major functions presented in the FCPS' statement of net activities.

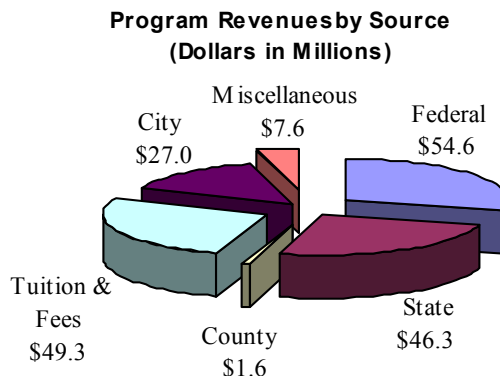
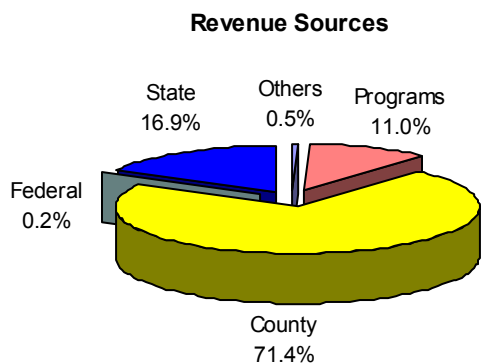


(Continued)

**Revenue Sources**

FCPS receives most of its funding from Fairfax County. The level of funding from each source is not expected to change dramatically in the foreseeable future.

The following charts illustrate FCPS’s sources of revenues for FY 2002.



**V. Major Fund Highlights**

FCPS considers all of its funds to be major. The most significant funds are the Operating fund and the School Construction fund, both of which use the modified accrual basis of accounting and a current financial resources measurement focus. This focus provides information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing FCPS’ financing requirements. In particular, unreserved fund balances may serve as a useful measure of FCPS’ net resources available for spending at the end of the fiscal year.

As of June 30, 2002, FCPS’ governmental funds reported a combined fund balance of \$87.0 million. This balance is comprised of \$132.0 million in funds already committed for existing purchase orders and construction contracts, \$1.3 million in funds set aside for inventory replacement, and an unreserved fund balance of (\$46.3) million. The unreserved fund balance is due to School Construction fund purchase orders and construction contracts outstanding at year-end. The County of Fairfax will fund these projects over multiple years from the sale of general obligation bonds.

The total revenues and other financing sources for all governmental funds for the fiscal year ended June 30, 2002 were \$1,743.5 million and total expenditures and other financing uses were \$1,764.6 million. The resulting net change in total governmental fund balances was a \$21.1 million decrease.

*(Continued)*

## Operating Fund

The Operating fund is the primary fund of FCPS. At the end of the current fiscal year, the unreserved fund balance was \$53.1 million. This consisted of \$18.1 million reserved for encumbered items, \$8.0 million for the flexibility reserve, and \$20.0 million in committed but unencumbered carryover funds. The unreserved fund balance represents approximately 3.6 percent of the Operating fund's total expenditures. The revenues of \$1,467.8 million, expenditures of \$1,439.5 million, and other net-financing uses of \$1.8 million, resulted in an increase in the fund balance of \$26.5 million.

The primary reasons for this growth in the fund balance are the following:

As an offset to a projected revenue shortfall in FY 2003, an amount of nearly \$20 million was set aside during FY 2002 to be carried forward into the following year as budgeted beginning balance.

Due to concerns about the state's budget deficit and reductions in sales tax revenue, management actions were taken early in the fiscal year to ensure the fiscal integrity of the FY 2002 budget. These actions included a hiring slowdown and the return of a portion of available logistics funds to a central reserve. When the state budget deficit was eventually balanced against FY 2003 revenues, this central reserve was carried forward into FY 2003 as additional beginning balance to offset the revenue loss.

## Special Revenue Funds

The special revenue funds are used by FCPS to account for resources designated for a specific purpose. At the end of the current fiscal year, the unreserved fund balance was \$12.3 million for these funds. FCPS maintains reasonable balances in each respective fund in order to compensate for temporary fluctuations in revenue and expenditures.

Food and Nutrition Services is permitted to maintain up to three months of cash reserve for future operations; therefore, a \$7.8 million balance is being carried over. The Grants and Self-Supporting Programs include the summer school programs. Since summer school begins in early July, the remaining fund balance of \$2.7 million is set aside to meet their immediate operational requirements. As with summer school, Adult and Community Education provides summer session classes that must be funded in July and August, resulting in a carryover of \$1.8 million to meet ongoing needs.

FCPS has three special revenue funds: Food and Nutrition Services, Grants and Self-Supporting Programs, and Adult and Community Education. These funds utilize the modified accrual basis of accounting. The primary reasons for the reduction in fund balances resulted from:

Increased costs to provide instruction for the new Standards of Learning mandated by the State.

Cost necessary to complete implementation of the new registration system in Adult and Community Education.

*(Continued)*

**Capital Projects Fund**

The School Construction fund is used in the acquisition and improvement of school facilities. During the fiscal year, \$198.6 million was expended for capital projects. The County agreed to increase the annual cap for bond sales from \$100 million to \$130 million to meet additional capital requirements.

**Internal Service Funds**

FCPS has three internal service funds that utilize full accrual accounting: Central Procurement, Health Benefits Trust, and Insurance. Internal service funds account for the financing of services provided by one department to schools and other departments on a cost-reimbursement basis.

The combined results of operations for the internal service funds in FY 2002 are: charges for goods and services of \$129.9 million, non-operating revenues of \$.3 million, net operating transfer out of \$1.3 million and operating expenses of \$130.5 million, with a total excess of expenditures over revenues of \$1.6 million.

Over the years, the claims liabilities in the insurance fund have been funded based on actuarial studies. However, claims have continued to decrease over recent years and resulted in a gradual increase of the unrestricted fund balance in the Insurance fund. For fiscal year 2002, FCPS transferred \$1.5 million from the Insurance fund to the Operating fund in order to utilize the cumulative reduction in claims payments. Without this transfer, the internal service funds would have virtually broken even.

**VI. Budgeting Highlights of the Operating Fund**

The Code of Virginia requires the Superintendent to submit a budget to the Fairfax County Board of Supervisors, with the approval of the FCPS School Board. After public hearings, the Fairfax County Board of Supervisors determines the level of funding for FCPS.

The budget is based upon Generally Accepted Accounting Principles (GAAP) presentations, and utilizes the modified accrual basis of accounting for its governmental funds. During the course of the fiscal year, the budget is modified quarterly and approved by the FCPS School Board. The final approved budget incorporates all the FCPS School Board approved adjustments that have been incurred since the advertised budget was issued.

For FY 2002, appropriation differences between the original budget and the final approved budget were a net increase of \$47.3 million or 3.3 percent. The increase is due to the carryover of prior year commitments. There was a difference between the original and final approved budget for revenue, a net increase of \$4.7 million or 0.3 percent.

*(Continued)*



This table presents a summary comparison of the Operating fund's original and final budgets with actual performance.

**Operating Fund Budget Comparison  
(Dollars in millions)**

	Budget		Actual	Variance with
	Original	Final	(Budget Basis)	Final Budget - Positive (Negative)
Total Revenues	\$ 1,462.6	1,467.3	1,467.9	0.6
Total Expenditures	1,445.6	1,492.9	1,418.4	74.5
Total Other financing uses	(24.0)	(24.6)	(24.6)	0.0
Net change in fund balance	(7.0)	(50.2)	24.9	75.1
Fund balance, July 1, 2001	7.0	50.2	44.7	(5.5)
Fund balance, June 30, 2002	\$ 0.0	(0.0)	69.6	69.6

**VII. Capital Assets**

Below is a summary of FCPS' net capital assets at June 30, 2002.

**Net Capital Assets  
As of June 30, 2002  
(Dollars in millions)**

Capital Asset Category	Net Value
Land	\$ 43.4
Land improvements	16.2
Building	452.9
Building improvements	490.1
Library material/collections	11.0
Equipment	62.3
Construction in progress	<u>300.8</u>
Total	\$ <u>1,376.7</u>

(Continued)

Additional information about the FCPS' capital assets can be obtained from Section IV. D of the Notes to the Financial Statements.

During fiscal year 2002, FCPS additions in capital assets were \$481.6 million and reductions in capital assets were \$307.8 million. The net increase in capital assets was \$173.8 million or 9.9 percent. The depreciation expense for the year was \$54.5 million.

### **VIII. Contacting FCPS Management**

This financial report is designed to provide a general overview of the financial conditions of FCPS. If you have questions about the report or need additional financial information, contact H. Charles Woodruff II, Chief Financial Officer, Financial Services, or Constance A. Downing, Director, Office of Finance at 10700 Page Avenue, Fairfax, VA 22030. Mr. Woodruff or Ms. Downing can be reached via e-mail at *charles.woodruff@fcps.edu* or *connie.downing@fcps.edu*, respectively. If you prefer to reach them by telephone, you may contact Mr. Woodruff at 703-246-2811 or Ms. Downing at 703-246-6701.

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# BASIC FINANCIAL STATEMENTS





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**FAIRFAX COUNTY PUBLIC SCHOOLS**  
**Statement of Net Assets**  
**June 30, 2002**

**Exhibit A**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash on deposit with County of Fairfax	\$ 215,612,833
Receivables:	
Accrued interest	57,959
Accounts	7,073,691
Due from intergovernmental units:	
County of Fairfax, VA	6,566,691
Other	33,983,535
Inventories	4,392,981
Nondepreciable capital assets	344,259,062
Depreciable capital assets	1,588,825,364
Less: Accumulated depreciation	<u>(556,329,740)</u>
Total assets	<u>1,644,442,376</u>
<b>LIABILITIES</b>	
Accounts payable	47,995,713
Accrued salaries and withholdings	69,422,109
Deferred revenue	6,346,909
Long-term obligations	
Due within one year:	
Actuarial claims payable	13,951,053
Capital leases	7,536,543
Accrued employee leave	13,722,404
Due beyond one year:	
Contract retainages	10,836,156
Actuarial claims payable	12,074,500
Capital leases	20,144,259
Accrued employee leave	<u>8,773,340</u>
Total liabilities	<u>210,802,986</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	1,376,754,686
Restricted for:	
Capital projects	14,766,420
Unrestricted	<u>42,118,284</u>
Total net assets	<u>\$ 1,433,639,390</u>

See accompanying notes to financial statements

**FAIRFAX COUNTY PUBLIC SCHOOLS**

**Statement of Activities**

**Exhibit B**

**For the year ended June 30, 2002**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instruction:					
Regular	\$ 931,145,070	33,350,875	35,918,501	5,893,376	(855,982,318)
Special	223,400,480	1,192,450	33,652,466	-	(188,555,564)
Professional technical studies	35,314,529	110,546	2,758,362	-	(32,445,621)
Adult education	12,285,550	6,299,697	4,469,337	-	(1,516,516)
Other	21,731,203	688,003	3,559,367	-	(17,483,833)
Total instruction	1,223,876,832	41,641,571	80,358,033	5,893,376	(1,095,983,852)
Support services:					
Administration, attendance and health	68,640,166	-	247,255	-	(68,392,911)
Food operations	50,894,577	35,142,395	14,978,843	-	(773,339)
Student transportation	68,638,138	381,376	-	-	(68,256,762)
Operation and maintenance	141,023,120	37,887	1,334,203	-	(139,651,030)
Facilities	21,462,765	1,078,366	3,238,034	2,091,745	(15,054,620)
Total support services	350,658,766	36,640,024	19,798,335	2,091,745	(292,128,662)
Total governmental activities	\$ 1,574,535,598	78,281,595	100,156,368	7,985,121	(1,388,112,514)
General revenues:					
Grants and contributions restricted to specific purposes:					
Bond proceeds - Capital projects					130,000,000
Lottery proceeds					7,682,332
Grants and contributions not restricted to specific purposes:					
Fairfax County					1,078,290,392
Commonwealth of Virginia					277,357,749
Federal Government					3,548,483
Revenue from the use of money and property					613,144
Other					7,497,943
Total general revenues					1,504,990,043
Change in net assets					116,877,529
Net assets - July 1, 2001, as restated					1,316,761,861
Net assets - June 30, 2002					\$ 1,433,639,390

See accompanying notes to financial statements

**FAIRFAX COUNTY PUBLIC SCHOOLS**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2002**

Exhibit C

	<b>General</b>	<b>Food and Nutrition Services</b>	<b>Grants and Self-Supporting Programs</b>	<b>Adult and Community Education</b>	<b>Capital Projects</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>						
Cash on deposit with County of Fairfax, VA	\$ 142,856,571	9,256,053	192,940	2,587,361	15,877,871	170,770,796
Receivables:						
Accrued interest	-	21,428	-	8,410	-	29,838
Accounts	6,906,438	40,165	84,174	-	-	7,030,777
Due from intergovernmental units:						
County of Fairfax, VA	6,485,456	72,464	8,771	-	-	6,566,691
Other	24,213,860	506,321	9,241,104	22,250	-	33,983,535
Interfund receivables	5,400,000	-	-	-	-	5,400,000
Inventories	-	1,357,111	-	-	-	1,357,111
Total assets	<u>185,862,325</u>	<u>11,253,542</u>	<u>9,526,989</u>	<u>2,618,021</u>	<u>15,877,871</u>	<u>225,138,748</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable	39,301,840	189,006	92,624	6,651	4,818,222	44,408,343
Accrued salaries and withholdings	68,697,744	487,373	158,640	46,257	32,095	69,422,109
Contract retainages	-	-	-	-	10,836,156	10,836,156
Interfund payables	-	-	3,700,000	-	-	3,700,000
Deferred revenue	6,703,718	785,635	2,280,771	-	-	9,770,124
Total liabilities	<u>114,703,302</u>	<u>1,462,014</u>	<u>6,232,035</u>	<u>52,908</u>	<u>15,686,473</u>	<u>138,136,732</u>
Fund balances:						
Reserved for:						
Encumbrances	18,080,208	611,970	640,861	777,017	111,878,672	131,988,728
Inventories	-	1,357,111	-	-	-	1,357,111
Unreserved (deficit)	53,078,815	7,822,447	2,654,093	1,788,096	(111,687,274)	(46,343,823)
Total fund balances	<u>71,159,023</u>	<u>9,791,528</u>	<u>3,294,954</u>	<u>2,565,113</u>	<u>191,398</u>	<u>87,002,016</u>
Total liabilities and fund balances	<u>\$ 185,862,325</u>	<u>11,253,542</u>	<u>9,526,989</u>	<u>2,618,021</u>	<u>15,877,871</u>	<u>225,138,748</u>

See accompanying notes to financial statements

**FAIRFAX COUNTY PUBLIC SCHOOLS  
Reconciliation of the Governmental Funds Balance Sheet to  
the Statement of Net Assets  
June 30, 2002**

**Exhibit C-1**

Fund balances- total governmental funds (exhibit C) \$ 87,002,016

Amounts reported for government activities in the statement of net assets are different because:

Governmental funds report capital outlay as expenditures in the year purchased. However, in the statement of net assets the cost of these assets are capitalized and expensed over their estimated useful lives through annual depreciation expense.

Nondepreciable capital assets	\$ 344,259,062	
Depreciable capital assets	1,588,744,083	
Accumulated depreciation	<u>(556,316,397)</u>	
Net capital assets from governmental funds		1,376,686,748

Internal Service funds capitalize assets and depreciate them over the assets useful life:

Depreciable capital assets	81,281	
Accumulated depreciation	<u>(13,343)</u>	
Net capital assets from governmental funds		67,938

Internal Service funds are used by management to charge the cost of certain activities, such as insurance, health and flexible benefits and central procurement to individual funds the assets and liabilities of the Internal Service funds are included in governmental activities in the statement of net assets.

Internal service funds - assets	48,016,880	
Internal service funds - liabilities	<u>(34,375,164)</u>	
Net assets of the internal service funds	13,641,716	
Less: Fixed assets and related depreciation	<u>(67,938)</u>	
Net assets, excluding net assets		13,573,778

Long-term liabilities consist of accrued employee leave which are not due and payable in the current period and therefore are not reported in the funds.

Accrued employee leave - due within one year	(13,722,404)	
Accrued employee leave - due beyond one year	<u>(8,773,340)</u>	
Total accrued employee leave		(22,495,744)

Capital lease agreements consists of lease agreements which are not due and payable in the current period and therefore are not reported in the funds.

Capital leases - due within one year	(7,536,543)	
Capital leases - due beyond one year	<u>(20,144,259)</u>	
Total capital leases		(27,680,802)

Restatement of net assets beginning balance to recognize balance of unfunded liability by the County to FCPS for teachers' salaries and benefits. 8,106,820

Current year installment for teacher liability recognized as prior year's revenue under GASB 34 (1,621,364)

Net assets of governmental activities (exhibit A) \$ 1,433,639,390

See accompanying notes to financial statements



**FAIRFAX COUNTY PUBLIC SCHOOLS**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the year ended June 30, 2002**

Exhibit D

	General	Food and Nutrition Services	Grants and Self-Supporting Programs	Adult and Community Education	Capital Projects	Total Governmental Funds
<b>REVENUES</b>						
Fairfax County	\$ 1,079,911,756	1,652,144	1,640,935	-	130,000,000	1,213,204,835
Commonwealth of Virginia	319,521,127	776,707	8,081,338	871,024	2,091,745	331,341,941
Federal government	31,486,890	14,254,508	11,711,405	674,762	-	58,127,565
Charges for services:						
Tuition and fees	4,774,265	-	3,150,056	6,804,260	-	14,728,581
Food sales	-	33,490,251	-	-	-	33,490,251
Other	6,198,850	204,183	1,638,505	106,781	6,628,673	14,776,992
Recovered costs	25,950,549	-	-	-	1,078,366	27,028,915
Total revenues	1,467,843,437	50,377,793	26,222,239	8,456,827	139,798,784	1,692,699,080
<b>EXPENDITURES</b>						
Current:						
Instruction:						
Regular	856,499,191	-	28,738,159	-	-	885,237,350
Special	221,190,146	-	886,955	-	-	222,077,101
Professional technical studies	35,027,325	-	196,991	-	-	35,224,316
Adult education	2,388,665	-	-	9,862,253	-	12,250,918
Other	15,295,288	-	5,591,314	773,056	-	21,659,658
Support services:						
Administration, attendance and health	67,000,722	2,474,873	459,025	-	-	69,934,620
Food operations	-	47,705,926	-	-	-	47,705,926
Student transportation	60,024,610	-	1,718,430	-	-	61,743,040
Operation and maintenance	139,993,797	526,929	93,036	-	17,635,522	158,249,284
Facilities	3,432,643	-	-	-	-	3,432,643
Capital outlay	15,910,536	128,357	377,370	138,819	181,012,730	197,567,812
Capital leases and installment purchases	22,790,525	-	25,523	-	624,199	23,440,247
Total expenditures	1,439,553,448	50,836,085	38,086,803	10,774,128	199,272,451	1,738,522,915
<b>Excess (deficiency) of revenues over (under) expenditures</b>	28,289,989	(458,292)	(11,864,564)	(2,317,301)	(59,473,667)	(45,823,835)
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	1,516,947	-	11,382,456	1,100,131	13,350,351	27,349,885
Transfers out	(26,101,844)	-	-	-	-	(26,101,844)
Capital leases and installment purchases	22,790,525	-	25,523	-	624,199	23,440,247
Total other financing sources (uses)	(1,794,372)	-	11,407,979	1,100,131	13,974,550	24,688,288
Net change in fund balances	26,495,617	(458,292)	(456,585)	(1,217,170)	(45,499,117)	(21,135,547)
Fund balances July 1, 2001, as restated	44,663,406	10,395,824	3,751,539	3,782,283	45,690,515	108,283,567
Decrease in reserve for inventories	-	(146,004)	-	-	-	(146,004)
Fund balances June 30, 2002	\$ 71,159,023	9,791,528	3,294,954	2,565,113	191,398	87,002,016

See accompanying notes to financial statements

**FAIRFAX COUNTY PUBLIC SCHOOLS  
 Reconciliation of Statement of Revenues, Expenditures, and Changes in  
 Fund Balances of Governmental Funds to the Statement of Activities  
 For the year ended June 30, 2002**

**Exhibit D-1**

Net change in fund balances - total governmental funds (exhibit D) \$ (21,135,547)

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

Governmental funds report capital outlay as expenditures in the year purchased. However, in the statement of activities the cost of these assets are expensed over their estimated useful lives and reported as depreciation expense.

Capital outlay	197,567,812	
Depreciation expense	<u>(54,525,407)</u>	
This is the amount by which capital outlay exceeded depreciation in the current period.		143,042,405

In the statement of activities, certain operating expenses (compensated absences) are measured by the amounts earned during the current year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (the amounts actually paid).

This is the amount by which these measurements differ. (1,831,096)

Governmental funds show as "other financing sources"

Transfers in	(27,349,885)
Transfers out	26,101,844

These do not occur in the statement of activities.

The interest income of the Internal Service funds is reported as revenue from the use of money and property in the statement of activities. In the governmental presentation, the interest income is reported in the Internal Service funds.

Internal service funds interest income	337,477
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Consolidation of Gift fund with General fund	(2,066)
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Internal Service funds are used by management to charge the costs of certain activities, such as insurance, health and flexible benefits, and central procurement to individual funds. The net revenue of the Internal Service funds is reported as expenses in the statement of activities.

Net loss of internal service funds before depreciation	(650,896)	
Depreciation expense	<u>(13,343)</u>	
Net loss of the internal service funds		(664,239)

Current year installment for teacher liability recognized as prior year's revenue under GASB 34.	<u>(1,621,364)</u>
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Change in net assets of governmental activities (exhibit B) \$ 116,877,529

See accompanying notes to financial statements

**FAIRFAX COUNTY PUBLIC SCHOOLS**  
**Statement of Net Assets**  
**Proprietary Funds**  
**June 30, 2002**

Exhibit E

	<b>Governmental Activities Internal Service Funds</b>
	<hr/>
<b>ASSETS</b>	
Current assets:	
Cash on deposit with County of Fairfax	\$ 44,842,037
Receivables:	
Accrued interest	28,121
Accounts	42,914
Inventories	<u>3,035,870</u>
Total current assets	47,948,942
Noncurrent assets:	
Capital assets:	
Equipment	81,281
Less: Accumulated depreciation	<u>(13,343)</u>
Total capital assets (net of depreciation)	<u>67,938</u>
Total assets	<u>48,016,880</u>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts payable	3,587,370
Interfund payable	1,700,000
Deferred revenue	3,062,241
Claims payable	<u>13,951,053</u>
Total current liabilities	22,300,664
Long-term obligations:	
Claims payable	<u>12,074,500</u>
Total long-term obligations	<u>12,074,500</u>
Total liabilities	<u>34,375,164</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	67,938
Unrestricted	<u>13,573,778</u>
Total net assets	<u>\$ 13,641,716</u>

See accompanying notes to financial statements

**FAIRFAX COUNTY PUBLIC SCHOOLS**  
**Statement of Revenues, Expenses, and**  
**Changes in Net Assets**  
**Proprietary Funds**  
**For the year ended June 30, 2002**

**Exhibit E-1**

**Governmental**  
**Activities**  
**Internal Service**  
**Funds**

<b>Operating revenues:</b>	
Charges for services	\$ <u>129,856,372</u>
<b>Operating expenses:</b>	
Salaries and wages	752,184
Payments to vendors for goods held for resale	11,622,454
Claims and benefit payments	116,319,398
Professional consultant services	1,813,232
Depreciation expense	<u>13,343</u>
Total operating expenses	<u>130,520,611</u>
Operating loss	(664,239)
<b>Non-operating revenues</b>	
Interest income	<u>337,477</u>
Loss before operating transfers	(326,762)
Transfers in	268,906
Transfers out	<u>(1,516,947)</u>
Change in net assets	(1,574,803)
Total net assets - July 1, 2001	<u>15,216,519</u>
Total net assets - June 30, 2002	\$ <u><u>13,641,716</u></u>

See accompanying notes to financial statements

**FAIRFAX COUNTY PUBLIC SCHOOLS**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the year ended June 30, 2002**

Exhibit E-2

	<b>Governmental Activities Internal Service Funds</b>
	<u>                    </u>
<b>Cash flows from operating activities:</b>	
Receipts from interfund services provided	\$ 130,611,624
Payments to employees	(752,184)
Payments to vendors for goods held for resale	(11,199,630)
Payments for claims and health benefits	(115,555,666)
Payments for professional services	(1,813,232)
Net cash provided by operating activities	<u>1,290,912</u>
<b>Cash flows from noncapital financing activities:</b>	
Transfers from (to) other funds, net	(1,248,041)
Net cash used in noncapital and related financing activities	<u>(1,248,041)</u>
<b>Cash flows from capital and related financing activities:</b>	
Purchase of capital assets	(81,281)
Net cash used by capital and related financing activities	<u>(81,281)</u>
<b>Cash flows from investing activities:</b>	
Interest received	401,380
Net cash provided by investing activities	<u>401,380</u>
Net increase in cash and cash equivalents	362,970
 Cash and cash equivalents July 1, 2001	 <u>44,479,067</u>
 <b>Cash and cash equivalents June 30, 2002</b>	 \$ <u><u>44,842,037</u></u>
 <b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating loss	(664,239)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	13,343
Increase in accounts receivable	(19,353)
Decrease in interfund receivables	905,792
Decrease in inventories	526,216
Increase in accounts payable	1,902,217
Decrease in accrued liabilities	(1,547,669)
Decrease in interfund payables	(600,000)
Increase in deferred revenue	774,605
Total adjustments	<u>1,955,151</u>
 Net cash provided by operating activities	 \$ <u><u>1,290,912</u></u>

See accompanying notes to financial statements

**FAIRFAX COUNTY PUBLIC SCHOOLS**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**June 30, 2002**

**Exhibit F**

	<b>Pension Trust</b>	<b>Student Activity</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 268,275	-
Cash with fiscal agent	1,712,417	-
Cash in student activity funds	-	13,637,364
Receivables:		
Accrued interest	7,375,560	-
Accounts	68,858,299	493,150
Investments, at fair value	1,561,665,589	-
Inventories	-	194,848
Prepaid items and other assets	52,898	-
Total assets	1,639,933,038	14,325,362
<b>LIABILITIES</b>		
Accounts payable	142,365,027	1,045,042
Liability for collateral received under securities lending agreements	128,195,137	
Due to student groups		13,280,320
Total liabilities	270,560,164	14,325,362
<b>NET ASSETS</b>		
Held in trust for pension benefits	\$ 1,369,372,874	
See accompanying notes to financial statements		

**FAIRFAX COUNTY PUBLIC SCHOOLS**  
**Statement of Changes in Fiduciary Net Assets**  
**Pension Trust Fund**  
**For the year ended June 30, 2002**

**Exhibit F-1****ADDITIONS**

## Contributions:

Employer	\$ 30,849,067
Plan members	18,472,712
Total contributions	<u>49,321,779</u>

## Investment earnings:

Net decrease in fair value of investments	(112,735,134)
Interest and dividends	49,160,940
Securities lending income	2,449,208
Other revenue	418,341
Total investment income	<u>(60,706,645)</u>

## Less investment expense:

Investment fees and other	6,289,682
Securities lending collateral	2,125,137
Total investment expense	<u>8,414,819</u>

Net investment loss	<u>(69,121,464)</u>
Total additions	<u>(19,799,685)</u>

**DEDUCTIONS**

Benefit payments	94,247,498
Refund of contributions	2,153,958
Administrative expenses	3,190,667
Total deductions	<u>99,592,123</u>

Change in net assets	(119,391,808)
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Net assets - July 1, 2001	<u>1,488,764,682</u>
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Net assets - June 30, 2002	<u>\$ 1,369,372,874</u>
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See accompanying notes to financial statements

## FAIRFAX COUNTY PUBLIC SCHOOLS

June 30, 2002

**I. Summary of Significant Accounting Policies****A. Reporting Entity**

Fairfax County Public Schools (FCPS) is a corporate body operating under the constitution of the Commonwealth of Virginia and the *Code of Virginia*. The members of the School Board are elected by the citizens of Fairfax County (County) to serve 4-year terms. Also on the School Board is a non-voting student member elected through the student government. The School Board is responsible for setting the educational policies of FCPS and appoints a superintendent to implement the School Board's policies. The superintendent is responsible to the School Board for carrying out FCPS policy, administering the operations, supervising personnel and advising the School Board on all educational matters for the welfare and interest of the students.

The vision of FCPS is to provide a gifted-quality education to every child in an instructional setting appropriate for his or her need. This vision is supported by the mission to educate all students to meet high academic standards and to prepare all students to be responsible citizens in the 21<sup>st</sup> century. FCPS receives funding from property taxes collected and allocated by the County, tuition, fees, and state and federal aid. General obligation bonds approved by the County Board of Supervisors and County voters fund school construction projects.

The financial statements of FCPS are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units in the United States of America. FCPS is considered to be a component unit of the County because FCPS is fiscally dependent on the County and its operations are funded primarily by transfers from the County's general fund.

**B. Government-wide and fund financial statements**

The Governmental Accounting Standards Board (GASB) issued its Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB 34); Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and local Governments: Omnibus*; Statement No. 38, *Certain Financial Statement Disclosures*; and Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, effective July 1, 2001. These statements affect the way FCPS prepares and presents financial information. State and local governments traditionally have used a financial reporting model substantially different from the one used to prepare private-sector financial reports.

This statement established new requirements and a new reporting model for the annual comprehensive financial reports of FCPS. The statement was developed to make annual reports

*(Continued)*



easier to understand and more useful to the people who use governmental financial information to make decisions and includes:

### **1. *Management's Discussion and Analysis***

GASB 34 requires that financial statements be accompanied by a narrative introduction and an analytical overview of FCPS' financial activities in the form of Management's Discussion and Analysis (MD&A). This analysis is similar to analysis the private-sector provides in their annual reports.

### **2. *Government-wide financial statements***

The GASB 34 reporting model includes financial statements (i.e., the statement of net assets and the statement of activities) that report information on all of the nonfiduciary activities of FCPS. These statements are prepared using full accrual accounting and all interfund activity has been eliminated. Fiduciary type activities are not reported in the government-wide statements.

The Statement of Net Assets is designed to display the financial position of FCPS. All capital assets are reported in the government-wide Statement of Net Assets. The net assets of FCPS are divided into three categories: (1) invested in capital assets, net of related debt; (2) restricted; and (3) unrestricted.

The Statement of Activities reports the expenses and revenues of FCPS in a format that focuses on the cost of each of FCPS' major functions. The direct expense of individual functions is offset by any program revenues to provide a net cost of operations for each function. FCPS includes indirect costs as program expenses within the functional activities.

### **3. *Fund Financial Statements***

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

## **C. *Basis of Financial Statement Presentation***

The basic financial statements include both government-wide (i.e., based on FCPS as a whole) and fund financial statements. The focus is on both the FCPS as a whole and each fund financial statements, including the major individual funds of the governmental type category. Both the government-wide and the fund financial statements categorize primary activities as either governmental or business type. However, FCPS categorizes its primary activities solely as governmental activities.

*(Continued)*

In the government-wide Statement of Net Assets, the governmental type activities are presented in total and are reflected on a full accrual basis using an economic resources measurement focus. Therefore, non-current assets (i.e., land, buildings, improvements, long term accounts receivable) as well as long-term liabilities (i.e., capital lease liabilities) are included in this statement.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (i.e., Instruction and Support Services). The Statement of Activities reduces gross expenses, including fixed asset depreciation, by related program revenues directly associated with the function. Program revenues include: (1) charges for services (e.g., tuition and fees); (2) operating grants and contributions; and (3) capital grants and contributions. Revenues that are not directly related to a program are reported as general revenues. These include FCPS' portion of property tax revenues, which is transferred from the County to FCPS, as well as amounts received from the Commonwealth of Virginia and the Federal government.

In the fund financial statements, financial transactions and accounts of FCPS are organized on the basis of fund type. 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 fund statements are presented on a current financial resources measurement focus and modified accrual basis of accounting, except for the internal service funds that are presented on a flow of economic resources measurement focus and full accrual basis of accounting. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements a reconciliation is presented which briefly explains the adjustments necessary to reconcile the governmental fund financial statements to the governmental activities of the government-wide statements.

FCPS considers all its funds to be major and reports the following funds.

### ***1. Governmental Funds***

**General Fund:** The General fund (hereafter referred to as the Operating fund) is the primary fund for financial transactions. It is used to account for all financial resources except those required to be accounted for in another fund.

**Special Revenue Funds:** The special revenue funds are used to account for proceeds of specific revenue sources, other than major capital projects, that are restricted to expenditure for specified purposes. The Food and Nutrition Services fund accounts for proceeds from the school cafeterias. The Grants and Self-Supporting Programs fund records transactions related to the grants and self-supporting programs that are not specifically reported in another fund. The Adult and Community Education fund records transactions arising from the programs and activities provided by Adult and Community Education.

*(Continued)*

Capital Projects Fund: The School Construction fund is used to account for financial resources to be used in the acquisition or construction of school sites and buildings and other major capital facilities.

## **2. Proprietary Funds**

Internal Service Funds: The internal service funds are used to account for the operations of the Central Procurement fund, the Health Benefits Trust fund, and the Insurance fund. These funds account for the financing of goods and services provided by one department to other departments on a cost reimbursement basis. The Central Procurement fund is used to account for the acquisition of textbooks, supplies and equipment and their utilization by FCPS. The Health Benefits Trust fund is used to account for the provision of a comprehensive health benefits self-insurance program. The Insurance fund is a self-insurance fund used to account for FCPS' casualty liability obligations, including worker's compensation.

## **3. Fiduciary Funds**

The fiduciary funds are used to account for assets held by FCPS in a trustee capacity or as an agent for others. A pension trust fund is used to account for the Educational Employees' Supplementary Retirement System of Fairfax County (ERFC), a single-employer defined benefit pension plan. The Student Activity fund, an agency fund, is used to account for monies collected at the schools in connection with student athletics, classes, clubs, various fund raising activities and private donations.

## **D. Basis of Accounting and Measurement Focus**

The basis of accounting determines when transactions are reported in the financial statements. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus.

### **Government-wide Statements**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions where FCPS either gives or receives value without directly receiving or giving equal value in exchange, include, for example, grants and donations. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. The effect of interfund activity has been eliminated from these statements.

(Continued)

## **Fund Statements**

All governmental funds follow the modified accrual basis of accounting. Under this method, revenues are recorded when they become susceptible to accrual, that is, when they become both measurable and available within 60 days of the fiscal year end. FCPS' primary revenues susceptible to accrual include grants, intergovernmental revenues, charges for services, and interest on investments. Governmental fund expenditures generally are recognized, under the modified accrual basis of accounting, when a fund liability is incurred. All proprietary and the pension trust funds follow the accrual basis of accounting. Under this method, revenues are recognized when earned and expenses are recognized when incurred.

All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds and the pension trust funds are accounted for on the economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

### ***E. Assets, liabilities, and net assets or equity***

#### ***1. Cash and Cash Equivalents***

Cash on deposit with the County of Fairfax represents the majority of FCPS' available cash. In order to maximize investment returns, these funds are maintained in a fully insured or collateralized investment pool administered by the County. At June 30th, all of the County's deposits were covered by federal depository insurance or collateralized in accordance with the Virginia Security for Public Deposits Act (Act). The Act established a single body of law applicable to the pledge of security as collateral for public funds on deposit in banking institutions so that the procedure for securing public deposits is uniform throughout the Commonwealth. Under the Act, banks holding public deposits must pledge certain levels of collateral and make monthly filings with the State Treasury Board.

Cash with fiscal agents is insured and represents receipts from pension investment sales occurring on the last day of the month, which could not be invested in the enhanced cash fund until July 1, 2002.

*(Continued)*

On a monthly basis, the County allocates to FCPS any investment earnings less an administrative charge based on FCPS' average balance in pooled cash and investments. The County allocates interest to the Food and Nutrition Services fund, the Adult and Community Education fund, the Health Benefits Trust fund, and the Pension Trust fund.

Cash in the student activity fund represents available cash in the local school accounts, all of which are fully insured or collateralized. Deposits, including checking and savings accounts and certificates of deposit, are placed with banks and savings and loan institutions which are protected by Federal Depository Insurance Laws or collateral held under the provisions of the Act.

For purposes of the statement of cash flows, the proprietary funds consider all highly liquid investments (with a maturity of three months or less when purchased) including restricted assets, to be cash equivalents. These amounts are considered demand deposits for the purposes of complying with GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that use Proprietary Fund Accounting*.

## **2. Investments**

The Pension Trust fund's short-term investments are reported at cost, which approximates fair value and other investments are stated at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Asset-backed securities are valued on the basis of future principal and interest payments and are discounted at prevailing interest rates for similar investments. Investments that do not have an established market are reported at estimated fair value. Investment purchases and sales are recorded as of the trade date. These transactions are not finalized until the settlement date, which occurs approximately two business days after the trade date for domestic trades, and approximately seven to ten days after the trade date for international trades.

## **3. Inventories**

Inventories are valued and carried on an average unit cost basis. The consumption method of accounting for inventory is used in the government-wide statements as well as in the governmental and internal service funds. Under this method, inventory items are expensed as operating supplies and spare parts are consumed. In the governmental funds balance sheet, the inventory for Food and Nutrition Services is fully reserved.

## **4. Net Assets Restricted For Capital Projects**

At year-end, FCPS had unspent bond proceeds restricted for expenditure on capital projects in the amount of \$14,766,420.

(Continued)

## 5. *Capital Assets*

Capital assets are reported in the government-wide financial statements and include land, buildings, improvements, furniture, and equipment with a useful life expectancy of two years or more, and a value of \$5,000 or more. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Generally, a capital asset is recorded at acquisition cost or if it is not readily available, at estimated cost. A donated asset is recorded at its fair market value at the time of its acquisition (i.e., donation). Assets acquired via capital lease agreements are recorded at their total financed amount, as stated in the lease's amortization schedule.

Depreciation expense and accumulated depreciation are recorded as reductions to the capital asset. Depreciation is calculated on the straight-line method using the following estimated useful lives: 50 years for buildings; 25 years for trailers; 7 to 20 years for improvements; 5 to 20 years for office and other equipment; and 8 years for licensed vehicles (i.e., school buses).

## 6. *Compensated Absences*

FCPS employees earn vacation pay based on a prescribed formula, which allows employees with less than ten years of service to accumulate a maximum of 240 hours and employees with ten years or more of service to accumulate a maximum of 320 hours of vacation benefits as of the end of each fiscal year.

All compensatory and vacation leave (i.e., compensated absences) is accrued as a liability when earned by the employee in the government-wide financial statements. The current portion of the accrued compensated absences liability is that which pertains to those employees who retired and/or resigned as of June 30, 2002 and who have not received payment for their accrued annual and/or compensatory leave as of June 30, 2002. As a result, the compensated absences liability is segregated into current (due within one year of the date of the financial statements) and long-term (due in more than one year). The matured portion only is reported in the governmental fund statements. In addition, employee earned salary related payments that have not been paid, or the best estimate thereof, including certain additional employer related fringe benefits, are also recorded as a current liability in all compensated absences accruals at June 30.

## 7. *Recovered Costs*

The reimbursement from the City of Fairfax (City) for operating City owned schools and providing educational services to City students is recorded as a recovered cost.

## 8. *Revenue*

Revenue from specific purpose federal, state, and other grants, which are provided to fund specific program expenditures, is recognized as program revenue when earned in the

(Continued)

government-wide financial statements. In the governmental fund financial statements, revenue is recognized when collected or expected to be collected within 60 days after fiscal year end for expenses eligible for reimbursement at year-end. Revenue from continuing adult and community education classes and the school lunch program is recognized as program revenue at the time that the revenue is earned.

Revenue from general-purpose grants is recognized as general revenues in the period to which the grant applies. Most of FCPS' revenue is transferred from the County or received from the Commonwealth of Virginia and is considered general revenue and is recognized in the period received.

Operating revenue in the proprietary funds is revenue that is earned or charged for services provided. Non-operating revenue in the internal service funds is revenue that does not require a good or service to be delivered. The primary source for non-operating revenues is interest income.

In accordance with the *Code of Virginia*, the local School Board is not empowered to levy taxes or to incur debt. The authority to issue general obligation bonds is restricted to the primary government. When FCPS needs to finance the construction of school facilities, the County sells bonds. The proceeds from the sale of these bonds are deposited directly into FCPS' operating cash account and reported as revenue on FCPS' books.

## **9. *Deferred Revenue***

Deferred revenue is reported in several funds. The Food and Nutrition Services fund receives advance funds from the U.S. Department of Agriculture for meals for at-risk students. Deferred revenue reported in the Grants and Self-Supporting Programs fund includes payments for tuition paid in advance. Deferred revenue in the Health Benefits Trust fund represents coverage for the months of July and August withheld in advance from teachers' salaries.

## **10. *Use of Estimates***

The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

## **11. *Tax Status***

FCPS, as a local school district, is not subject to federal, state, or local income taxes and, accordingly, no provision for income taxes is recorded.

*(Continued)*

## II. Reconciliation of Government-wide and Fund Financial Statements

The following reconciliation schedules accompany the governmental fund statements:

- Summary reconciliation of the differences between total fund balances as reflected on the governmental fund balance sheet and net assets for governmental activities as shown on the government-wide statement of net assets.
- Summary reconciliation of the differences between net changes in fund balances as reflected on the governmental funds statement of revenues, expenditures, and changes in fund balance and change in net assets for governmental activities as shown on the government-wide statement of activities.

The reconciliation elements stem from governmental funds using the current financial resources measurement focus and the modified accrual basis of accounting while the government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting.

## III. Stewardship, Compliance and Accountability

For the year ended June 30, 2002, expenditures exceeded appropriations (the legal level of budgetary control) in the School Construction fund by \$42,401. These over expenditures were funded by greater than anticipated recovered costs.

## IV. Detailed Notes on All Funds

### A. Deposits

At June 30, 2002, the majority of FCPS deposits are held by Fairfax County government in their investment pool. The deposits of the Student Activity fund are held in local school accounts in checking, savings accounts, and certificates of deposit. All deposits were covered by federal depository insurance or collateralized in accordance with the Virginia Security for Public Deposits Act (Act). The Act provides for the pooling of collateral pledged with the Treasurer of Virginia to secure public deposits as a class. No specific collateral can be identified as security for one public depositor and public depositors are prohibited from holding collateral in their name as security for deposits. The State Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying local governments of compliance by banks and savings and loan associations. A multiple financial institution collateral pool that provides for additional assessments is similar to depository insurance. If any member financial institution fails, the entire collateral pool becomes available to satisfy the claims of governmental entities. If the value of the pool's collateral were inadequate to cover the loss, additional amounts would be assessed on a pro rata basis to the members of the pool. Therefore, funds deposited in accordance with the requirements of the Act are considered to be fully insured.

*(Continued)*



## ***B. Pension Fund Investments***

The authority to establish pension funds is set forth in Section 51.1–800 of the *Code of Virginia* (Code). Section 51.1–803 of the Code authorizes the Educational Employees’ Supplementary Retirement System of Fairfax County (ERFC) to purchase the following investments:

- Obligations of the Commonwealth of Virginia and its instrumentalities
- U.S. Treasury and agency securities
- Obligations of counties, cities, towns, and other public bodies located within the Commonwealth of Virginia
- Obligations of state and local governmental units located within other states
- Obligations of the International Bank for Reconstruction and Development
- Obligations of the Asian Development Bank
- Obligations of the African Development Bank

In addition, Section 51.1–803 of the Code provides that ERFC may purchase other investments, including common and preferred stocks and corporate bonds that meet the standard of judgment and care set forth in Section 51.1–124.30 of the Code.

Board of Trustees policies permit ERFC to lend certain securities to approved brokers/dealers and other entities (borrowers) for collateral that will be returned for the same securities in the future. The pension fund’s custodian is the agent in lending the pension fund’s domestic securities for collateral of 102 percent and international securities for collateral of 105 percent. Brokers/dealers who borrow the securities provide collateral in the form of cash, securities and irrevocable bank letters. ERFC did not impose any restrictions during the period on the amount of loans the lending agent made on its behalf. The lending agent provides for full indemnification to ERFC for any losses that might occur in the program due to the failure of a broker to return borrowed securities or failure to pay income of the securities while on loan. There were no such failures by any borrower during the fiscal year, nor were there any losses during the period resulting from the default of a borrower or lending agent. The market value for collateral is monitored daily by the custodian.

Either ERFC or the borrowers can terminate all securities loans on demand. Cash collateral is invested in a fund maintained by the custodian or an affiliate. Per stated custodian policy, the maximum weighted average maturity of the fund is 90 days. Investment income from the securities lending program is shared 60/40 by ERFC and the custodian, respectively. At year–end, the ERFC had no credit risk exposure to borrowers because the amounts the ERFC owed the borrowers exceeded the amounts the borrowers owed the ERFC.

Cash received as collateral and the related liability is \$128,195,137 as of June 30, 2002. As of June 30, 2002, the market value of securities on loan is \$125,498,156. Securities received as collateral are not reported as assets since ERFC does not have the ability to pledge or sell the collateral securities absent borrower default.

*(Continued)*

As permitted by the Code described above, ERFC invests in derivative financial instruments on a limited basis in accordance with Board of Trustees' policy. These investments must meet certain requirements regarding collateral, margin limits, quality of underlying securities and reporting. Investment managers are specifically prohibited from purchasing securities on margin or leverage.

During the fiscal year, ERFC invested directly in various derivatives including collateralized mortgage obligations (CMOs), forward currency contracts, index and treasury futures contracts and floating rate investments. ERFC entered into these investments either to increase earnings or to hedge against potential losses. These investments generally contain market risk resulting from fluctuations in interest and currency rates. The credit risk of these investments results from the creditworthiness of the counter-parties to the contracts. An additional credit risk related to the CMOs results from the creditworthiness of the related mortgagees. Market risk of the CMOs results when interest rates decline and mortgages are refinanced, causing the value of the mortgage securities to decline. Futures, forwards, options and swaps are not generally reported in the financial statements, whereas structured notes and asset-backed securities generally are reported. At June 30, 2002, the values of the derivative investments, including mutual funds, that are not reported in the financial statements is \$37 million.

The System is indirectly exposed to market and credit risks associated with ownership interest in certain mutual funds, which hold futures contracts, options, collateralized mortgage obligations, interest-only strip securities, and call warrants. At June 30, 2002, investments in derivatives, including mutual funds, represented 2.0 percent of the total market value of the ERFC portfolio. Throughout the fiscal year, investments in derivatives ranged from 2.8 percent to 2.0 percent of the portfolio's fair value.

ERFC's pension fund investments are required to be categorized to indicate the level of risk assumed by the entity as of June 30, 2002. Category 1 includes investments that are insured or held by ERFC or its agent in ERFC's name. Category 2 includes investments that are uninsured or unregistered, with securities held by the counter-party's trust department or agent in ERFC's name. Category 3 includes investments that are uninsured and unregistered, with securities held by the counter-party, or by its trust department but not in ERFC's name. Investments in mutual funds and the short-term collateral investment pool are not categorized because securities are not used as evidence of the investments. Securities lent for securities and irrevocable letters of credit collateral are classified according to the category of the collateral received. At year end collateral from reinvested cash in the securities lending transactions are unclassified since the cash collateral is invested in a short-term collateral investment pool. All categorized investments are Category 1 investments.

*(Continued)*

Pension fund investments at June 30, 2002 were:

	<b>Carrying Amount</b>
Short-term Investments	\$ 87,501,643
U.S. Government Securities	7,865,856
Common Stock	761,225,327
Preferred Stock	2,272,905
Asset-Backed Securities	160,843,513
Other Bonds and Notes	195,636,566
Subtotal	<u>1,215,345,810</u>
Mutual Funds	93,568,935
Investments held under Securities Loan with Cash Collateral:	
Short-term Investments	4,273,405
Common Stock	24,324,770
U.S. Government Securities	79,725,345
Cash Collateral for Securities on Loan	128,195,137
Asset-Backed Securities	2,819,551
Other Bonds and Notes	13,412,636
Total Investments held under Securities Loans with Cash Collateral	<u>252,750,844</u>
<b>Total Investments</b>	<u><u>\$ 1,561,665,589</u></u>

### *C. Due From Intergovernmental Units*

Amounts due from other governments at June 30, 2002 were:

	<b>Federal</b>	<b>State</b>	<b>Other Jurisdictions</b>	<b>Total</b>	<b>County</b>
Operating	\$ 13,710,076	10,431,891	71,893	24,213,860	6,485,456
Food and Nutrition Services	506,321	-	-	506,321	72,464
Grants & Self-Supporting Programs	4,431,259	4,809,845	-	9,241,104	8,771
Adult and Community Education	22,250	-	-	22,250	-
	<u>\$ 18,669,906</u>	<u>15,241,736</u>	<u>71,893</u>	<u>33,983,535</u>	<u>6,566,691</u>

(Continued)

Amounts due from the Federal government are attributed primarily to the Individuals with Disabilities Education Act (IDEA) and Federal Class Size Reduction in the Operating fund and to the Titles I, II and VI grants in the special revenue funds. IDEA is designed to ensure that all school age handicapped children are provided a free, appropriate public education. Titles I, II and VI programs enhance the instruction for disadvantaged children.

A significant portion of the receivable from the Commonwealth of Virginia in the Operating fund is attributed to state sales taxes due to the school system. The Virginia Retail Sales and Use Tax Act requires one out of every four and one half cents collected in State Sales Tax to be distributed to school divisions on the basis of school-age population.

In 1980, the Commonwealth of Virginia Auditor of Public Accounts revised previous guidelines and required that funds for educational employees' salaries and benefits be budgeted in the year they were earned rather than paid. As a result, FCPS recognized an unfunded liability in the Operating fund for salaries and benefits of \$46 million at the end of FY 1984. In 1984, the County Board of Supervisors decided to fund the liability over a period of ten years. However, in FY 1991, the County experienced severe budget constraints and suspended payments until the County's financial position improved. During FY 1996, the County again agreed to pay the remaining \$16,213,640 over a ten-year period; a payment of \$1,621,364 was made during FY 2002. At June 30, 2002, the \$6,485,456 receivable from the County represents the remaining unfunded liability balance, which is offset by deferred revenue totaling the same amount. The County has recorded the liability to FCPS as a long-term obligation in their Statement of Net Assets. FCPS will reduce the receivable and related deferred revenue as the payments from the County are received.

#### ***D. Construction Commitments***

At June 30, 2002, FCPS had contractual commitments of \$111,878,672 in the School Construction fund for construction of various projects.

#### ***E. Capital Assets***

FCPS has restated balances of capital assets at July 1, 2001, to include library collections in accordance with its implementation of GASB 34 (see note V.G.1).

*(Continued)*

## A summary of changes in capital assets:

	Balance, as restated June 30, 2001	Additions	Deductions	Balance June 30, 2002
Nondepreciable capital assets:				
Land	\$ 41,421,804	11,525,152	9,536,419	43,410,537
Construction in progress	225,664,151	181,012,730	105,828,356	300,848,525
Total capital assets not depreciated	267,085,955	192,537,882	115,364,775	344,259,062
Depreciable capital assets:				
Land improvements	15,852,747	2,446,411	-	18,299,158
Buildings	901,026,196	15,935,254	179,834,387	737,127,063
Building improvements	438,586,773	246,938,296	2,060,082	683,464,987
Library materials/collections	17,348,989	3,329,299	-	20,678,288
Equipment	119,392,422	20,450,452	10,587,006	129,255,868
Total other capital assets	1,492,207,127	289,099,712	192,481,475	1,588,825,364
Less accumulated depreciation				
Land improvements	1,400,123	731,275	-	2,131,398
Buildings	269,733,766	14,463,111	-	284,196,877
Building improvements	168,249,788	25,077,294	-	193,327,082
Library materials/collections	6,200,238	3,469,798	-	9,670,036
Equipment	64,329,382	10,797,272	8,122,307	67,004,347
Total accumulated depreciation	509,913,297	54,538,750	8,122,307	556,329,740
Depreciable capital assets, net	982,293,830	234,560,962	184,359,168	1,032,495,624
Total net capital assets	\$ 1,249,379,785	427,098,844	299,723,943	1,376,754,686

## Depreciation was charged to governmental functions/program:

Depreciation Charges	
Instruction:	
Regular	\$ 44,488,000
Special	958,205
Professional technical studies	32,291
Adult education	14,488
Administration, attendance and health	1,069,491
Food operations	103,468
Student transportation services	6,993,601
Operation and maintenance services	694,672
Facilities	184,534
Total	\$ 54,538,750

(Continued)

**F. Interfund Receivables, Payables, and Transfers**

The composition of interfund receivable and payable balances as of June 30, 2002 are:

Fund	Interfund Receivables	Interfund Payables
Operating	\$ 5,400,000	-
Grant & Self-Supporting Programs	-	3,700,000
Internal Service	-	1,700,000
<b>Total</b>	<b>\$ 5,400,000</b>	<b>5,400,000</b>

These interfund transactions occur at year-end for financial statement purposes. The FCPS Operating fund advances monies to other funds to offset their year-end cash deficits. These deficits occur because of timing differences between the payment for expenditures and the receipt of cash to cover them. The deficit in the Grant and Self-Supporting Programs fund represents unreimbursed amounts due from grantors at year-end. The advance to the Internal Service fund results from inventory build up in the Central Procurement fund, in anticipation of the start of the school year. These inventory items have been paid for but cannot be billed to the schools until they are delivered in July.

The composition of interfund transfers as of June 30, 2002 is:

Transfer To (Fund)	Transfer From (Fund)		
	Operating	Insurance	Total
Operating	\$ -	1,516,947	1,516,947
Grants & Self-Supporting Programs	11,382,456	-	11,382,456
Adult and Community Education	1,100,131	-	1,100,131
School Construction	13,350,351	-	13,350,351
Internal Service	268,906	-	268,906
<b>Total</b>	<b>\$ 26,101,844</b>	<b>1,516,947</b>	<b>27,618,791</b>

Primary transfer activities include:

Transfers of \$11,382,456 from the Operating fund to the Grants and Self-Supporting fund represent funds required to cover increased summer school expenditures that were incurred as the direct result of the membership growth in this program.

Transfers of \$1,100,131 from the Operating fund to the Adult and Community Education fund represent funds needed to subsidize the English for Speakers of Other Languages (ESOL) programs.

*(Continued)*

Transfers of \$13,350,351 from the Operating fund to the School Construction fund represent funds required for building maintenance, classroom equipment and facility modifications.

Transfers of \$1,516,947 from the Insurance fund to the Operating fund in order to utilize the cumulative reduction in claims payments.

Transfers of \$268,906 from the Operating fund to Health & Flexible Benefits fund represents the savings on the employers share of FICA for flexible benefit spending activity, which is a pre-tax payroll deduction.

### **G. Capital Leases**

FCPS has entered into lease agreements as lessee for school buses, vehicles, trailers, facility modifications, computers, and photocopy equipment. These lease agreements qualify as capital leases for accounting purposes; therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. These leases are under noncancelable agreements that expire at various times through FY 2007.

There are no capital leases, which extend beyond FY 2007. The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2002 were:

Fiscal Year:	Amount
2003	\$ 8,684,417
2004	8,444,116
2005	6,161,172
2006	5,009,170
2007	<u>2,196,215</u>
Total minimum obligations	30,495,090
Less portion representing interest	<u>(2,814,288)</u>
Present value of minimum obligations	<u>\$ 27,680,802</u>

The following schedule lists the capital leases by major asset class:

Asset Class	Principal	Interest
Buildings/trailers	\$ 1,408,126	73,949
Buses/equipment	<u>26,272,676</u>	<u>2,740,339</u>
Total	<u>\$ 27,680,802</u>	<u>2,814,288</u>

(Continued)

***H. Changes in Long-term Liabilities***

The following is a summary of changes in the long-term liabilities of FCPS for the year ended June 30, 2002.

	<b>Balance July 1, 2001</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2002</b>	<b>Due within One Year</b>
Long-term obligations:					
Contract retainages	\$ 7,455,592	7,819,052	4,438,488	10,836,156	-
Actuarial claims payable	28,999,999	112,581,220	115,555,666	26,025,553	13,951,053
Capital leases	22,656,431	23,440,247	18,415,876	27,680,802	7,536,543
Accrued employee leave	23,209,985	13,433,850	14,148,091	22,495,744	13,722,404
<b>Total</b>	<b>\$ 82,322,007</b>	<b>157,274,369</b>	<b>152,558,121</b>	<b>87,038,255</b>	<b>35,210,000</b>

Internal service funds predominantly serve the governmental funds. Accordingly, their long-term liabilities are included as part of governmental activities. The actuarial claims payable, capital leases, and accrued employee leave are generally liquidated by the Operating fund. Contract retainages will be liquidated by the School Construction fund.

***V. Other Information***

***A. Related Parties***

With the exception of the County of Fairfax, which funds a large portion of the FCPS budget, the school system has no significant related parties.

***B. Risk Management***

FCPS is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; the health of and injuries to employees; and natural disasters. FCPS maintains self-insurance internal service funds for workers' compensation claims, certain property and casualty risks, and for health insurance benefits. The School Board believes that it is more cost effective to manage certain risks internally rather than purchase commercial insurance. Liabilities are reported in the self-insurance funds when it is probable that losses have occurred and the amounts of the losses can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported to date. Because actual claims liabilities depend on complex factors such as inflation, changes in governing laws and standards, and court awards, the process used in computing claims liabilities is reevaluated periodically to take into consideration the history, frequency and severity of recent claims, and other economic and social factors. These liabilities are computed using a combination of actual claims experience and actuarially determined amounts.

*(Continued)*



Changes in the balances of claims liabilities during FY 2001 and FY 2002 were:

	<b>Insurance</b>	<b>Health Benefits</b>
July 1, 2000 liability balance	\$ 18,854,999	7,640,694
Claims and changes in estimates	4,483,453	103,027,936
Claims payments	<u>(4,377,586)</u>	<u>(100,629,497)</u>
June 30, 2001 liability balance	18,960,866	10,039,133
Claims and changes in estimates	2,032,032	113,611,060
Claims payments	<u>(4,991,539)</u>	<u>(110,564,127)</u>
June 30, 2002 liability balance	<u>\$ 16,001,359</u>	<u>13,086,066</u>

In addition to the actuarially determined claims liability of \$15,625,553, the Insurance fund includes current accounts payable of \$375,806. The Health Benefits fund includes actuarially determined claims liability of \$10,400,000 plus current accounts payable of \$2,686,066.

In addition to the self-insurance program, FCPS carries commercial property insurance, surety bonds, fiduciary insurance and fine arts insurance. In the past three fiscal years, settled claims have not exceeded any of these commercial coverages.

### ***C. Debt Service Responsibility***

The *Code of Virginia* prohibits FCPS from having borrowing or taxing authority. The County issues and services the debt to finance the construction of school facilities. The debt is not secured by the assets purchased or constructed but by the full faith and credit and taxing authority of the County. Since FCPS is not obligated to repay the principal or interest on any debt incurred on FCPS' behalf, the debt is not shown on its books. Information on general obligation school bonds can be found in the County's Comprehensive Annual Financial Report.

### ***D. Contingent Liabilities***

FCPS is contingently liable with respect to lawsuits and other claims, which arise in the ordinary course of its operations. At June 30, 2002, management believes that the amount of loss, if any, is not material to FCPS government-wide statement of assets. FCPS receives grant funds, principally from the federal government for various educational programs. Certain expenditures of these funds are subject to audit by the grantor. FCPS is contingently liable to refund amounts received in excess of allowable expenditures. In the opinion of FCPS management, no material refunds will be required as a result of expenditures disallowed by the grantors.

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## ***E. Retirement Plans***

FCPS employees participate in the ERFC, Fairfax County Supplemental Retirement System administered by the County, and Virginia Retirement System (VRS). Information about these plans is provided below.

### ***1. Educational Employees' Supplementary Retirement System of Fairfax County***

#### Plan Description

ERFC is a legally separate single-employer defined benefit pension plan established under the Code of the Commonwealth of Virginia and is administered by FCPS. ERFC covers all full-time educational and civil service employees who are employed by the school system and who are not covered by another plan. ERFC provides retirement, disability and death benefits to plan members and their beneficiaries. Annual post retirement increases of three percent are effective each March 31. Benefit provisions are established and may be amended by ERFC's Board of Trustees, subject to approval by the Fairfax County School Board. All benefits vest after five years of service. The benefit formula was revised effective July 1, 1988, following changes to the VRS, which ERFC supplements. The benefit structure provided a level retirement benefit through a combined ERFC/VRS benefit structure.

Effective July 1, 2001, a new benefit structure was enacted (ERFC 2001) for new employees. This plan has a stand-alone structure. Member contributions are made through an arrangement, which results in a deferral of taxes on the contributions. Further analysis of member contributions may be found in Article III of the ERFC Plan Document. ERFC and ERFC 2001 plans provide 12 types of benefit payments. Minimum eligibility conditions for receipt of full benefits range from members attaining the age of 55 with 25 years of service to completing five years of service prior to age 65. A description of each of the 12 types of benefit payments is contained in the annual actuarial valuation report.

ERFC issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by writing to the Educational Employees' Supplementary Retirement System, 8001 Forbes Place, Suite 300, Springfield, VA 22151.

#### Funding Policy

The contribution requirements of ERFC members are established and may be amended by the ERFC Board of Trustees. The contribution policy of ERFC members is based upon a fundamental financial objective of having rates of contribution, which remain relatively stable from generation to generation of employees. All members are required to contribute two percent of

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their covered salaries. To determine the employer contribution rates and to assess the extent to which the fundamental financial objective is being achieved, ERFC has an actuarial valuation prepared annually. In preparing those valuations, the entry age actuarial cost method is used to determine normal cost and actuarial accrued liabilities. The employer is required to contribute at an actuarially determined rate of 3.69 percent of annual covered payroll. The following is a schedule of employer contributions for fiscal years ended 2000 through 2002.

<b>SCHEDULE OF EMPLOYER CONTRIBUTIONS</b>		
<b>Fiscal Year Ended June 30</b>	<b>Annual Required Contribution</b>	<b>Percentage Contributed</b>
2000	\$ 35,655,898	100 %
2001	29,145,883	100
2002	30,849,067	100

#### Annual Pension Cost

For the year ended June 30, 2002, FCPS' annual pension cost of \$30,849,067 was equal to its required and actual contributions. The required contribution was determined as part of the June 30, 2001 actuarial valuation using the entry age actuarial cost method. Significant actuarial assumptions used in the valuation include:

- a rate of return on the investment of present and future assets of 7.5 percent per year compounded annually, including an inflation component of 4 percent;
- projected salary increases of 4 to 8.2 percent including an inflation component of 4 percent; and
- post retirement benefit increases of 3 percent compounded annually.

The actuarial value of the ERFC's assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. ERFC's unfunded actuarial accrued liability is being amortized as a level percentage of closed payrolls over a period of future years, which has never exceeded 30 years. The remaining amortization period, which is closed at June 30, 2001, was 30 years.

#### Concentrations

ERFC does not have investments (other than U.S. Government and U.S. Government guaranteed obligations) in any one organization that represent five percent or more of net plan assets available for benefits.

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Required Supplementary Information

Three-year historical trend information about ERFC is presented herewith as required supplementary information. This information is intended to help users assess funding status on a going concern basis, assess progress made in accumulating assets to pay benefits when due, and make comparisons with other public employee retirement systems.

SCHEDULE OF FUNDING PROGRESS (unaudited)						
	{a}	{b}	{b-a}	{a/b}	{c}	{{b-a}/c}
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Entry Age	(Excess of Assets) Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	(Excess of Assets) UAAL as a Percentage of Covered Payroll
6/30/1999	\$ 1,365,416,798	\$ 1,345,658,583	\$ (19,758,215)	101.47 %	\$ 626,015,364	(3.16) %
6/30/2000	1,505,230,945	1,367,371,100	(137,859,845)	110.08	678,937,233	(20.31)
6/30/2001	1,599,218,680	1,552,558,103	(46,660,577)	103.01	759,905,510	(6.14)

Analysis of the dollar amounts of plan net assets, actuarial accrued liability, and unfunded actuarial accrued liability in isolation can be misleading. Expressing plan net assets as a percentage of the actuarial accrued liability provides one indication of the funding status on a going concern basis. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the system. Trends in the unfunded actuarial accrued liability and annual covered payroll are both affected by inflation. Expressing the unfunded actuarial accrued liability as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of the system’s progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the system.

**2. Fairfax County Supplemental Retirement System**

Plan Description

The Fairfax County Employees’ Retirement System (ERS) is a cost-sharing multiple-employer defined benefit pension plan, which covers only employees of the reporting entity. The plan covers full-time and certain part-time FCPS employees who are not covered by the ERFC or the VRS. Benefit provisions are established and may be amended by County ordinances. All benefits vest at five years of service. To be eligible for normal retirement, an individual must meet the following criteria: (a) attain the age of 65 with five years of creditable service, or (b) attain the age of 50 with age plus years of creditable service being greater than or equal to 80. The normal retirement benefit is calculated using average final compensation (i.e., the highest 78 consecutive two week pay periods or the highest 36 consecutive monthly pay periods) and years (or partial

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years) of creditable service at date of termination. In addition, if normal retirement occurs before Social Security benefits are scheduled to begin, an additional monthly benefit is paid to retirees. Annual cost of living adjustments are provided to retirees or beneficiaries equal to the lesser of four percent or the percentage increase in the Consumer Price Index for the Washington Consumer Metropolitan Service Area. The plan provides that unused sick leave credit may be used in the calculation of average final compensation by projecting the final salary during the unused sick leave period. The benefit for early retirement is actuarially reduced and payable at early termination. The ERS issues a publicly available annual financial report that includes financial statements and required supplementary information. This report may be obtained by writing to the Employees' Retirement System, 10680 Main Street, Suite 280, Fairfax, VA 22030 or by calling (703) 279-8200.

#### Funding Policy

The contribution requirements of ERS members are established and may be amended by County ordinances. Members may elect to join Plan A or Plan B. Plan A requires member contributions of four percent of compensation up to the Social Security wage base and 5.33 percent of compensation in excess of the wage base. Plan B requires member contributions of 5.33 percent of compensation. FCPS is required to contribute an actuarially determined rate. The rate for FY 2002 was 6.12 percent of annual covered payroll. FCPS' contributions to ERS for years ended June 30, 2002, 2001, and 2000 were \$8,283,130, \$7,967,827 and \$7,221,173, respectively, equal to the required contributions for each year.

### **3. Virginia Retirement System**

#### Plan Description

FCPS contributes to the Virginia Retirement System (VRS) on behalf of covered professional employees. VRS is a cost-sharing multiple-employer public employee defined benefit pension plan administered by the Commonwealth of Virginia for its political subdivisions. All full-time, salaried permanent employees of participating employers must participate in VRS. In accordance with the requirements established by State statute, VRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. VRS issues a publicly available annual report that includes financial statements and required supplementary information for VRS. This report can be obtained by writing to the Virginia Retirement System, P.O. Box 2500, Richmond, VA 23218-2500.

#### Funding Policy

Plan members are required by State statute to contribute five percent of their annual covered salary to VRS. If a plan member leaves covered employment, the accumulated contributions plus interest earned may be refunded. In accordance with State statute, FCPS is required to

(Continued)

contribute at an actuarially determined rate. The rate for FY 2002 was 3.6 percent of annual covered payroll. Only the Commonwealth of Virginia Legislature may amend state statute. FCPS' contributions to VRS for the years ended June 30, 2002, 2001 and 2000 were \$30,939,858, \$60,201,616 and \$73,823,688, respectively, equal to the required contributions for each year.

**F. Post-employment Benefits**

The School Board has established a program to subsidize the health benefit coverage of certain retirees and certain surviving spouses. In order to participate, retirees must have reached the age of 6255 or be on disability retirement and must have health benefit coverage in a plan provided by FCPS. There is no minimum number of years of service required to participate in this program. The program allows for a \$100 per month subsidy per participating retiree and is funded on a pay-as-you-go basis. There are 3,737 participants currently eligible and receiving benefits in the program. For FY year 2002, the cost of this program to FCPS was \$4,656,200.

**G. Accounting Changes**

**1. Changes in Reporting for Capital Assets**

In FY 2002, FCPS conducted a study of its improvements other than buildings account with the intention of reclassifying the improvements into building improvements and land improvements. As a result of the study, FCPS has determined that \$15,852,747 is actually land improvements and that \$438,586,773 are building improvements. Consequently, the FY 2001 beginning balances were restated to show these new accounts and balances.

	Balance June 30, 2001	Adjustments	Balance, as restated June 30, 2001
<b>Nondepreciable capital assets</b>			
Land	\$ 41,421,804	-	41,421,804
Construction in progress	225,664,151	-	225,664,151
<b>Total nondepreciable capital assets</b>	<b>267,085,955</b>	<b>-</b>	<b>267,085,955</b>
<b>Depreciable capital assets:</b>			
Land improvements	-	15,852,747	15,852,747
Buildings	901,026,196	-	901,026,196
Improvements other than buildings	454,439,520	(454,439,520)	
Building improvements	-	438,586,773	438,586,773
Library materials/collections	-	17,348,989	17,348,989
Equipment	119,392,422	-	119,392,422
<b>Total depreciable capital assets</b>	<b>1,474,858,138</b>	<b>17,348,989</b>	<b>1,492,207,127</b>
<b>Totals</b>	<b>\$ 1,741,944,093</b>	<b>17,348,989</b>	<b>1,759,293,082</b>

(Continued)

Also in FY 2002, due to the implementation of the GASB 34, FCPS has decided to include the expenditures for library materials and collection in the last five years. The expenditures for the library materials and collections in the last five years are:

<b>Fiscal Year</b>	<b>Amount</b>
1997	\$ 2,601,472
1998	3,647,647
1999	3,223,241
2000	3,205,877
2001	4,670,752
Total	\$ <u>17,348,989</u>

These expenditures are now presented as a FY 2001 beginning balance for library materials and collections.

## ***2. Change in Reporting for the Gift Fund***

FCPS has previously reported the Gift fund as an agency fund. During FY 2002, with the implementation of GASB 34, FCPS in conjunction with the County reviewed the attributes of this fund. It was determined the fund no longer met the agency fund criteria. As a result, FCPS' Gift fund was combined with the Operating fund.

Accordingly, the fund balance of the Operating fund as of July 1, 2001, has been restated as follows:

	<b>Operating Fund</b>
Fund balance, July 1, 2001	\$ 42,094,370
Net assets of the Gift fund, as previously reported	23,699
Fund balance, July 1, 2001, as restated	\$ <u>42,118,069</u>

## ***3. Change in Reporting for Compensated Absences***

During FY 2002, the reporting entity adopted the provisions of Governmental Accounting Standards Board Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*. Under this interpretation, only that portion of certain long-term liabilities, including compensated absences, that has

(Continued)

matured at year-end should be reported in the governmental fund financial statements. The reporting entity previously reported the entire amount of the compensated absences liability that was liquidated within 45 days after year-end in governmental fund financial statements. As a result, the fund balance was restated as follows:

	Operating Fund
Fund balance, July 1, 2001, as restated for the Gift fund	\$ 42,118,069
Adjustments for compensated absences	2,545,337
Fund balance, July 1, 2001, as restated	<u>\$ 44,663,406</u>

**4. Changes in Financial Statement Presentation – Basic Financial Statements**

During FY 2002, the reporting entity also adopted the provisions of GASB 34. This new pronouncement requires reporting in accordance with the new governmental financial reporting model, which includes the basic financial statements that supercede the previous general-purpose financial statements. The basic financial statements consist of (1) the fund financial statements, which are similar to the previous versions in that they are prepared using the same measurement focuses and basis of accounting; however, they differ in that the emphasis is now on major funds rather than fund types, and (2) the new government-wide financial statements, which are comprised of a statement of net assets and a statement of activities, which are prepared using the economic resources measurement focus and the accrual basis of accounting, and which present both governmental and business-type activities in the aggregate.

With the implementation of GASB 34, FCPS reviewed other fund accounting activity to ascertain the appropriate presentation on a government-wide (full accrual) basis. Consequently, it was determined that the deferred revenue of \$8,106,820 (as of July 1, 2002) for the unfunded teacher salary and benefit liability due from the County should be treated as prior period revenue. Therefore, beginning net assets have been increased by this amount.

(Continued)



The amount shown in the Statement of Activities for the FY 2002 (Exhibit B) as the net assets of FCPS' governmental activities as of July 1, 2001, is reconciled to the previously reported fund balances of the governmental funds as of the end of FY 2001 as follows:

Fund balances- total governmental funds	\$	105,714,531
---	----	-------------

Amounts reported for government activities in the statement of net assets are different because:

Governmental funds report capital outlay as expenditures in the year purchased.

However, in the statement of net assets the cost of these assets are capitalized and expensed over their estimated useful lives through annual depreciation expense.

	\$		
Capital assets		1,741,944,093	
Accumulated depreciation		<u>(508,329,987)</u>	
Net capital assets from governmental funds			1,233,614,106

Internal service funds are used by management to charge the cost of certain activities, such as insurance, health and flexible benefits and central procurement to individual funds. The assets and liabilities of the Internal Service funds are included in governmental activities in the statement of net assets.

15,216,519

Long-term liabilities consist of accrued employee leave which is not due and payable in the current period and therefore is not reported in the funds.

(20,664,648)

Compensated absences, as restated

(2,545,337)

Gift fund included as part of the general fund

(23,699)

Capital lease agreements consist of lease agreements which are not due and payable in the current period and therefore are not reported in the funds.

(22,656,431)

Restatement of net assets beginning balance to recognize balance of unfunded liability by the County to FCPS for teachers' salaries and benefits.

8,106,820

Net assets of governmental activities

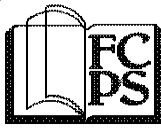
\$ 1,316,761,861



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# REQUIRED SUPPLEMENTARY INFORMATION





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## GOVERNMENTAL FUNDS

The **General Fund** is used to account for all revenues and expenditures of FCPS, which are not required to be accounted for in other funds.

The **Food and Nutrition Services Fund** is used to account for procurement, preparation and serving of student breakfasts, snacks and lunches. The primary sources of revenues are receipts derived from food sales and federal school lunch program.

The **Grants and Self-Supporting Programs Fund** is used to account for federal, state, non-profit, and private industry grants that support instructional programs. This fund is also used to account for the summer school program.

The **Adult and Community Education Fund** is used to account for activities resulting from programs provided by Adult and Community Education. These programs include basic skills education, high school completion, ESOL, apprenticeship and occupational skills instruction, and various consumer education and special interest courses.

**FAIRFAX COUNTY PUBLIC SCHOOLS**

**General Fund**

**Exhibit G**

**Budgetary Comparison Schedule - Budget and Actual**

**For the year ended June 30, 2002**

	Budget		Actual	Variance with
	Original	Final	(Budget Basis)	Final Budget - Positive (Negative)
<b>REVENUES</b>				
Intergovernmental:				
Fairfax County	\$ 1,078,090,014	1,079,911,756	1,079,911,756	-
Commonwealth of Virginia	323,491,565	317,797,096	319,521,127	1,724,031
Federal government	26,715,245	34,273,104	31,486,890	(2,786,214)
Charges for services:				
Tuition and fees	3,693,083	3,693,083	4,774,265	1,081,182
Other	4,848,289	5,692,904	6,198,850	505,946
Recovered costs	25,800,000	25,950,550	25,950,549	(1)
Total revenues	<u>1,462,638,196</u>	<u>1,467,318,493</u>	<u>1,467,843,437</u>	<u>524,944</u>
<b>EXPENDITURES</b>				
Current				
Instruction:				
Regular	882,901,450	908,605,531	858,120,555	50,484,976
Special	232,082,013	234,594,388	221,190,146	13,404,242
Professional technical studies	29,844,730	32,187,955	35,027,325	(2,839,370)
Adult education	2,058,669	2,095,356	2,388,665	(293,309)
Other	15,493,426	14,950,618	15,295,288	(344,670)
Support services:				
Administration, attendance and health	69,150,982	71,570,363	67,000,722	4,569,641
Student transportation	63,780,335	63,492,418	60,024,610	3,467,808
Operations and maintenance	135,028,711	137,573,917	139,993,797	(2,419,880)
Facilities	1,699,809	5,029,500	3,432,643	1,596,857
Capital outlay	13,567,610	22,834,740	15,910,536	6,924,204
Total expenditures	<u>1,445,607,735</u>	<u>1,492,934,786</u>	<u>1,418,384,287</u>	<u>74,550,499</u>
Excess (deficiency) of revenues over (under) expenditures	17,030,461	(25,616,293)	49,459,150	75,075,443
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	1,516,947	1,516,947	1,516,947	-
Transfers out	(25,547,408)	(26,101,844)	(26,101,844)	-
Total other financing uses	<u>(24,030,461)</u>	<u>(24,584,897)</u>	<u>(24,584,897)</u>	<u>-</u>
Net change in fund balance	(7,000,000)	(50,201,190)	24,874,253	75,075,443
Fund balance, July 1, 2001	7,000,000	50,201,190	44,663,406	(5,537,784)
Fund balance, June 30, 2002	\$ <u>-</u>	<u>-</u>	<u>69,537,659</u>	<u>69,537,659</u>

See accompanying notes to the budgetary comparison schedules and independent auditors' report

**FAIRFAX COUNTY PUBLIC SCHOOLS**  
**Food and Nutrition Services Fund**  
**Budgetary Comparison Schedule - Budget and Actual**  
**For the year ended June 30, 2002**

Exhibit G-1

	Budget		Actual	Variance with
	Original	Final	(Budget Basis)	Final Budget - Positive (Negative)
<b>REVENUES</b>				
Intergovernmental:				
Fairfax County	\$ 1,579,273	1,579,273	1,652,144	72,871
Commonwealth of Virginia	781,476	765,750	776,707	10,957
Federal government	13,351,175	13,351,175	14,254,508	903,333
Charges for services:				
Food sales	32,293,319	32,293,319	33,490,251	1,196,932
Other	510,000	510,000	204,183	(305,817)
Total revenues	48,515,243	48,499,517	50,377,793	1,878,276
<b>EXPENDITURES</b>				
Current:				
Support services:				
Administration, attendance and health	3,012,911	3,097,335	2,474,873	622,462
Food operations	46,500,118	47,690,814	47,705,926	(15,112)
Operations and maintenance	502,152	516,222	526,929	(10,707)
Capital outlay	200,000	317,877	128,357	189,520
Total expenditures	50,215,181	51,622,248	50,836,085	786,163
Excess (deficiency) of revenues over (under) expenditures	(1,699,938)	(3,122,731)	(458,292)	2,664,439
Fund balance, July 1, 2001	6,719,517	10,395,824	10,395,824	-
Decrease in reserve for inventories	-	-	(146,004)	(146,004)
Fund balance, June 30, 2002	\$ 5,019,579	7,273,093	9,791,528	2,518,435

See accompanying notes to the budgetary comparison schedules and independent auditors' report

**FAIRFAX COUNTY PUBLIC SCHOOLS**  
**Grants and Self-Supporting Programs Fund**  
**Budgetary Comparison Schedule - Budget and Actual**  
**For the year ended June 30, 2002**

**Exhibit G-2**

	Budget		Actual	Variance with
	Original	Final	(Budget Basis)	Final Budget - Positive (Negative)
<b>REVENUES</b>				
Intergovernmental:				
Fairfax County	\$ 1,640,935	1,640,935	1,640,935	-
Commonwealth of Virginia	9,314,572	10,594,219	8,081,338	(2,512,881)
Federal government	12,781,498	18,822,676	11,711,405	(7,111,271)
Charges for services:				
Tuition and fees	2,518,623	2,824,803	3,150,056	325,253
Other	394,642	1,820,609	1,638,505	(182,104)
Total revenues	<u>26,650,270</u>	<u>35,703,242</u>	<u>26,222,239</u>	<u>(9,481,003)</u>
<b>EXPENDITURES</b>				
Current				
Instruction:				
Regular	30,382,302	37,647,144	28,738,159	8,908,985
Special	210,450	578,159	886,955	(308,796)
Professional technical studies	-	32,512	196,991	(164,479)
Others	5,568,412	7,254,037	5,591,314	1,662,723
Support services:				
Administration, attendance and health	2,377,410	2,585,976	459,025	2,126,951
Student transportation	2,061,867	2,064,533	1,718,430	346,103
Operations and maintenance	-	161,193	93,036	68,157
Capital outlay	-	513,683	377,370	136,313
Total expenditures	<u>40,600,441</u>	<u>50,837,237</u>	<u>38,061,280</u>	<u>12,775,957</u>
Excess (deficiency) of revenues over (under) expenditures	(13,950,171)	(15,133,995)	(11,839,041)	3,294,954
<b>OTHER FINANCING SOURCES</b>				
Transfers in	11,071,821	11,382,456	11,382,456	-
Total other financing sources	<u>11,071,821</u>	<u>11,382,456</u>	<u>11,382,456</u>	<u>-</u>
Net change in fund balance	(2,878,350)	(3,751,539)	(456,585)	3,294,954
Fund balances July 1, 2001	2,878,350	3,751,539	3,751,539	-
Fund balances June 30, 2002	<u>\$ -</u>	<u>-</u>	<u>3,294,954</u>	<u>3,294,954</u>

See accompanying notes to the budgetary comparison schedules and independent auditors' report



**FAIRFAX COUNTY PUBLIC SCHOOLS**  
**Adult and Community Education Fund**  
**Budgetary Comparison Schedule - Budget and Actual**  
**For the year ended June 30, 2002**

Exhibit G-3

	Budget		Actual (Budget Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental:				
Commonwealth of Virginia	\$ 1,241,125	1,371,176	871,024	(500,152)
Federal government	284,000	449,329	674,762	225,433
Charges for services:				
Tuition and fees	6,902,374	7,070,285	6,804,260	(266,025)
Other	132,000	141,871	106,781	(35,090)
Total revenues	<u>8,559,499</u>	<u>9,032,661</u>	<u>8,456,827</u>	<u>(575,834)</u>
<b>EXPENDITURES</b>				
<b>Current:</b>				
Instruction:				
Adult Education	8,417,536	12,125,068	9,862,253	2,262,815
Other	1,181,106	1,663,891	773,056	890,835
Capital outlay	60,988	126,116	138,819	(12,703)
Total expenditures	<u>9,659,630</u>	<u>13,915,075</u>	<u>10,774,128</u>	<u>3,140,947</u>
Excess (deficiency) of revenues over expenditures	(1,100,131)	(4,882,414)	(2,317,301)	2,565,113
<b>OTHER FINANCING SOURCES:</b>				
Transfers in	1,100,131	1,100,131	1,100,131	-
Total other financing sources	<u>1,100,131</u>	<u>1,100,131</u>	<u>1,100,131</u>	<u>-</u>
Net change in fund balance	-	(3,782,283)	(1,217,170)	2,565,113
Fund balances July 1, 2001	-	3,782,283	3,782,283	-
Fund balances June 30, 2002	\$ <u>-</u>	<u>-</u>	<u>2,565,113</u>	<u>2,565,113</u>

See accompanying notes to the budgetary comparison schedules and independent auditors' report

**FAIRFAX COUNTY PUBLIC SCHOOLS  
Notes to the Budgetary Comparison Schedules  
June 30, 2002**

The Code of Virginia requires the appointed superintendent of FCPS to submit a budget to the County Board of Supervisors, with the approval of the School Board. In November, the Superintendent submits a budget plan to the School Board and the community. The budget plan is discussed in a series of workshops and public hearings. In February, the School Board adopts the advertised budget and forwards it to the County for inclusion in the County Executive's advertised budget plan. In April, after public hearings, the County Board of Supervisors determines the level of funding for FCPS. Based on the approved funding level, the School Board makes changes in its advertised budget and adopts the approved budget in May. The approved budget is the basis for operating FCPS in the next fiscal year.

Annual budgets are adopted for all the funds except for the capital projects fund. The capital projects fund is budgeted on a project-by-project basis. FCPS uses the modified accrual basis in budgeting for governmental funds. The budgets are on a basis consistent with accounting principles generally accepted in the United States of America with the following exceptions:

- transactions for capital leases when initiated are not budgeted as offsetting expenditures and other financing sources;
- revenue from investments is recognized in the governmental funds for budget purposes only if collected within 60 days of year-end, instead of as earned.

All annual appropriation lapse at fiscal year end. Three times during the fiscal year (i.e., midyear, third quarter, and end of the fiscal year) the current year budget is re-evaluated based on current projections and amended accordingly by the School Board and the County Board of Supervisors. Supplemental budgetary appropriations were not considered material.

The budget is controlled at certain legal, as well as, administrative levels. The legal level is placed at the individual fund level and the administrative controls are placed at the object level, which is the expenditure category level for each office and school within a fund. Management may amend the approved budget at the administrative control level (i.e., between object accounts such as equipment and personnel expenditures) within the same fund. Amendments, changes or transfers at the legal level (i.e., at the individual fund level) require the specific approval of the School Board.

# SUPPLEMENTARY INFORMATION





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## INTERNAL SERVICE FUNDS

The **Central Procurement Fund** is used to account for the centrally procured orders of textbooks, supplies and equipment and their issuance to individual schools and offices.

The **Health Benefits Trust Fund** is a self-insurance fund used to account for health care costs for employees electing the Health Choice managed care program. This fund also provides for payment of eligible health care and dependent care expenses for employees participating in the flexible spending account program.

The **Insurance Fund** is a self-insurance fund used to account for FCPS' casualty liability obligations, including worker's compensation.

# FINANCIAL SECTION

## FAIRFAX COUNTY PUBLIC SCHOOLS Combining Schedule of Net Assets Internal Service Funds June 30, 2002

Exhibit H

	Central Procurement	Health Benefits Trust	Insurance	Totals
<b>ASSETS</b>				
Current assets:				
Cash on deposit with County of Fairfax	\$ 51,430	25,137,426	19,653,181	44,842,037
Receivables:				
Accrued interest	-	28,121	-	28,121
Accounts	-	42,914	-	42,914
Inventories	3,035,870	-	-	3,035,870
Total current assets	<u>3,087,300</u>	<u>25,208,461</u>	<u>19,653,181</u>	<u>47,948,942</u>
Noncurrent assets:				
Capital assets:				
Equipment	81,281	-	-	81,281
Less: Accumulated depreciation	(13,343)	-	-	(13,343)
Total capital assets (net of depreciation)	<u>67,938</u>	<u>-</u>	<u>-</u>	<u>67,938</u>
Total assets	<u>3,155,238</u>	<u>25,208,461</u>	<u>19,653,181</u>	<u>48,016,880</u>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts payable	279,210	2,787,754	520,406	3,587,370
Interfund payable	1,700,000	-	-	1,700,000
Deferred revenue	-	3,062,241	-	3,062,241
Claims payable	-	10,400,000	3,551,053	13,951,053
Total current liabilities	<u>1,979,210</u>	<u>16,249,995</u>	<u>4,071,459</u>	<u>22,300,664</u>
Long-term obligations:				
Claims payable	-	-	12,074,500	12,074,500
Total long-term obligations	<u>-</u>	<u>-</u>	<u>12,074,500</u>	<u>12,074,500</u>
Total liabilities	<u>1,979,210</u>	<u>16,249,995</u>	<u>16,145,959</u>	<u>34,375,164</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	67,938	-	-	67,938
Restricted for health stabilization premiums	-	4,286,000	-	4,286,000
Unrestricted	1,108,090	4,672,466	3,507,222	9,287,778
Total net assets	<u>\$ 1,176,028</u>	<u>8,958,466</u>	<u>3,507,222</u>	<u>13,641,716</u>

See accompanying independent auditors' report

**FAIRFAX COUNTY PUBLIC SCHOOLS**  
**Combining Schedule of Revenues, Expenses, and**  
**Changes in Fund Net Assets**  
**Internal Service Funds**  
**For the year ended June 30, 2002**

Exhibit H-1

	Central Procurement	Health Benefits Trust	Insurance	Totals
<b>Operating revenues:</b>				
Charges for services	\$ 11,220,582	115,108,654	3,527,136	129,856,372
<b>Operating expenses:</b>				
Salaries and wages	-	401,025	351,159	752,184
Payments to vendors for goods held for resale	11,622,454	-	-	11,622,454
Claims and benefit payments	-	114,142,766	2,176,632	116,319,398
Professional consultant services	-	492,208	1,321,024	1,813,232
Depreciation expense	13,343	-	-	13,343
Total operating expenses	11,635,797	115,035,999	3,848,815	130,520,611
Operating income (loss)	(415,215)	72,655	(321,679)	(664,239)
<b>Non-operating revenues and expenses:</b>				
Interest income	-	337,477	-	337,477
Income (loss) before operating transfers	(415,215)	410,132	(321,679)	(326,762)
Transfers in	-	268,906	-	268,906
Transfers out	-	-	(1,516,947)	(1,516,947)
Change in net assets	(415,215)	679,038	(1,838,626)	(1,574,803)
Total net assets - July 1, 2001	1,591,243	8,279,428	5,345,848	15,216,519
Total net assets - June 30, 2002	\$ 1,176,028	8,958,466	3,507,222	13,641,716

See accompanying independent auditors' report

**FAIRFAX COUNTY PUBLIC SCHOOLS**  
**Combining Schedule of Cash Flows**  
**Internal Service Funds**  
**For the year ended June 30, 2002**

**Exhibit H-2**

	<b>Central Procurement</b>	<b>Health Benefits Trust</b>	<b>Insurance</b>	<b>Totals</b>
<b>Cash flows from operating activities:</b>				
Receipts from interfund services provided	\$ 11,220,582	115,863,906	3,527,136	130,611,624
Payments to employees	-	(401,025)	(351,159)	(752,184)
Payments to vendors for goods held for resale	(11,199,630)	-	-	(11,199,630)
Payments for claims and health benefits	-	(110,564,127)	(4,991,539)	(115,555,666)
Payments for professional services	-	(492,208)	(1,321,024)	(1,813,232)
Net cash provided (used) by operating activities	20,952	4,406,546	(3,136,586)	1,290,912
<b>Cash flows from noncapital financing activities:</b>				
Transfers from (to) other funds, net	-	268,906	(1,516,947)	(1,248,041)
Net cash provided (used) in noncapital and related financing activities	-	268,906	(1,516,947)	(1,248,041)
<b>Cash flows from capital and related financing activities:</b>				
Purchase of capital assets	(81,281)	-	-	(81,281)
Net cash used by capital and related financing activities	(81,281)	-	-	(81,281)
<b>Cash flows from investing activities:</b>				
Interest received	-	401,380	-	401,380
Net cash provided by investing activities	-	401,380	-	401,380
Net increase (decrease) in cash and cash equivalents	(60,329)	5,076,832	(4,653,533)	362,970
Cash and cash equivalents July 1, 2001	111,759	20,060,594	24,306,714	44,479,067
<b>Cash and cash equivalents June 30, 2002</b>	<b>51,430</b>	<b>25,137,426</b>	<b>19,653,181</b>	<b>44,842,037</b>
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>				
Operating income (loss)	(415,215)	72,655	(321,679)	(664,239)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	13,343	-	-	13,343
Increase in accounts receivable	-	(19,353)	-	(19,353)
Decrease in interfund receivables	475,774	430,018	-	905,792
Decrease in inventories	526,216	-	-	526,216
Increase in accounts payable	20,834	1,748,621	132,762	1,902,217
Increase (decrease) in accrued liabilities	-	1,400,000	(2,947,669)	(1,547,669)
Decrease in interfund payables	(600,000)	-	-	(600,000)
Increase in deferred revenue	-	774,605	-	774,605
Total adjustments	436,167	4,333,891	(2,814,907)	1,955,151
Net cash provided (used) by operating activities	\$ 20,952	4,406,546	(3,136,586)	1,290,912

See accompanying independent auditors' report



# STATISTICAL SECTION

(unaudited)



# STATISTICAL SECTION

## FAIRFAX COUNTY PUBLIC SCHOOLS

**TABLE 1 - General School System Government-wide Expenses by Function (1)  
Last Ten Fiscal Years**

		Instruction				
		Regular	Special	Professional Technical Studies	Adult Education	Other
2002	\$	931,145,070	223,400,480	35,314,529	12,285,550	21,731,203

(1) There is no comparative data prior to fiscal year 2002. This was the first year of implementation of GASB 34.

## FAIRFAX COUNTY PUBLIC SCHOOLS

**TABLE 2 - General School System Government-wide Revenues (1)  
Last Ten Fiscal Years**

		Program Revenues			General Revenues	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Grants and Contributions Restricted to Specific Programs	Grants and Contributions Not Restricted to Specific Programs
2002	\$	78,281,595	100,156,368	7,985,121	137,682,332	1,359,196,624

(1) There is no comparative data prior to fiscal year 2002. This was the first year of implementation of GASB 34.

Support Services

	Administration Attendance & Health	Food Operations	Student Transportation	Operation & Maintenance	Facilities	Total
\$	68,640,166	50,894,577	68,638,138	141,023,120	21,462,765	1,574,535,598

General Revenues (cont'd)

	Revenue from the use of Money and Property	Other	Total
\$	613,144	7,497,943	1,691,413,127

# STATISTICAL SECTION

## FAIRFAX COUNTY PUBLIC SCHOOLS

**TABLE 3 - General School System Governmental Expenditures by Function (1)  
Last Ten Fiscal Years**

	Instruction	Summer School	Adult Education	Other Educational Programs	Administration	Attendance and Health Services
1993 (2) \$	600,300,274	4,549,556	8,053,590	10,927,863	31,725,120	15,045,972
1994	644,885,931	5,292,361	5,881,646	12,607,710	33,905,280	14,267,621
1995	707,807,330	4,868,857	6,186,705	12,480,106	31,772,562	13,344,762
1996	720,838,446	3,709,568	6,300,176	14,996,506	31,797,289	13,403,373
1997	786,992,882	3,197,787	5,265,374	15,151,974	33,263,079	14,783,708
1998	852,353,213	3,823,582	5,812,707	15,391,363	38,647,426	14,417,937
1999	890,094,796	4,300,372	6,829,312	21,287,040	41,688,503	17,864,025
2000	979,263,336	5,431,208	8,048,725	40,133,005	44,945,682	20,268,647
2001	1,079,522,256	7,766,233	9,426,599	26,309,739	43,338,783	22,509,102
2002	1,131,126,141	11,412,626	12,250,918	21,659,658	45,917,077	24,017,543

- (1) Includes expenditures of all governmental fund types except capital leases and installment purchases.  
 (2) In order to achieve a balanced FY 1993 budget, a system-wide reduction of expenditure of \$99.9 million was required. This resulted in the elimination of 501.4 administrative, support and school-based positions.  
 (3) Includes reimbursement to Fairfax County for bond cost.

## FAIRFAX COUNTY PUBLIC SCHOOLS

**TABLE 4 - General School System Governmental Revenues by Source (1)  
Last Ten Fiscal Years**

	Fairfax County	Sales Tax Receipts	Other Commonwealth of Virginia	Federal Government	Other	Total
1993 \$	626,467,090	63,238,729	109,564,693	26,262,122	49,625,575	875,158,209
1994	637,681,007	67,151,368	108,628,848	28,738,670	50,361,199	892,561,092
1995 (2)	718,091,281	72,475,310	114,091,919	28,519,455	53,506,179	986,684,144
1996	788,896,781	75,374,323	119,527,694	29,642,358	56,467,675	1,069,908,831
1997	863,621,500	79,901,252	153,516,863	34,947,059	59,086,339	1,191,073,013
1998	907,683,743	84,425,304	157,021,401	35,867,643	61,990,223	1,246,988,314
1999	953,948,506	90,730,534	184,904,102	38,808,562	69,515,263	1,337,906,967
2000	1,034,829,253	98,937,749	200,916,019	44,311,137	72,126,918	1,451,121,076
2001	1,123,345,283	103,934,411	226,045,040	52,970,052	86,127,127	1,592,421,913
2002	1,213,204,835	104,422,309	226,919,632	58,127,565	90,024,739	1,692,699,080

- (1) Includes revenue of all governmental fund types.  
 (2) Effective FY 1995, County funds include proceeds from general obligation bonds for Capital Projects Fund.

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	Food Operations	Student Transportation	Operation and Maintenance	Facilities	Total
\$	27,700,344	38,208,764	103,828,012	70,819,139	911,158,634
	28,032,832	43,269,462	106,699,204	79,063,976	973,906,023
	29,910,700	40,974,787	108,982,891	73,868,720	1,030,197,420
	31,581,561	41,914,962	112,167,053	65,157,872	1,041,866,806
	33,625,886	49,475,400	117,792,990	100,597,234	1,160,146,314
	37,591,169	59,433,395	116,666,933	88,762,826	1,232,900,551
	39,211,604	48,740,391	122,127,778	119,931,840	1,312,075,661
	47,276,806	64,458,068	125,654,120	127,105,668 (3)	1,462,585,265
	51,097,564	65,265,826	143,667,275	123,410,973 (3)	1,572,314,350
	47,705,926	61,743,040	158,249,284	201,000,455	1,715,082,668

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# STATISTICAL SECTION

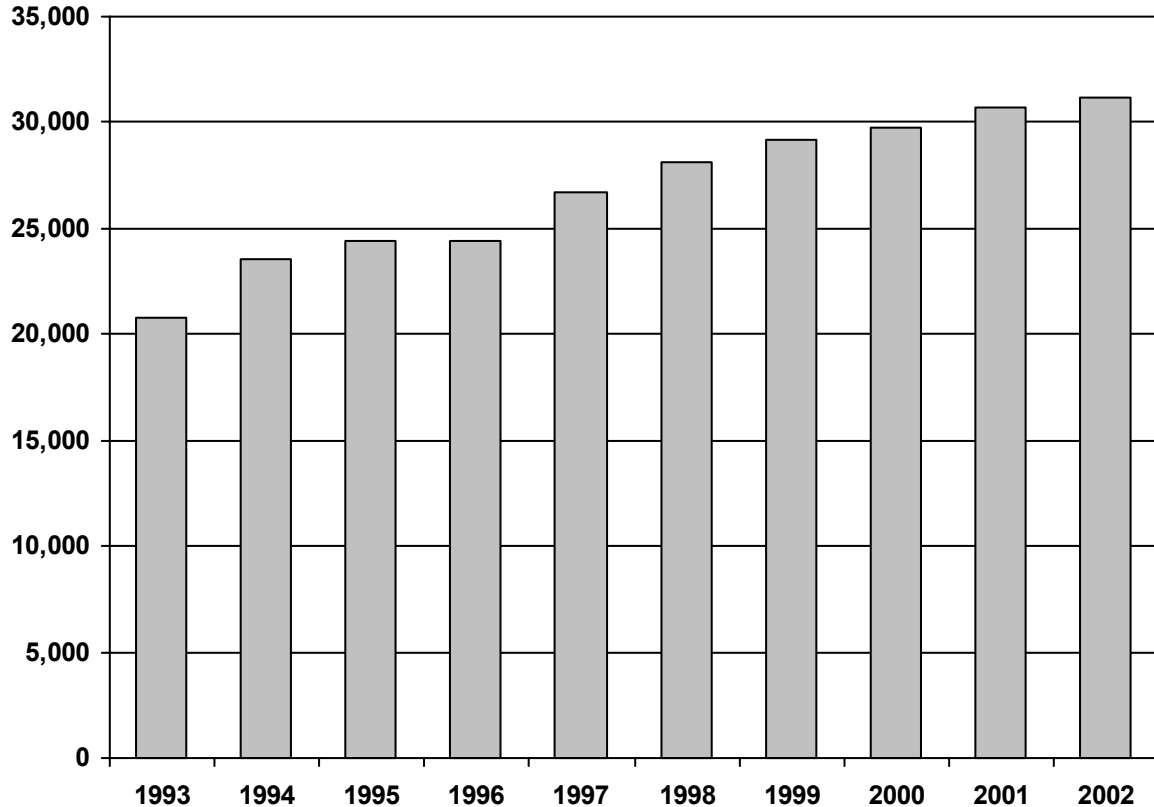
## FAIRFAX COUNTY PUBLIC SCHOOLS

**TABLE 5 - Food and Nutrition Services Program  
Last Ten Fiscal Years**

	Number of Lunches Served Daily	Student Lunch Price			Number of Breakfasts Served Daily	Student Breakfast Price	Breakfast Sites	Free and Reduced Eligibility
		Elementary	Middle School	High School				
1993	54,762	1.35	1.45	1.50	4,775	0.80	96	20,822
1994	57,043	1.45	1.55	1.60	5,883	0.80	113	23,584
1995	58,612	1.45	1.55	1.60	7,179	0.80	139	24,417
1996	59,958	1.55	1.65	1.65	7,854	0.80	145	25,995
1997	61,637	1.55	1.65	1.65	8,756	0.80	153	26,691
1998	64,614	1.55	1.65	1.65	8,990	0.80	165	28,100
1999	68,165	1.55	1.65	1.65	9,316	0.80	166	29,197
2000	72,816	1.55	1.65	1.65	9,765	0.80	164	29,733
2001	74,873	1.55	1.65	1.65	10,004	0.80	164	30,725
2002	76,423	1.60	1.70	1.70	10,029	0.80	163	31,202

Source: Office of Food and Nutrition Services

### Students Eligible for Free and Reduced Lunch



FAIRFAX COUNTY PUBLIC SCHOOLS

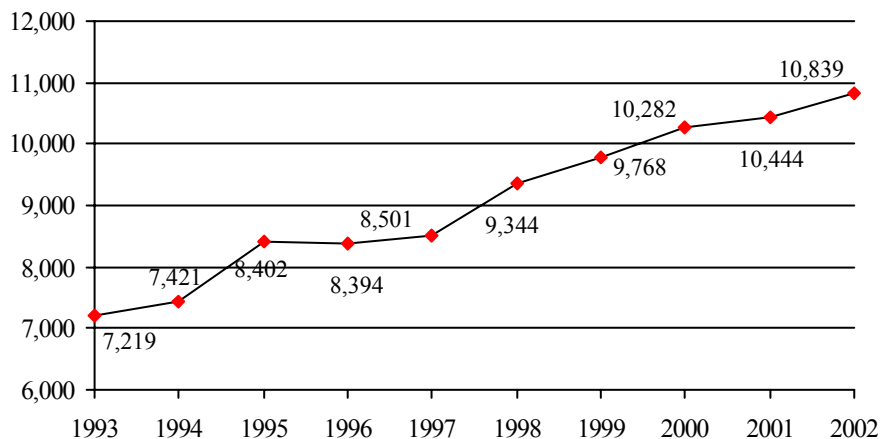
TABLE 6 - Student Enrollment

Last Ten Fiscal Years

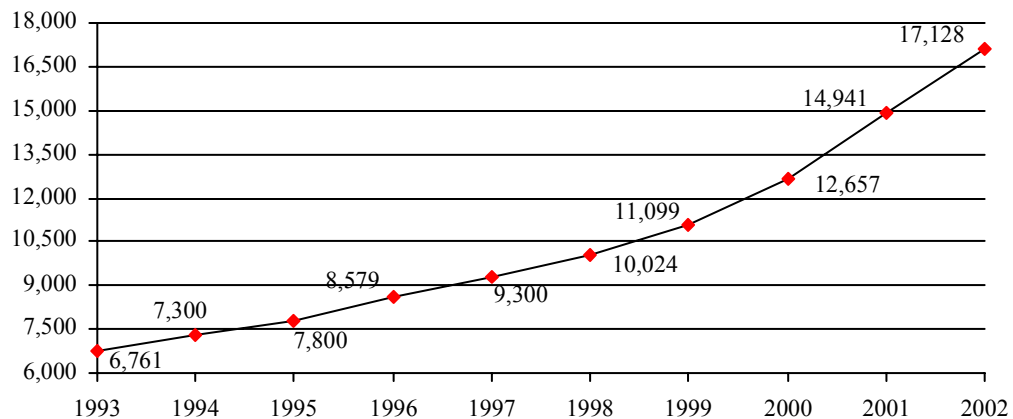
	Student Enrollment	Special Education Enrollment	ESOL Enrollment
1993	135,102	7,219	6,761
1994	137,495	7,421	7,300
1995	140,097	8,402	7,800
1996	143,040	8,394	8,579
1997	145,805	8,501	9,300
1998	148,026	9,344	10,024
1999	151,418	9,768	11,099
2000	154,523	10,282	12,657
2001	158,331	10,444	14,941
2002	161,385	10,839	17,128

Source: Office of Budget Services

Special Education Enrollment



ESOL Enrollment



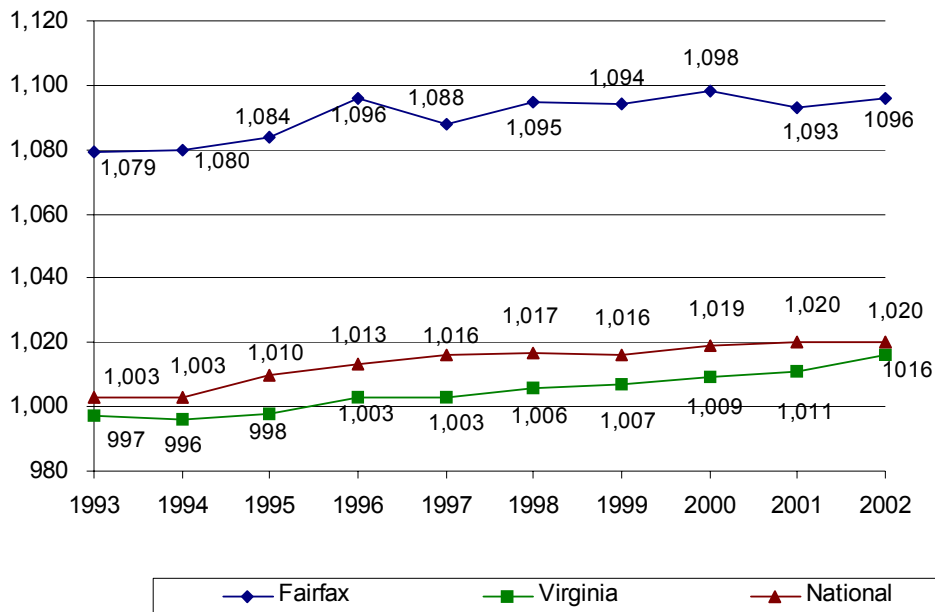
# STATISTICAL SECTION

**FAIRFAX COUNTY PUBLIC SCHOOLS**  
**TABLE 7 - Scholastic Assessment Test (SAT) Scores**  
**Last Ten Fiscal Years**

	Combined SAT Scores - Verbal and Math		
	Fairfax	Virginia	National
1993	1,079	997	1,003
1994	1,080	996	1,003
1995	1,084	998	1,010
1996	1,096	1,003	1,013
1997	1,088	1,003	1,016
1998	1,095	1,006	1,017
1999	1,094	1,007	1,016
2000	1,098	1,009	1,019
2001	1,093	1,011	1,020
2002	1,096	1,016	1,020

Source: Office of Planning and Testing

## Combined SAT Scores





COUNTY OF FAIRFAX, VIRGINIA

TABLE 8 - Real and Personal Property Tax Levies and Collections (1)  
Last Ten Fiscal Years

	Total Tax Levy	Current Tax Collections (2)	Percent of Levy Collected	Delinquent Tax Collected	Total Tax Collections (4)	Total Collections as a Percent of Current Levy	Outstanding Delinquent Taxes (3)	Outstanding Delinquent Taxes as a Percent of Current Levy
1993	\$ 1,019,270,623	\$ 1,007,987,360	98.89 %	\$ 13,725,571	\$ 1,021,712,931	100.24 %	\$ 27,324,800	2.7 %
1994	1,025,806,775	1,013,349,577	98.79	18,224,465	1,031,574,042	100.56	24,410,489	2.4
1995	1,058,499,590	1,048,276,460	99.03	12,999,865	1,061,276,325	100.26	17,386,036	1.6
1996	1,103,903,127	1,095,762,242	99.26	11,490,106	1,107,252,348	100.30	16,386,542	1.5
1997	1,203,645,063	1,195,311,803	99.31	6,479,062	1,201,790,865	99.85	14,417,247	1.2
1998	1,250,521,158	1,241,128,550	99.25	1,266,726	1,242,395,276	99.35	22,546,335	1.8
1999	1,308,121,856	1,299,200,665	99.32	12,088,313	1,311,288,978	100.24	22,184,966	1.7
2000	1,394,627,491	1,385,238,528	99.33	13,794,529	1,399,033,057	100.32	18,113,388	1.3
2001	1,524,861,295	1,512,566,783	99.19	10,745,651	1,523,312,434	99.90	18,664,827	1.2
2002	1,705,787,558	1,690,398,063	99.10	14,269,185	1,704,667,248	99.93	20,072,737	1.2

Source: Fairfax County Department of Management and Budget, Department of Finance and the Department of Tax Administration.

(1) General Fund.

(2) Current tax collections include collection of current tax, penalty, and interest.

(3) Outstanding delinquent taxes include penalty and interest net of allowances for uncollectibles.

(4) Tax collections include payments received from the Commonwealth of Virginia under its personal property tax-relief program. Refer to County CAFR's Note C to the financial statements.

COUNTY OF FAIRFAX, VIRGINIA

TABLE 9 - Assessed Value and Estimated Actual Value of All Taxable Property  
Last Ten Fiscal Years

(\$ in thousands)

	Assessed Values				Estimated Actual Value
	Real Property (1)	Personal Property	Public Service Corporations	Total	
1993	\$ 67,192,500	5,641,200	1,813,000	74,646,700	74,646,700
1994	66,381,500	6,070,300	1,943,600	74,395,400	74,395,400
1995	66,912,100	6,775,400	2,015,200	75,702,700	75,702,700
1996	68,647,300	7,539,300	1,968,500	78,155,100	78,155,100
1997	70,510,800	8,257,400	2,085,700	80,853,900	80,853,900
1998	72,507,700	8,620,700	2,343,000	83,471,400	83,471,400
1999	75,500,700	9,070,800	2,515,200	87,086,700	87,086,700
2000	80,225,000	9,885,000	2,582,600	92,692,600	92,692,600
2001	87,334,100	10,820,500	2,893,900	101,048,500	101,048,500
2002	99,172,800	11,586,200	3,042,300	113,801,300	113,801,300

Source: Fairfax County Department of Management and Budget and the Department of Tax Administration.

(1) Pursuant to the Code of Virginia, all real property assessments are required to be made at 100 percent of estimated actual value.

## STATISTICAL SECTION

**COUNTY OF FAIRFAX, VIRGINIA**  
**TABLE 10 - General Property Tax Rates**  
**Last Ten Fiscal Years**

	Real Estate	Personal Property		
		Most Vehicles	Machinery, Tools and R&D	Public Service Corporations
1993	\$ 1.16	4.57	4.57	1.16
1994	1.16	4.57	4.57	1.16
1995	1.16	4.57	4.57	1.16
1996	1.16	4.57	4.57	1.16
1997	1.23	4.57	4.57	1.23
1998	1.23	4.57	4.57	1.23
1999	1.23	4.57	4.57	1.23
2000	1.23	4.57	4.57	1.23
2001	1.23	4.57	4.57	1.23
2002	1.23	4.57	4.57	1.23

Source: Fairfax County Department of Tax Administration.

Note: Real estate and personal property tax rates are based on \$100 of assessed value.

**COUNTY OF FAIRFAX, VIRGINIA**  
**TABLE 11 - Real Property Tax Rates and Tax Levies - All Overlapping Governments**  
**Last Ten Fiscal Years**

	Town of Herndon		Town of Vienna	
	Tax Rates (1)	Tax Levies	Tax Rates (1)	Tax Levies
1993	\$ 0.32	4,108,772	0.30	3,797,220
1994	0.32	3,875,869	0.30	3,779,010
1995	0.32	3,832,983	0.30	3,779,010
1996	0.32	4,054,577	0.30	3,943,906
1997	0.32	4,308,590	0.31	4,192,373
1998	0.32	4,584,304	0.31	4,271,557
1999	0.32	5,219,698	0.31	4,465,739
2000	0.32	5,774,217	0.31	4,791,464
2001	0.32	5,754,853	0.31	4,636,899
2002	0.32	6,666,897	0.29	5,821,396

Source: The Town of Herndon and the Town of Vienna.

(1) Real property tax rates are levied per \$ 100 of assessed value.

**COUNTY OF FAIRFAX, VIRGINIA**  
**TABLE 12 - Principal Real Estate Taxpayers**  
**June 30, 2002**

Rank	Taxpayer Name	Property Type	2002 Assessed Value (1)	% of Total Assessed Value
1	West Group Properties, LLC	Various Offices, Retail, Industrial and Land	\$ 598,754,600	0.52 %
2	Lehndorff Tysons Property	Tysons Corner Mall	457,011,200	0.40
3	Prentiss Properties	Office and Land	353,156,590	0.31
4	Dominion Virginia Power	Public Utility	321,162,457	0.28
5	Franconia Two LP	Springfield Mall	240,066,065	0.21
6	Fairfax Company	Fair Oaks Mall	234,776,440	0.20
7	Smith Property Holdings	Various Commercial	230,599,185	0.20
8	California State Teachers	Office and Apartments	218,282,950	0.19
9	EOP Reston Town Center	Office, Shopping Center and Land	201,989,070	0.18
10	Mobil Oil Corp	Headquarter Office and Various Commercial	195,022,480	0.17
11	Gannett Company Inc.	Office	184,116,395	0.16
12	Washington Gas Light Company	Public Utility	181,188,793	0.16
13	West Mac Associates	Various Offices and Land	177,916,910	0.15
14	Plaza America Office	Office and Land	174,107,470	0.15
15	PS Business Parks LP	Various Offices and Land	160,966,130	0.14
16	Writ LP	Office, Apartments, Industrial and Shopping Centers	151,047,860	0.13
17	Avalon Properties Inc	Apartments	145,120,965	0.13
18	Summit Properties	Apartments and Land	144,949,710	0.13
19	Boston Properties LP	Various Offices and Land	138,437,545	0.12
20	Navy Federal Credit Union	Various Offices and Land	129,994,350	0.11
21	Springfield Campus LLC	Continuing Care Retirement Community	127,477,555	0.11
22	The Mitre Corporation	Office	126,450,870	0.11
23	Greensboro Center LP	Office	106,592,535	0.09
24	Fairfax Square Partners	Office and Retail	106,194,020	0.09
25	Alder Branch Lincoln LLC	Apartments	103,697,390	0.09
			<u>\$ 5,209,079,535</u>	<u>4.53 %</u>

Source: Department of Tax Administration  
 (1) Assessed values as of January 1, 2002  
 Note: Total assessed value of all property is \$114,902,589,425.

**COUNTY OF FAIRFAX, VIRGINIA**  
**TABLE 13 - Computation of Debt Margin**  
**June 30, 2002**

The Commonwealth of Virginia does not impose a legal limit on the amount of general obligation indebtedness which Fairfax County can at any time incur or have outstanding. The Board of Supervisors, however, has imposed limits which provide that the County's long-term debt should not exceed three percent of the total market value of taxable real and personal property in the County and the annual debt service should not exceed ten percent of the annual combined general fund expenditures and transfers. Below is the computation of the self-imposed three percent debt limit. The computation of the annual debt service percentage is presented in Table 15.

Self-imposed debt limit:	
Three percent of total market value of taxable real and personal property (\$113,801,300,000)	\$ 3,414,039,000
Less net bonded debt (1)	<u>1,657,818,600</u>
Debt margin	<u>\$ 1,756,220,400</u>

Source: Fairfax County Department of Management and Budget and Department of Finance.  
 (1) Excludes self-imposed debt of the Integrated Sewer System, special assessment debt of the Small District 1 in the Dranesville District (McLean Community Center) and the Fairfax County EDA and FCRHA lease revenue bonds, which are not general obligations of Fairfax County.

# STATISTICAL SECTION

## COUNTY OF FAIRFAX, VIRGINIA

**TABLE 14 - Comparative Ratio of Net Bonded Debt to Estimated Actual Value of Taxable Property and Net Bonded Debt Per Capita Last Ten Fiscal Years**

	Estimated Population (1)	Value of Taxable Property (000)	Net Bonded Debt (2)	Percentage of Net Bonded Debt to Property Value	Net Debt Per Capita
1993	851,900	\$ 74,646,700	\$1,010,513,523	1.35 %	\$ 1,186
1994	863,100	74,395,400	1,110,177,500	1.49	1,286
1995	879,400	75,702,700	1,136,368,575	1.50	1,292
1996	899,700	78,155,100	1,167,504,650	1.49	1,298
1997	912,100	80,853,900	1,219,735,725	1.51	1,337
1998	931,500	83,471,400	1,258,171,800	1.51	1,351
1999	946,400	87,086,700	1,314,377,875	1.51	1,389
2000	969,700	92,692,600	1,380,266,450	1.49	1,423
2001	984,400	101,048,500	1,442,682,525	1.43	1,466
2002 (estimate)	999,600	113,801,300	1,657,818,600	1.46	1,658

Source: Fairfax County Department of Management and Budget.

(1) Source: Fairfax County Department of Systems Management for Human Services, Research, Analysis and Project Services, 1998 estimate. 1999 projection; U.S. Bureau of Census, 1990 Decennial Census.

(2) For fiscal years 1993 to 2001, excludes self-supported debt of the Integrated Sewer System, special assessment debt of the Small District 1 of the Dranesville District (McLean Community Center) and Small District 5 of the Centreville and Dranesville Districts (Reston Community Center), and the Fairfax County EDA and FCRHA lease revenue bonds, which are not general obligation bonds of Fairfax County. Commencing in fiscal year 2002, includes special assessment debt for the community centers.

## COUNTY OF FAIRFAX, VIRGINIA

**TABLE 15 - Ratio of Annual Debt Service Requirements for General Obligation Bonded Debt to General Fund Expenditures and Operating Transfers Out and to Total Expenditures Last Ten Fiscal Years**

	Debt Service Requirements (1)	General Fund Expenditures (2) and Operating Transfers Out (3)	Percentage of Debt Service to General Fund Expenditures and Transfers Out	Total Expenditures Reported in Table 1 (4)	Percentage of Debt Service to Total Expenditures Reported in Table 1 (4)
1993	\$ 124,683,326	\$ 1,357,105,721	9.2 %	\$ 1,814,907,541	6.9 %
1994	129,675,197	1,394,808,186	9.3	2,120,572,522	6.1
1995	132,902,278	1,487,080,719	8.9	2,149,874,349	6.2
1996	142,754,018	1,602,457,378	8.9	2,234,124,982	6.4
1997	152,571,474	1,682,606,121	9.1	2,375,999,568	6.4
1998	162,970,744	1,756,990,140	9.3	2,468,291,649	6.6
1999	162,622,554	1,849,587,185	8.8	2,591,953,175	6.3
2000	176,004,197	1,982,577,128	8.9	2,813,446,499	6.3
2001	183,740,487	2,148,334,971	8.6	3,021,194,495	6.1
2002	190,097,946	2,292,016,724	8.3	3,327,010,567	5.7

Source: Fairfax County Department of Management and Budget and Department of Finance.

(1) Exclude bond issuance and other expenditures recorded in the Debt Service Funds.

(2) Expenditures exclude donated food and capital leases and installment purchases in the year initiated.

(3) Include operating transfers out to component units which, commencing in fiscal year 2002, are reported as functional expenditures.

(4) Total expenditures reported in County's CAFR Table 1.

COUNTY OF FAIRFAX, VIRGINIA

TABLE 16 - Computation of Direct and Overlapping and Underlying Debt  
June 30, 2002

	Net Debt Outstanding	Applicable to County	County's Share of Debt
Direct: (1)			
Fairfax County	\$ 1,657,818,600	100 %	\$ 1,657,818,600
Overlapping: (2)			
Commonwealth of Virginia (3)	86,635,000	47 (4)	40,718,450
Underlying: (2)			
Town of Vienna (5)	18,355,000	100	18,355,000
Town of Herndon (6)	15,850,000	100	15,850,000
Small District One of the Dranesville District (Mclean Community Center)	525,000	100	525,000
Total overlapping and underlying debt			75,448,450
Total direct and overlapping and underlying debt			\$ 1,733,267,050

- (1) Excludes Fairfax County Integrated Sewer System debt, which is self-supported, and the Fairfax County EDA and FCRHA lease revenue bonds, which are not general obligations bonds of Fairfax County.
- (2) These overlapping and underlying general obligation bonds are obligations for the respective governmental units and are not general obligations of Fairfax County.
- (3) Source: Virginia Department of Transportation.
- (4) Percentage applicable to the County of 47% is an estimate based on the projected development of Route 28 to the year 2018.
- (5) Source: Town of Vienna.
- (6) Source: Town of Herndon.

COUNTY OF FAIRFAX, VIRGINIA

TABLE 17 - Construction and Property Values  
Last Ten Fiscal Years

	New Non-Residential Construction (2)		New Residential Construction (2)		Property Values (1)			
	Permits Issued	Value	Permits Issued	Value	Real Estate	Personal Property	Public Service Corporations (3)	Tax Exempt Real Estate (4)
1993	249	\$ 252,184,670	6,029	\$ 595,966,778	\$ 67,192,565,816	\$ 5,641,162,613	\$ 1,812,976,588	\$ 6,011,207,970
1994	196	143,897,502	7,118	687,368,008	66,381,530,225	6,070,286,079	1,943,555,667	5,905,161,530
1995	199	126,710,738	7,078	613,991,830	66,912,058,915	6,775,449,832	2,015,186,528	5,939,516,685
1996	166	107,445,212	8,567	646,767,481	68,647,337,083	7,539,322,818	1,968,434,344	6,163,599,210
1997	174	135,280,541	6,159	562,992,823	70,510,846,660	8,257,430,131	2,085,658,510	6,227,028,830
1998	374	583,075,894	7,500	592,779,156	72,507,682,945	8,620,663,075	2,340,039,649	6,508,338,320
1999	293	422,293,000	8,601	679,858,000	75,497,346,160	9,070,825,332	2,515,568,628	6,690,019,215
2000	264	636,166,852	8,667	728,963,895	80,111,937,890	9,885,183,407	2,582,560,935	7,036,623,580
2001	258	502,247,551	6,767	613,342,434	87,334,092,583	10,820,524,466	2,893,923,463	7,812,420,255
2002	183	301,438,601	6,550	566,792,845	99,173,601,000	11,586,168,290	3,042,258,507	8,246,380,170

- (1) Source: Fairfax County Department of Tax Administration.
- (2) Source: Fairfax County Department of Public Works and Environmental Services.  
Effective July 1997, the number of building permits issued for new residential construction exclude duplicated permits that result from the master file permit program.
- (3) Consists of \$846,936,463 real property and \$2,195,322,044 personal property in 2002.
- (4) Source: Fairfax County Department of Tax Administration. This value is determined on January 1 for the subsequent July 1 to June 30 fiscal year.

# STATISTICAL SECTION

**COUNTY OF FAIRFAX, VIRGINIA**  
**TABLE 18 - Demographic Statistics**  
**Last Ten Fiscal Years**

	Estimated Population (1)	Per Capita Income (2)	Median Age (3)	School Enrollment (4)	Residents with Bachelor's or Higher Degree and 25 Years of Age or Older (5)	Unemployment Rates (6)
1993	851,900	\$ 35,250	n/a	135,102	n/a %	3.3 %
1994	863,100	35,689	n/a	137,495	56.0	3.1
1995	879,400	38,055	35.0	140,097	n/a	2.8
1996	899,700	39,531	36.0	143,040	56.0	2.8
1997	912,100	41,910	n/a	145,805	n/a	2.3
1998	931,500	44,303	37.0	148,036	n/a	1.6
1999	946,400	46,829	n/a	151,418	n/a	1.6
2000	969,700	49,729	36.0	154,523	n/a	1.2
2001	984,400	52,224	n/a	158,331	n/a	2.3
2002 (projection)	999,600	54,670	n/a	161,385	n/a	n/a

- (1) Source: Fairfax County Department of Systems Management for Human Services, Research, Analysis and Project Services, 1993-2000, estimates U.S. Bureau of Census, 1990 Decennial Census.
- (2) Bureau of Economic Analysis, U.S. Department of Commerce, 1993 - 1997 includes City of Fairfax and City of Falls Church. All data reflects revision based on the 1990 Decennial Census.
- (3) Fairfax County Department of Systems Management for Human Services, Research, Analysis and Project Services, 1994 and 1996 Household Surveys, U.S. Bureau of Census, 1990 Decennial Census, 1995 Fairfax-Falls Church Community Needs Assessment.
- (4) Revised figures from Fairfax County Public Schools, Office of Finance.
- (5) U.S. Bureau of Census, 1990 Decennial Census, Department of Systems Management for Human Services, Research, Analysis and Project Services Research Household Survey 1994 and 1996.
- (6) Virginia Employment Commission and Economic Information Services Division.

**COUNTY OF FAIRFAX, VIRGINIA**  
**TABLE 19 - Miscellaneous Statistical Data**  
**As of June 30, 2002, unless otherwise indicated**

A. Date of establishment:	1742
B. Form of government:	Urban County Executive
C. Area, including land and water:	407 square miles
D. Miles of sanitary sewers:	3,213
E. Fire protection:	
1. Number of stations owned:	
a. County-operated fire and rescue stations	20
b. Volunteer fire and rescue stations	11
c. County-owned/volunteer participation stations	<u>4</u>
Total fire stations	35
2. Number of authorized positions:	1,197 uniform/104 civilian
F. Police protection:	
1. Number of authorized positions:	1,237 sworn/510 civilian
2. Number of police vehicles:	1,298
3. Number of helicopters:	2
4. Correctional operations (facilities and population):	
a. Number of authorized positions	451 sworn/92 civilian
b. Number of correctional facilities	<u>2</u>
Adult Detention Center (jail) capacity	1,160 beds
Pre-Release Center (community corrections) capacity	<u>100</u> beds
Total capacity	1,260 beds
c. Number of prisoners booked	52,742
G. Recreation:	
1. Number of County parks (including stream valleys):	386
2. Number of regional parks:	10 (1)
3. Number of acres in County parks:	21,615
4. Facilities in County parks:	

	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002
Athletic fields	286	293	293	295	290	290
Trail miles	179	180	182	190	206	206
Garden plots	825	825	825	825	825	825
Play areas and tot lots	270	271	271	197	201	201
Tennis courts	250	252	252	222	222	222
Multi-use courts	117	118	138	135	143	143
Recreational centers	8	8	8	8	8	8
Golf courses	5	7	7	7	7	7
Historic sites	28	49	51	54	54	54
Nature/visitor centers	6	6	6	7	7	7
Marinas	3	3	3	3	3	3

H. Public education system:	
1. Number of public schools:	
a. Elementary	132
b. Middle	21
c. High/Secondary	24
d. Special education centers	24
e. Alternative high schools	3
2. Number of personnel:	20,510
3. Number of students:	161,385

# STATISTICAL SECTION

**COUNTY OF FAIRFAX, VIRGINIA**  
**TABLE 19 - Miscellaneous Statistical Data**  
**As of June 30, 2002, unless otherwise indicated**  
*(Continued)*

I.	Number of street lights:				50,382
J.	Number of authorized County positions:				
	1. General fund				9,279
	2. General fund supported				1,264
	3. Other funds				842
	Total				<u>11,385</u>
K.	Population:				
	1. Census population count for last three censuses:				
	a. 2000 census population count				969,749
	b. 1990 census population count				818,584
	c. 1980 census population count				596,901
	2. Age distribution of population:				
		<u>Age Group</u>	<u>1980</u>	<u>1990</u>	<u>2000</u>
		Less than 5	38,326	57,892	67,781
		5 - 9	45,307	55,698	70,076
		10 - 14	54,936	53,112	68,544
		15 - 19	54,754	54,207	59,762
		20 - 24	47,646	59,425	52,425
		25 - 34	112,191	158,602	150,257
		35 - 44	98,037	158,119	178,871
		45 - 54	70,151	107,709	157,350
		55 - 64	48,564	60,276	87,865
		65 and over	26,989	53,544	76,818
		Total	<u>596,901</u>	<u>818,584</u>	<u>969,749</u>
	3. Median household income last three censuses: (2)				
	a. 2000 census median household income				\$ 82,000
	b. 1990 census median household income				57,000
	c. 1980 census median household income				30,000
	4. Per capita income last three censuses: (2)				
	a. 2000 per capita income				\$ 49,729
	b. 1990 per capita income				29,857
	c. 1980 per capita income				14,419

(1) Includes Parks of the Northern Virginia Regional Park Authority, the Commonwealth of Virginia and the U.S. Department of Interior.

(2) Source: Bureau of Economic Analysis, U.S. Department of Commerce and U.S. Bureau of Census.