



# Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2004



Fairfax County Public Schools  
A Component Unit of Fairfax County, Fairfax, Virginia



FAIRFAX COUNTY PUBLIC SCHOOLS  
A Component Unit of Fairfax County

COMPREHENSIVE  
**Annual Financial Report**

For the Year Ended June 30, 2004

Prepared by:

**DEPARTMENT OF FINANCIAL SERVICES**

Jack D. Dale, Superintendent  
Deirdra McLaughlin, Chief Financial Officer, Financial Services  
Constance A. Downing, Director, Finance



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



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October 22, 2004

**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, 2004. 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 activities and funds of FCPS.

A comprehensive internal control system is in place to ensure (1) FCPS' assets are protected from loss, theft, or misuse and (2) the financial information can be compiled to prepare the financial statements in conformity with generally accepted accounting principles (GAAP) as applied to local government units in the United States of America. 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 the County of Fairfax, Virginia (County) and, accordingly, the financial position and results of operations of FCPS are also reflected in the financial statements in the County's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2004.

FCPS' financial statements have been audited by the accounting firm of KPMG LLP and earned an unqualified opinion. KPMG examined, on a test basis, documents supporting the amounts and disclosures in the financial statements; assessed the accounting principles used and significant estimates made by management; and evaluated the overall financial statement presentation. The independent auditors' report is included as the first element of the financial section of this report.

This CAFR is divided into three sections: introductory, financial, and statistical. The introductory section includes this letter of transmittal, a list of FCPS' School Board members and principal officials, the organizational chart, and awards from the Government Finance Officers Association and the Association of School Business Officials International. The financial section, prepared in accordance with the Governmental Accounting Standards Board's Statement 34 (GASB 34), includes the independent auditors' report, management's discussion and analysis (MD&A), and the basic financial statements including the notes and the required supplementary information. In addition, the financial section contains supplemental data, including the combining statements. The MD&A is management's narrative overview and analysis of the financial statements, which should be read in conjunction with this letter of transmittal. The statistical section, the final section, contains selected financial and demographic information generally presented on a multi-year basis.

## ORGANIZATIONAL STRUCTURE

The Virginia Board of Education is responsible for dividing the Commonwealth into school divisions based on geographic area and school age population. The school divisions are charged with advancing the standards of quality required by Article VIII, Section 2, of the Constitution of Virginia. FCPS, as the school division for the County, is located within the Washington, D.C. metropolitan area that includes the District of Columbia, south central Maryland, and Northern Virginia. It 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, whose function is to set general school policy and establish guidelines and rules to ensure the proper administration of the County school system, is elected by the County citizens and serves a four-year term. There is one member from each of the County's nine magisterial districts and three at-large members. A non-voting student representative is selected by a countywide student advisory council for a one-year term. The School Board is entrusted with the responsibility of hiring the school division's superintendent. The superintendent along with the chief academic officer, the chief operating officer, the assistant superintendents and the eight cluster directors manage the day-to-day operations of the schools.

## ECONOMIC CONDITION AND OUTLOOK

### Economy

The Washington Metropolitan area's economy has grown by 23.2 percent (adjusted for inflation) in the past five years, compared to the national growth rate of 14.7 percent. The region was the only major metropolitan area in the nation with positive job growth for the second consecutive year. The region has also maintained the nation's lowest metropolitan unemployment rate (3.3 percent) and the highest job growth rate over the past five years.

The County tracks three indexes, which indicate the direction of the local economy:

- The coincident index – represents the current state of the County's economy
- The leading index – designed to forecast the performance of the County's economy nine to twelve months in advance
- The consumer confidence index – comprised of a "present situation" and an "expectations" factor.

The coincident index for the County was 138.2 in June 2004 compared to 111.4 for the Washington Metropolitan area. All components of this index increased over the 2003 levels. A 14.2 percent increase in sales tax receipts coupled with strong employment gains have made consumers more positive about the market prospects. In Northern Virginia, 48,400 new jobs were added between April 2003 and April 2004; the entire Washington Metropolitan area had a job gain of 77,300 new jobs.

In June 2004, the leading index was 112.5 for the Washington Metropolitan area. The County's leading index for June 2004 was 108.2, as compared to 104.1 in June 2003. Four of the five components of this index increased in June 2004. Specifically, residential building permits issued were up 266 percent from June 2003 with the value of these permits increasing 55 percent. The leading index has shown 14 months of gains, providing a clear signal of the County's future economic growth.



The consumer confidence index was 102.8 in June 2004, as compared to 83.5 in June 2003. Strong job growth and a tightening labor market have led the economic recovery with a corresponding growth in consumer and business spending. As consumer confidence increases, the volatility in the economy will diminish and further economic growth should follow.

## **Economic Development**

Economic development activities of the County are carried out through the Fairfax County Economic Development Authority (EDA) whose commissioners are appointed by the County Board of Supervisors. The EDA promotes the County as a quality location for start-up businesses as well as those wanting to relocate or expand. Since 1978 the EDA has helped more than 1,700 companies create nearly 164,000 jobs.

To promote the County as the place to locate for a United States presence, the EDA has opened overseas offices in Bangalore, India; Tel Aviv, Israel; London, England; Tokyo, Japan; and Frankfurt, Germany. The foreign-owned business sector helps diversify the County's economy and increases overseas opportunities for trade.

Through revitalization of the County's more mature business communities, the County Board of Supervisors hopes to maintain the attractiveness of the County as a great place to live and work. There are currently seven designated areas where commercial and associated residential revitalization is taking place. They are Annandale, Bailey's Crossroads/Seven Corners, the Lake Anne section of Reston, the Springfield and McLean central business districts, Merrifield, and the Richmond Highway corridor in the southeastern section of the County.



## **Employment**

Approximately 29,500 payroll businesses, including corporate and regional headquarters, information technology firms, sales and marketing offices, and business services are located within the County. Employers in the County are in a wide spectrum of businesses including: computer software development and systems integration, telecommunications, Internet and Internet-related services, wholesale and retail trade, defense and homeland security, and financial services.

The County has the greatest job growth in the Washington Metropolitan area. In 2003, more than 7,800 jobs were added by 130 companies. This represents approximately one third of the region's total increase last year. Two of the business sectors showing the greatest employment growth in the last few years are (1) defense and anti-terrorism and (2) technology-oriented companies. These sectors created more than 5,400 new jobs in 46 companies including Northrop Grumman, Titan, Unisys, and AT&T Government Services.

The unemployment rate in the County has fallen to 2.2 percent in June 2004 from 2.8 percent in June 2003. The Commonwealth of Virginia and the national unemployment rates in June 2004 were 3.8 percent and 5.8 percent, respectively. In June 2004, initial unemployment claims were 21.75 percent (seasonally adjusted) less than claims in June 2003.



## Demographics

The estimated population of the County for calendar year 2004 is over 1 million people. The population in 1980 as reported by the U.S. Census Bureau was approximately 600,000. It is anticipated that the population will grow to 1.2 million by the year 2025. The population comes from a wide variety of ethnic and cultural backgrounds. In 2002, approximately one-third of the population was non-white. According to the 2000 Census, over 30 percent of the population spoke a language other than English at home, as compared with 10.7 percent in 1980. The number of households in 2003 was more than 370,000. The make-up of the housing units was:

- Single-family detached homes – 49.7 percent
- Townhomes – 24.6 percent
- Garden homes, high-rises and mid-rise homes, multiplex units, and mobile homes – 25.7 percent

The median market value of owned homes (including condominiums) in 2003 was \$307,600, representing a 15.8 percent increase over 2002.

## School System

FCPS is the largest educational system in the Commonwealth of Virginia and is the twelfth largest in the continental United States. The school system educates a racially, economically, and linguistically diverse student population. The more than 164,000 students speak over 100 different languages creating a growing need for English for speakers of other languages (ESOL) programs. The ESOL services provided increased from over 11,000 students in fiscal year 1999 to nearly 23,000 students in fiscal year 2004. Fairfax County is one of the most affluent counties in the nation, with a median household income of \$84,700; yet the population of students eligible for free or reduced-price lunch is increasing faster than the general education population. Families qualifying for free lunch must not exceed an income level of \$23,920 for a family of four; for reduced-price lunches the maximum family income is \$34,040. In fiscal year 2004, over 38,000 or 22.8 percent of the student population qualified for these services.

FCPS operates 205 schools and centers with 21,297 full-time employees, 19,143 of whom are school based. More than 85 percent of the school system budget (\$1.67 billion for fiscal year

Schools and Centers	
Elementary (K-6)	136
Middle (7-8)	19
Middle (6-8)	3
High (9-12)	21
Secondary (7-12)	3
Alternative High	3
Special Education Centers	20
<b>Total</b>	<b>205</b>

2004) is spent on instructional programs in the schools. These programs are designed to meet the varied needs of FCPS' student body. They range from Head Start, Success by Eight and Project Excel for at-risk students to foreign language immersion, International Baccalaureate, and Advanced Placement for gifted students. Thomas Jefferson High School for Science and Technology, a Governor's school, attracts students from around the Washington Metropolitan area.

## MAJOR INITIATIVES

### Vision

The FCPS School Board's vision is "to provide a gifted-quality education to every child in an instructional setting appropriate to 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." The following initiatives reflect the School Board's commitment to the students of Fairfax County.

### Elementary

- Project Excel – provides 22 elementary schools with additional instructional time and an augmented academic program. They have uniform school day, full-day kindergarten, focused instructional programs, and computer-based phonics instruction.
- First Grade Reduced Ratio – reduces pupil-teacher ratio at 46 elementary schools to either 15.5 to 1 or 15 to 1. Schools are selected based on their qualifications for either special needs, Title I, or state K-3 programs.
- State K-3 Reduced Ratio Initiative – provides smaller class sizes for at-risk students in kindergarten through grade 3 at 42 schools.
- Success by Eight – customized for children in preschool to second grade. Each school offers a variety of options in organizing grade levels and full-day kindergarten. In fiscal year 2004 additional funds were allocated to this program to provide additional instructional assistants at the 17 participating elementary schools.
- Head Start – a comprehensive child development program that serves children age three to five years old from income-eligible families. Students develop the social and academic skills needed for success in kindergarten.
- Foreign Language Immersion – program to acquire foreign language proficiency through content matter instruction. The students spend half the day studying the regular grade-level curriculum in classes taught in the foreign language. The other half of the day is taught in English. French, German, Japanese, and Spanish are the languages acquired through this program, which is taught at 13 elementary and 13 middle schools.



### Secondary

- Advance Placement (AP) diplomas – students in fifteen high schools are eligible to take AP courses. Courses provide rigorous, comprehensive, and balanced programs with high standards and challenging external assessments in mathematics, English, social studies, science, fine arts, and foreign languages.
- Thomas Jefferson High School for Science and Technology (TJHSST) prep courses – a three-year pilot program aimed at increasing participation in the TJHSST preparation courses at middle schools whose students are underrepresented at TJHSST.
- College Partnership Program – provides activities and experiences that foster in students, particularly minority students, positive attitudes toward academic achievement to increase college attendance through knowledge and understanding of higher education programs.

- Focus 2004 Program – increase time for student learning and provide support for identified students at 5 middle and high schools to help them pass the Standards of Learning (SOL) tests.
- International Baccalaureate – is offered at eight high schools. The program enhances the intellectual, philosophical and social development of the students. It provides a rigorous college preparatory curriculum in six core groups, including the study of languages, sciences, mathematics, and humanities. There is a five-year companion middle school program in three pyramids to increase the number of juniors and seniors enrolled in the IB courses.
- Professional Technical Studies – focused curricula around six program areas: business and information technology, consumer and family sciences, health and medical sciences, industrial technology, marketing, and trade and industrial.

## **Teachers**

- Teacher Collaboration Service (TCS) – a professional partnership of teachers supporting other teachers with the ultimate objective of providing the best possible instruction for FCPS students. Teachers are given the chance to collaborate with an experienced teacher to further their knowledge and capabilities in specific areas of teacher performance.
- Beginning Teacher Induction – to attract, induct, and retain quality teachers who will ultimately contribute to student achievement. Teachers are given specialized support during their first year to help them develop strong instructional competence quickly.
- National Teacher Certification – teachers are encouraged to undertake the National Board for Professional Teaching Standards (NBPTS) assessment process as a means of elevating student learning.
- Riverside Elementary Professional Development Academy – a first of its kind program dedicated to improving student achievement and enhancing professional capacities of all teachers through teacher leadership in a collaborative school setting.

## **Adult Education**

- Adult ESOL – courses offered to adult students in basic literacy, high school completion, vocational education, and life skills to assist individuals in their daily roles as parents, employees, and citizens. The program emphasizes career development and employment transition.
- Adult High School Completion Program – designed to help adults obtain basic literacy and achieve high school completion. There are four program components: Woodson Adult High School (WAHS), External Diploma Program (EDP), General Education Development (GED), and the Volunteer Learning Program (VLP).

## **Other Programs and Initiatives**

- Alternative High Schools – courses leading to a FCPS diploma are taught to students in a flexible and extended program to accommodate work, family, or ESOL requirements.
- Center for Promoting Family Learning and Involvement – works with schools and the community to strengthen parent involvement in schools. Also, supports school-sponsored programs for families by providing speakers, on-site childcare, staff development, and technical assistance in program design.

- Conflict Resolution and Peer Mediation Program (CRPMP) – teaches basic communication and analytical problem-solving skills to students to help develop an environment where conflicts do not erupt into violence and instead are opportunities for increased understanding.
- Integrated Technology for Students with Disabilities (ITS) – program designed to improve the capability of special education students to access the curriculum by providing specific adaptive technology recommendations, placing appropriate assistive technology (AT) equipment and software, and training students, staff, and parents on the use of the technology.
- Safe and Drug-Free Youth (SDFY) – provides proactive prevention education and early intervention strategies for preventing youth violence and drug use in schools and the community.
- Junior Reserve Officers Training Corps (JROTC) – a four-year program of instruction that emphasizes academic preparation, citizenship, leadership, character development, and the scope and nature of the particular military service branch.
- Tolerance Education – offers a developmental, sequential, curriculum-based tolerance education program. The program uses Shoah Foundation materials in English and social studies classes.

## ACCOMPLISHMENTS

### Student Achievement

The National Merit Scholarship Corporation announced that 213 FCPS seniors had been named semifinalists in the 2005 National Merit Scholarship program. Thomas Jefferson High School for Science and Technology, a Governor’s magnet school for Northern Virginia, had 153 semifinalists, making it the number one school in the nation for the last 14 out of 15 years based on the number of semifinalists. The students have a chance to win a share of \$33.9 million awarded in National Merit Scholarships. In 2004, the County had 71 scholarship recipients.

FCPS offers a number of Advanced Placement (AP) level courses in its high schools. After students finish each course, they are required to take the associated AP exam.

There are over three dozen available categories, covering such diverse areas as foreign language, mathematics, economics, and art history. A total of 10,570 students took 21,313 AP exams in the 2003-2004 school year. The majority of the students were seniors, but 16 percent of the tests were taken by underclassmen. The average score on a 1-to-5 scale was 3.13, up from 3.06 in the prior school year. Most colleges and universities will award students college credit for scores of 3 or higher on these exams.

In 2004, FCPS had one of the highest combined Scholastic Assessment Test (SAT) scores in the Washington Metropolitan area. FCPS students scored an average combined verbal and math SAT score of 1105 out of a possible 1600.

<b>Combined SAT Scores Comparison of Local Jurisdictions School Year 2003-2004</b>		
Division	Total	Total Enrollment
City of Falls Church	1165	1,866
<b>Fairfax County</b>	<b>1105</b>	<b>164,195</b>
Montgomery County	1102	139,203
Arlington County	1085	19,120
Loudoun County	1054	40,751
Manassas City	1040	6,664
Prince William County	1016	63,342
City of Alexandria	988	10,943
Prince George’s County	889*	139,023*

Source: Washington Area Boards of Education Guide

\* FY 2003 data

This is above the average for Virginia of 1024 and the national average of 1026. The break-down of average score by ethnicity is as follows:

- Non-Hispanic white – 1139
- Hispanic – 983
- Black – 922
- Asian – 1100

<b>Cost Per Pupil Comparison</b>	
Fiscal Year 2004	
Arlington County	\$13,950
City of Falls Church	13,377
City of Alexandria	12,198
Montgomery County	10,644
<b>Fairfax County</b>	<b>10,113</b>
Loudoun County	9,604
Manassas City	9,038
Prince William County	8,205
Prince George's County	8,014

Source: Washington Area Boards of Education Guide

### **Cost Per Pupil**

Cost per pupil figures provide an overall view of the cost of instructional programs. It includes both the direct as well as the indirect costs of programs. The cost per pupil is often used for comparison purposes. The table to the left compares the cost per pupil for the Washington Metropolitan area using a formula agreed upon by the Washington Area Boards of Education (WABE). FCPS traditionally has maintained a lower cost per pupil than other surrounding jurisdictions. In fiscal year 2004, FCPS ranked fifth overall. One source of difference between the jurisdictions is the kindergarten program. FCPS, Prince William, and Loudoun counties offer primarily half-day kindergarten, whereas Arlington County and the City of Alexandria only offer full-day kindergarten programs.

### **MANAGEMENT CONTROLS**

FCPS utilizes a number of control systems to ensure the integrity of its financial information and the protection of its assets.

#### **Internal Controls**

The internal control system 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. A component of an internal control system should reduce to a relatively low level the risk that material errors or fraud may occur. Materiality is determined in relation to the financial statements as a whole. The system should ensure any material errors or fraud that occur are detected in a timely manner by employees in the normal course of performing their duties.

#### **Budgetary Controls**

FCPS' management 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 County Board of Supervisors (BOS) for appropriation. The BOS determines the level of funding it will provide to FCPS. Based on that allocation, the School Board makes changes in its advertised budget and adopts the approved budget in May. Legal level control is placed at the individual fund level. Management administrative control is exercised at the object level for offices and schools within a fund. The Office of Procurement Services ensures that purchase orders and other procurement methods comply with legal purchasing requirements and funds are available for the purchases.

FCPS also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. All expenditures – purchase orders, contracts, or salary commitments – are encumbered to ensure funds have been set aside and will be available when payment is due. Appropriations for all encumbrances, except for capital projects, lapse at the end of each fiscal year and may require reappropriation in the following fiscal year.

### **Risk Management**

The insurance and risk management program administers safety, environmental health, and liability self-insurance for the students, staff, property and financial resources of FCPS. In performing these tasks, risk exposures are identified, measured, and analyzed. After completing this review, procedures are implemented to address these risks and later evaluated for effectiveness.

FCPS' insurance policies and bonds include: property insurance; surety bonds; fiduciary insurance; and catastrophic medical insurance for participants in the Virginia High School League. 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, funds held in local activity accounts, and certain investments of the Pension Trust. FCPS' reported cash is its respective share of the County's pooled cash and temporary investments.

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 ERFC Board of Trustees or the investment advisors selected by it make investment decisions for these assets.

## **OTHER INFORMATION**

### **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 fiscal year ended June 30, 2003. This is the tenth 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 must also satisfy 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.

The GFOA also has another awards program, the Popular Annual Financial Report (PAFR) Award for Outstanding Achievement, to recognize reports issued to the jurisdiction's general constituency. In 2003, FCPS issued a Summary Annual Report (SAR), also known as PAFR, for the sixth 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 selected for their Award for Outstanding Achievement.

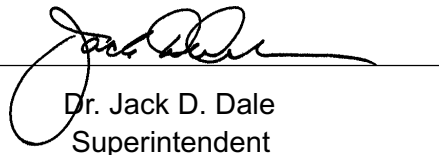
In addition, the Association of School Business Officials International (ASBO) sponsors a Certificate of Excellence in Financial Reporting program to foster excellence in the preparation and issuance of school system annual financial reports. The ASBO program is similar to the GFOA Certificate of Achievement program. FCPS was awarded the ASBO Certificate of Excellence for the year ended 2003 report. This is the tenth 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 has won several awards for its budgeting reports, forecasting reports, and separately issued financial report for the ERFC. For fiscal year 2003, ASBO International presented FCPS with the Meritorious Budget Award and the GFOA presented FCPS with the Distinguished Budget Presentation Award. ERFC was awarded a Certificate of Achievement for Excellence in Financial Reporting for its fiscal year 2003 CAFR 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,



Dr. Jack D. Dale  
Superintendent



Deirdra McLaughlin  
Chief Financial Officer

**MEMBERS OF THE SCHOOL BOARD  
AND SCHOOL BOARD OFFICIALS**  
as of June 30, 2004

**SCHOOL BOARD**

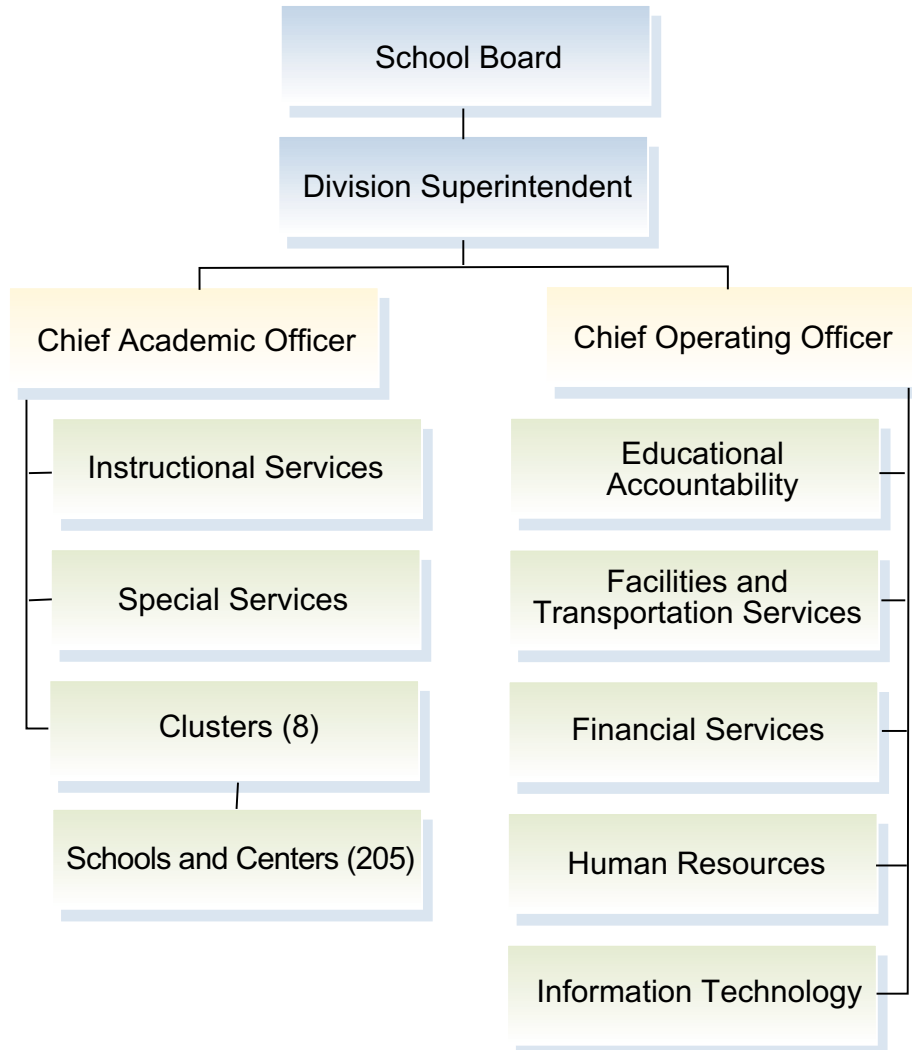
Kathy L. Smith, <i>Chair</i>	Sully District
Kaye Kory, <i>Vice Chair</i>	Mason District
Catherine A. Belter	Springfield District
Brad Center	Lee District
Stuart D. Gibson	Hunter Mill District
Stephen M. Hunt	Member at Large
Ilryong Moon	Member at Large
Phillip A. Niedzielski-Eichner	Providence District
Janet S. Oleszek	Member at Large
Daniel G. Storck	Mount Vernon District
Jane K. Strauss	Dranesville District
Judith (Tessie) Wilson	Braddock District
Andrew R. Ramish	Student Representative

**OFFICIALS**

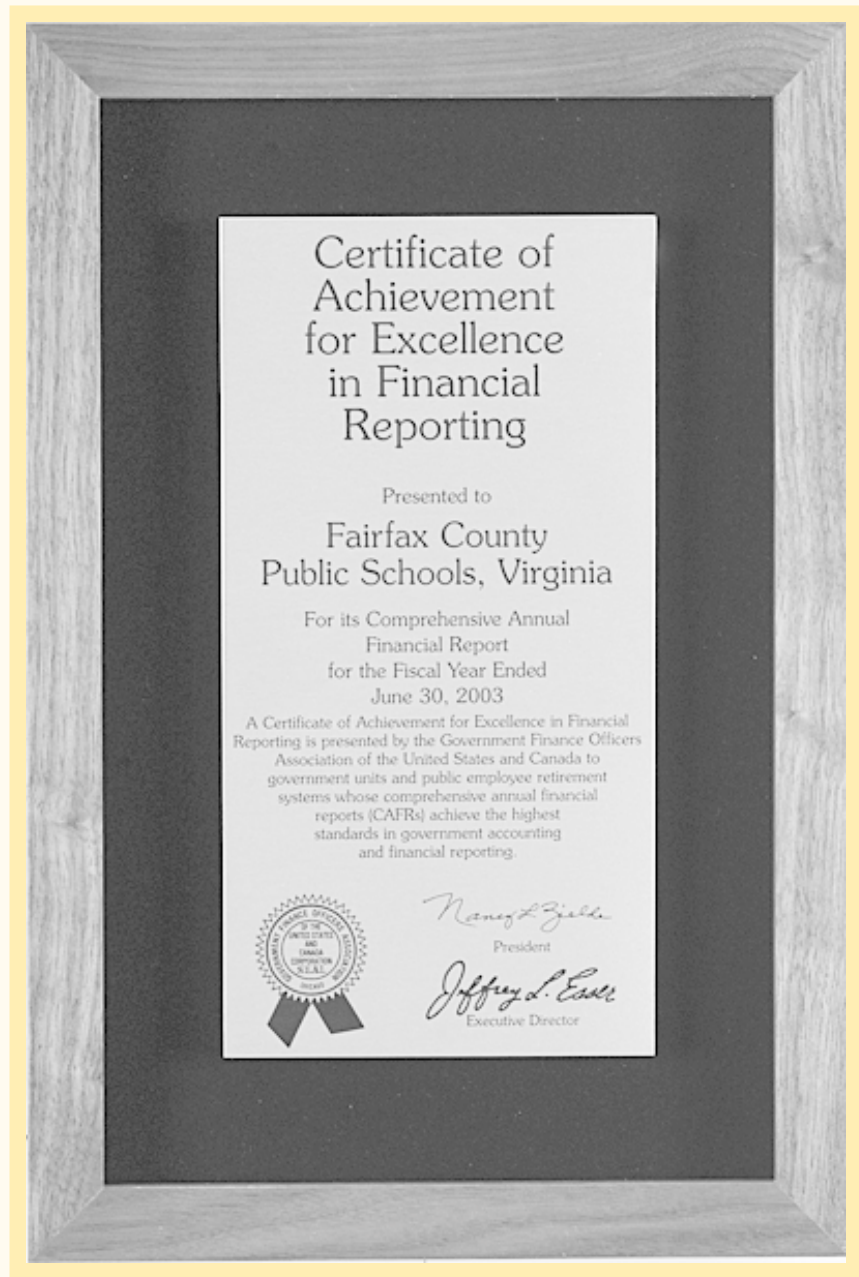
Brad Draeger	Interim Superintendent of Schools
Thomas M. Brady	Chief Operating Officer
Michael E. Glascoe	Assistant Superintendent, Educational Accountability
Dean A. Tistadt	Assistant Superintendent, Facilities & Transportation Services
Deirdra McLaughlin	Chief Financial Officer, Financial Services
Kevin North	Assistant Superintendent, Human Resources
Nicholas Fischer	Assistant Superintendent, Instructional Services
Maribeth Luftglass	Chief Information Officer, Information Technology
Alice M. Farling	Assistant Superintendent, Special Services
Pamela Goddard	Executive Assistant and Clerk to the School Board
Denny Dearden	Director, Cluster I
Ellen Schoetzau	Director, Cluster II
John English	Director, Cluster III
Calanthia Tucker	Director, Cluster IV
Betsy Fenske	Director, Cluster V
Ann Monday	Director, Cluster VI
Carma Norman	Director, Cluster VII
Betsy Goodman	Director, Cluster VIII



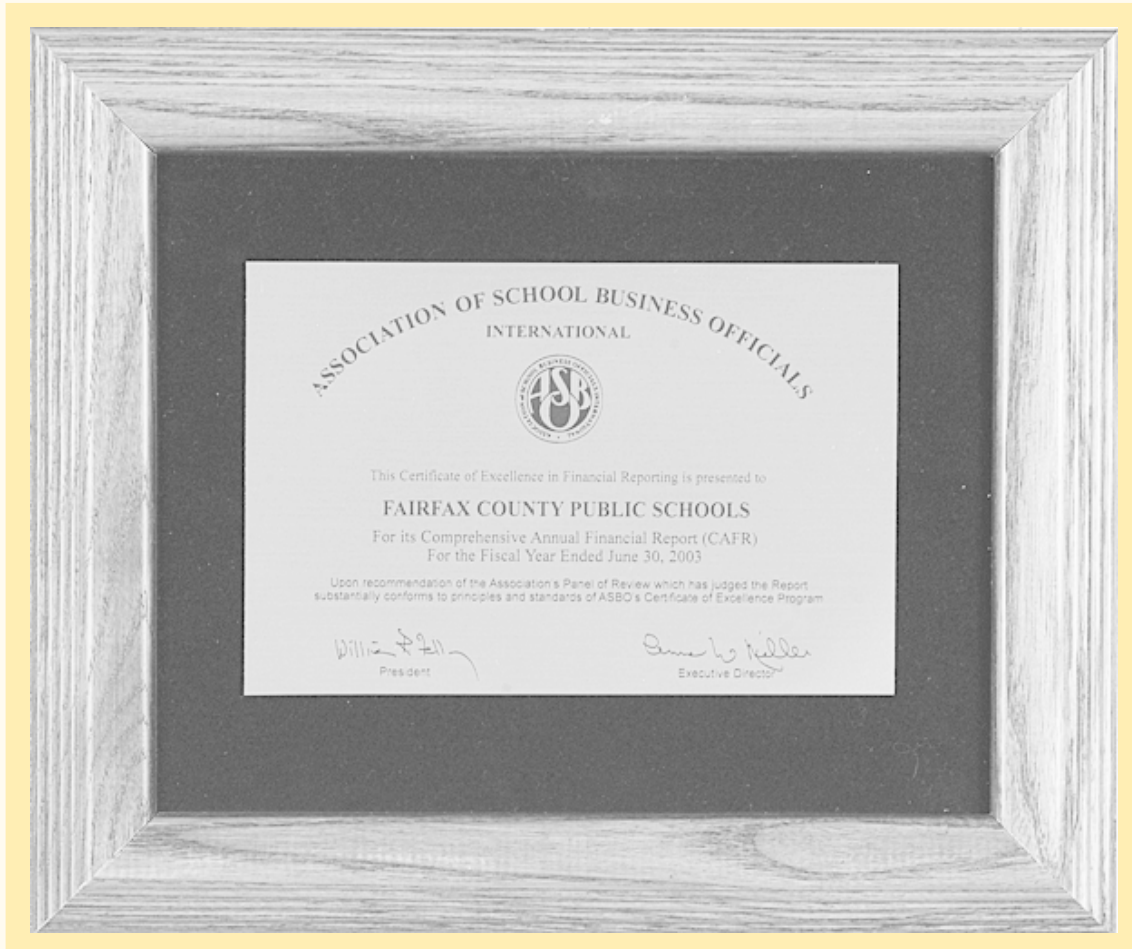
# Organizational Chart



## **GFOA Certificate of Achievement for Excellence in Financial Reporting**



## ASBO Certificate of Excellence in Financial Reporting





**KPMG LLP**  
2001 M Street, NW  
Washington, DC 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 the Fairfax County Public Schools (FCPS), a component unit of the County of Fairfax, Virginia, as of and for the year ended June 30, 2004, which collectively comprise FCPS' basic financial statements as listed in the accompanying table of contents. These financial statements are the responsibility of 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, 2004, 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.

The management's discussion and analysis and budgetary comparison schedules, as listed in the accompanying table of contents, and the pension trend information in note IV.E are not a required part 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.



Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise FCPS' basic financial statements. The introductory section, supplementary information, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section 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

October 22, 2004

A person with dark hair, wearing a dark long-sleeved shirt, is leaning over a desk, looking down at papers. In the background, a computer monitor and other office equipment are visible. The entire image has a light blue overlay.

# **Management's Discussion and Analysis**



## Management's Discussion and Analysis

It is a pleasure to present the financial performance of Fairfax County Public Schools (FCPS). This section of the Comprehensive Annual Financial Report (CAFR) presents management's discussion and analysis of the overall financial performance of FCPS during the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with FCPS' transmittal letter, financial statements and notes to the financial statements to enhance their understanding and use of the financial statements.

### Financial Highlights

- FCPS' total net assets (assets less liabilities) on a government-wide basis were \$1,632.0 million at June 30, 2004, representing an increase of \$81.3 million or 5.2 percent over June 30, 2003. The increase was primarily from the acquisition of \$127.0 million in capital assets \$15.9 million of which was financed through new capital leases. The liability for accrued wages and benefits increased by \$6.6 million in fiscal year 2004 due to a 4.6 percent cost of living adjustment and a 1 percent increase in the employer's contribution to the Virginia Retirement System.
- For the fiscal year, FCPS' governmental activities' expenses of \$1,786.8 million exceeded program revenues (charges for services, operating grants and contributions, and capital grants and contributions) of \$336.8 million by \$1,450.0 million. This excess is 1.6 percent less than the \$1,473.9 million from fiscal year 2003. General revenues, funds available for all educational purposes, including a payment from Fairfax County (the County) of \$1,239.2 million and general contributions from the state and the federal governments of \$286.3 million, were sufficient to cover the net program expenses.
- FCPS' governmental funds revenues and other financing sources exceeded expenditures and other financing uses by \$14.3 million for the fiscal year. This net addition resulted primarily from an increase in the County transfer to cover additional enrollment, which was offset by an increase in instructional staff, fringe benefits, and student transportation expenditures.



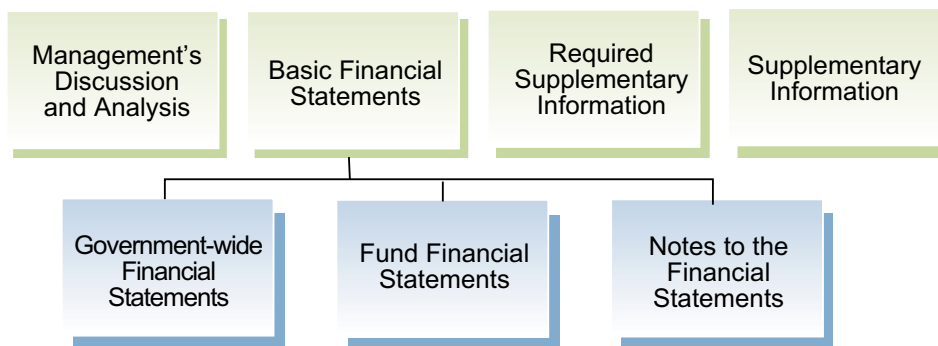
FCPS also had an increase in federal grant funding as additional provisions of the No Child Left Behind Act were implemented.

- FCPS' General Fund (hereafter referred to as the Operating Fund) reported a fund balance of \$110.2 million, an increase of \$4.3 million or 4 percent over June 30, 2003.
- In May 2004, the County issued \$196.0 million of general obligation public improvement bonds. FCPS' share amounted to \$130.0 million that will be used to finance construction of new facilities and improvements to existing ones.



## Using this Comprehensive Annual Financial Report (CAFR)

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) other supplementary information.



FCPS' basic financial statements consist of two types of statements, each with a different perspective of FCPS' financial condition. The government-wide financial statements provide both long-term and short-term information about FCPS' overall finances. Fund financial statements focus on the details of individual components of FCPS' operations. These statements show how services were financed in the short-term and what resources remain for future obligations. The basic financial statements also include notes to explain some of the information in the financial statements and provide more detailed data.

The financial statements and notes are followed by required supplementary information, which consists of budget to actual comparison schedules for the major funds. In addition to the required elements, FCPS provides combining fund statements for the internal services funds and the statement of changes in assets and liabilities for the student activity fund as other supplementary information.

### Government-wide Statements

The government-wide financial statements provide information about the activities of FCPS as a whole, and present a long-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 methods used in the private sector. Full accrual accounting recognizes all of the current year's revenues and expenses regardless of when cash is received or paid.

The first government-wide statement - the statement of net assets - presents information on all FCPS' assets and liabilities, with the difference between these two reported as net assets. This figure is an indication of FCPS' ability to cover costs and continue services in the future. The change in net assets from year to year may serve as a gauge of whether FCPS' financial position, as a whole, is improving or diminishing.

The second statement - the statement of activities - presents information on FCPS' costs of providing services (i.e., expenses) and resources to finance those services (i.e., revenues). This statement highlights the extent to which specific programs are able to cover their costs with user fees, contributions, and grants, as opposed to being financed with general revenues.

## Fund Financial Statements

The fund financial statements provide an additional level of detail about FCPS' major funds. Fund accounting is used to track transactions in individual funds, as well as to indicate compliance with finance-related legal requirements. There are three types of funds FCPS maintains:

**Governmental Funds** – Most of FCPS funds are reported in this category, which focuses on (1) how money flows into and out of these funds throughout the year and (2) the year-end balances that can be used in future periods. These statements utilize the modified accrual basis of accounting and the current financial resource measurement focus. 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. FCPS' major funds are the Operating, Food and Nutrition Service, Grants and Self-supporting Programs, Adult and Community Education, and Capital Projects funds.

**Proprietary Funds** – Proprietary funds, which consist of the internal service funds, operate in a manner similar to private business enterprises, using the same basis of accounting. These funds include Central Procurement, Health Benefits and Insurance funds. They provide services to schools and departments on a cost reimbursement basis.

**Fiduciary Funds** – Fiduciary funds report transactions for activities when FCPS acts solely as an agent for the benefit of employees, students or parents. The activities of these funds are excluded from FCPS' government-wide statements because FCPS cannot use these assets to finance its operations. FCPS has two fiduciary funds; a pension fund, the Educational Employees' Supplementary Retirement System of Fairfax County, and an agency fund, the Student Activity Fund.



## 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.

### FCPS' Net Assets

The following table provides a summary of FCPS' net assets as of June 30, 2004 and 2003:

<b>Summary of Net Assets</b>				
As of June 30				
(Dollars in millions)				
<b>Governmental Activities</b>				
	<b>2004</b>	<b>2003</b>	<b>Variance</b>	<b>%Variance</b>
<b>Assets:</b>				
Current and other	\$ 334.4	296.2	38.2	12.9%
Capital assets (net)	1,534.4	1,463.6	70.8	4.8%
<b>Total Assets</b>	<u>1,868.8</u>	<u>1,759.8</u>	<u>109.0</u>	<u>6.2%</u>
<b>Liabilities:</b>				
Other liabilities	194.3	171.1	23.2	13.6%
Long-term liabilities	42.5	38.0	4.5	11.8%
<b>Total Liabilities</b>	<u>236.8</u>	<u>209.1</u>	<u>27.7</u>	<u>13.2%</u>
<b>Net assets:</b>				
Invested in capital assets (net of related debt)	1,510.5	1,447.7	62.8	4.3%
Unrestricted	121.5	103.0	18.5	18.0%
<b>Total Net Assets</b>	<u>\$ 1,632.0</u>	<u>1,550.7</u>	<u>81.3</u>	<u>5.2%</u>

Total net assets increased \$81.3 million or 5.2 percent over June 30, 2003. The investment in capital assets, net of related debt increased \$62.8 million due to the completion of four new elementary schools and the purchase of additional classroom computers, buses and vehicles. The unrestricted net assets increased by \$18.5 million and, currently, \$121.5 million is available to finance new operations of FCPS.

The Commonwealth of Virginia requires counties to issue general obligation debt for all financially dependent component units. Fairfax County reports in its financial statements the majority of the debt related to FCPS' capital assets. FCPS is responsible for the debt obligations for capital leases amounting to \$36.3 million, an increase of \$8.3 million over June 30, 2003. The new capital lease obligations are primarily for the purchase of school buses and other vehicles.

## FCPS' Operating Results

The following table provides a summary of the changes in net assets for FCPS for the years ended June 30, 2004 and 2003:

<b>Summary of Changes in Net Assets</b>				
For the Year Ended June 30				
(Dollars in millions)				
	Governmental Activities			
	2004	2003	Variance	%Variance
<b>Revenues:</b>				
<b>Program Revenues:</b>				
Charges for services	\$ 82.4	77.5	4.9	6.3%
Operating grants & contributions	116.5	102.4	14.1	13.8%
Capital grants & contributions	137.9	149.3	(11.4)	-7.6%
<b>General Revenue:</b>				
Grants and contributions	1,525.6	1,442.2	83.4	5.8%
Revenue from the use of money and property	0.4	0.5	(0.1)	-20.0%
Other	3.0	3.7	(0.7)	-18.9%
Insurance recoveries	2.3	0.0	2.3	100.0%
<b>Total Revenues</b>	<b>1,868.1</b>	<b>1,775.6</b>	<b>92.5</b>	<b>5.2%</b>
<b>Expenses:</b>				
<b>Instruction:</b>				
Regular	1,015.8	959.6	56.2	5.9%
Special	274.9	237.7	37.2	15.6%
Professional technical studies	35.7	34.9	0.8	2.3%
Adult education	12.0	12.4	(0.4)	-3.2%
Other	20.6	20.1	0.5	2.5%
<b>Support:</b>				
Administration	95.2	78.1	17.1	21.9%
Food operations	54.8	51.2	3.6	7.0%
Student transportation	86.2	77.2	9.0	11.7%
Operations and maintenance	183.0	148.9	34.1	22.9%
Facilities	7.6	37.2	(29.6)	-79.6%
<b>Interest on long-term debt</b>	<b>1.0</b>	<b>1.2</b>	<b>(0.2)</b>	<b>-16.7%</b>
<b>Total Expenses</b>	<b>1,786.8</b>	<b>1,658.5</b>	<b>128.3</b>	<b>7.7%</b>
<b>Increase in net assets</b>	<b>81.3</b>	<b>117.1</b>	<b>(35.8)</b>	<b>-30.6%</b>
<b>Beginning net assets</b>	<b>1,550.7</b>	<b>1,433.6</b>	<b>117.1</b>	<b>8.2%</b>
<b>Ending net assets</b>	<b>\$1,632.0</b>	<b>1,550.7</b>	<b>81.3</b>	<b>5.2%</b>

The \$81.3 million increase in net assets was mainly attributable to:

- \$14.1 million in operating grants and contributions related to increased funding for Individuals with Disabilities Education Act (Flow Through) and Title I
- \$83.4 million in general revenue grants and contributions primarily from a \$72.0 million increase in the payment from the County

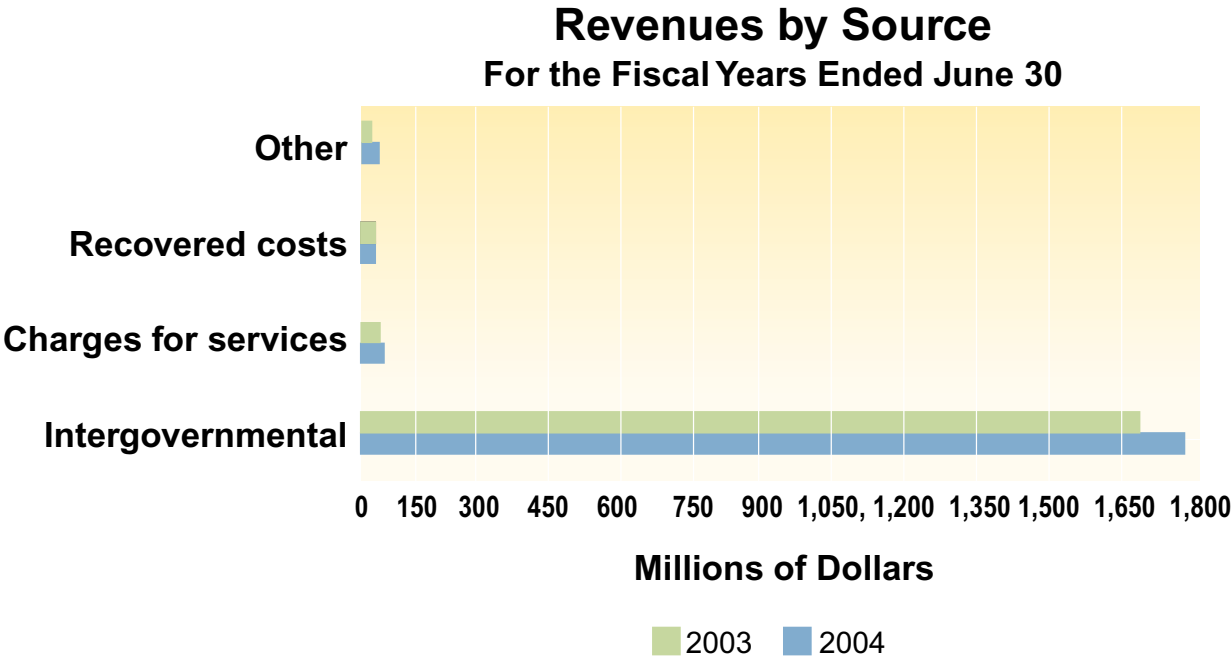
The following table compares the total program cost and net program cost for each of FCPS' functional areas for fiscal years 2004 and 2003. The net program cost is determined by off setting the revenue available to support the program against the total program cost. The total program costs of \$1,786.8 million for fiscal year 2004 were financed by program revenue from (1) charges for services - \$82.4 million, (2) operating grants and contributions - \$116.5 million and (3) capital grants and contributions - \$137.9 million.

<b>Summary of Program Costs by Function</b>				
For the Year Ended June 30				
(Dollars in millions)				
<b>Governmental Activities</b>				
Function:	Total		Net	
	Cost of Function		Cost (Revenue) of Function	
	2004	2003	2004	2003
<b>Instruction:</b>				
Regular	\$1,015.8	959.6	937.8	884.9
Special	274.9	237.7	232.7	200.3
Professional technical studies	35.7	34.9	31.3	30.2
Adult education	12.0	12.4	3.7	4.7
Other instruction	20.6	20.1	16.0	16.0
<b>Support services:</b>				
Administration	95.2	78.1	95.1	77.9
Food operations	54.8	51.2	-	1.4
Student transportation	86.2	77.2	85.9	76.9
Operations and maintenance	183.0	148.9	178.7	144.9
Facilities	7.6	37.2	(132.2)	(109.1)
<b>Interest on long-term debt</b>				
	1.0	1.2	1.0	1.2
<b>Total</b>	<b>\$1,786.8</b>	<b>1,658.5</b>	<b>1,450.0</b>	<b>1,329.3</b>

The majority of the functions required general revenue to cover the cost of operations. The Food Operations was self supporting in fiscal year 2004 with revenue equal to expenses at \$54.8 million. Facilities expenses were less than the \$137.9 million in facilities program revenue because the majority of the revenue was used for the construction or renovation of capital assets.

**FCPS' Governmental Funds**

Revenues and other financial sources, excluding transfers in, for governmental funds in fiscal year 2004 were \$1,890.1 million, a 6.3 percent increase over fiscal year 2003. The sources of revenue for fiscal year 2004 and 2003 are displayed below:

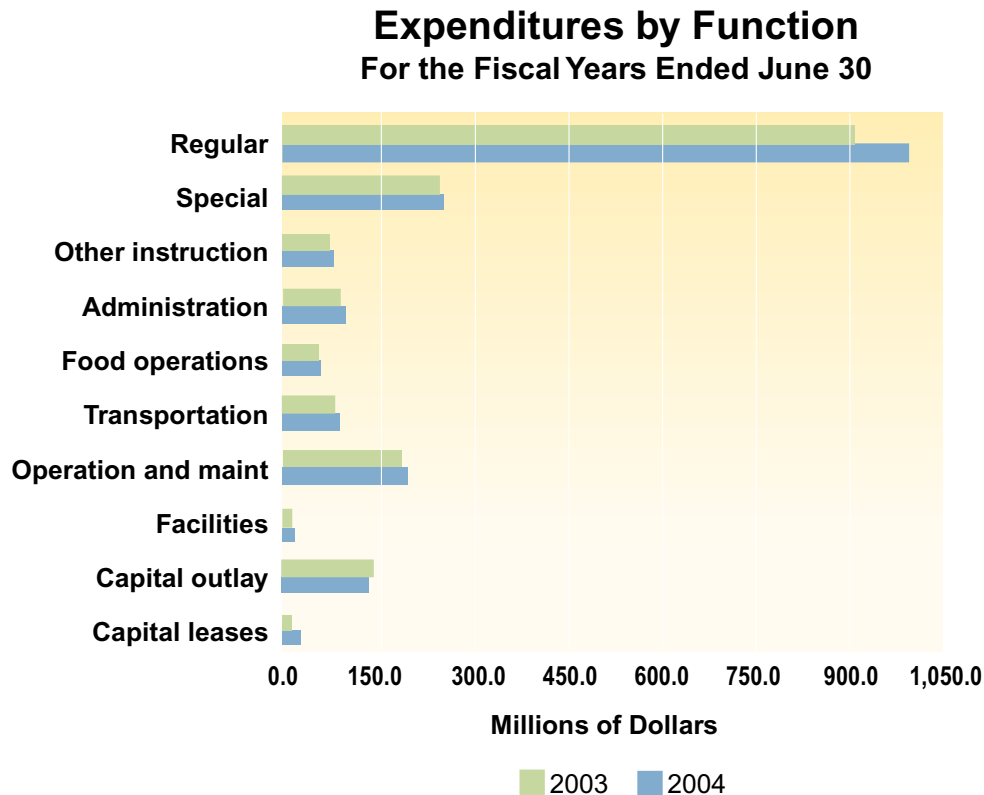


Intergovernmental revenues are FCPS' primary source of revenue, amounting to \$1,776.2 million in fiscal year 2004, a 5.5 percent increase over fiscal year 2003. This revenue source consists of \$1,374.6 million in funding from the County, \$324.8 million in grants from the Commonwealth of Virginia, and \$76.8 million in grants from the Federal government. The charges for services (comprised of foods sales and tuition and fees) increased by \$4.3 million, a 9.0 percent increase, from fiscal year 2003 to fiscal year 2004.

The total expenditures and other financing uses, excluding transfers out, for the fiscal year 2004 governmental funds were \$1,875.5 million, an increase of 7.3 percent over fiscal year 2003. Regular instruction accounts for the majority of FCPS' expenditures. For fiscal year 2004, these expenditures were \$964.3 million in comparison to \$916.5 million for fiscal year 2003. This represents an increase of \$47.8 million or 5.2 percent. The main reasons for this increase were:

- Enrollment growth requiring the hiring of over 500 new teachers
- Increase in fringe benefits costs, especially health care premiums and employer contribution to the Virginia Retirement System
- New capital leases of \$22.8 million for the purchase of additional technology equipment, buses and vehicles.

The chart below displays the expenditures by function:



### Fund Highlights

FCPS considers all of its funds to be major. The most significant funds are the Operating Fund and the Capital Projects 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 balance may serve as a useful measure of FCPS' net resources available for spending at the end of the fiscal year.

As of June 30, 2004, FCPS' governmental funds reported a combined fund balance of \$131.2 million, an increase of \$14.6 million over June 30, 2003. This balance is comprised of \$155.4 million in funds already committed for existing purchase orders and construction contracts, \$1.6 million of inventory and an unreserved fund deficit of \$25.8 million. Approximately \$92.2 million of the unreserved fund balance constitutes resources available for appropriation. The capital projects fund shows an unreserved deficit of \$118.1 million as a result of \$120.1 million in contract commitments made for projects that will be funded over multiple years.

The net change in total governmental fund balances was a \$14.6 million increase compared to the \$29.6 million increase in fiscal year 2003. The total revenues and other financing sources for all governmental funds for the fiscal year ended June 30, 2004 were \$1,890.1 million – 6.3 percent higher than the \$1,777.4 million in fiscal year 2003. Total expenditures and other financing uses increased by 7.3 percent to \$1,875.5 million in fiscal year 2004 from the fiscal year 2003 amount of \$1,747.5 million.

### Operating Fund

The Operating Fund is the primary fund of FCPS. At the end of fiscal year 2004, the unreserved fund balance was \$77.0 million after considering the \$33.2 million reserved for outstanding encumbrances. This represents approximately 4.8 percent of the Operating Fund's total

expenditures, a 5.9 percent decrease from fiscal year 2003. The revenues of \$1,632.7 million, expenditures of \$1,619.5 million and other net financing uses of \$8.9 million, resulted in an increase in the fund balance of \$4.3 million.

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

- The County appropriation increased \$72.0 million to fund continuing student membership growth
- Federal government revenue increases resulted from additional funding under the Individuals with Disabilities Education Act (Flow Through) of \$4.0 million
- Sales tax receipts increased \$12.2 million based on the Commonwealth’s allocation of funds for school age children
- Other revenue from the Commonwealth increased \$4.8 million
- Expenditures for increased staffing and related benefits were \$89.5 million

**Budgeting Highlights of Operating Fund**

The Code of Virginia requires the Superintendent to submit a budget to the Fairfax County Board of Supervisors after the FCPS School Board has approved it. The proposed budget is released in January. The FCPS School Board conducts a series of public hearings and work sessions before adopting the advertised budget. In March, this budget is forwarded to the Fairfax County Board of Supervisors. After public hearings, the entire County budget is approved and the level of funding authorized for each County entity, one of which is FCPS, is established.

The budget is modified on a quarterly basis as revenue sources and expenditure priorities change. The FCPS School Board approves the budget modifications. The final approved budget incorporates all the FCPS School Board approved amendments since the advertised budget was issued.

The table below presents a summary comparison of the Operating Fund’s original and final budgets with actual performance for fiscal year 2004.

<b>Operating Fund Budget Comparison</b>				
For the Year Ended June 30, 2004				
(Dollars in millions)				
	Budget		Actual (Budget Basis)	Variance with Final Budget-Positive (Negative)
	Original	Final		
Total revenues	\$1,623.3	1,631.1	1,632.7	1.6
Total expenditures	1,641.8	1,710.0	1,598.3	111.7
Total other financing use	(26.5)	(31.8)	(31.8)	-
Net change in fund balance	(45.0)	(110.7)	2.6	113.3
Fund balance, July 1, 2003	45.0	110.7	105.9	(4.8)
Fund balance, June 30, 2004	\$ -	-	108.5	108.5



For fiscal year 2004, the final estimated revenues exceeded the original budget by \$7.8 million or 0.5 percent. This change was as a result of a \$3.4 million increase in funding from the Commonwealth of Virginia, a \$4.0 million increase in funding from the federal government, a \$2.4 million increase in revenue from the County and a \$2.0 million decrease in recovered costs. Actual revenues were more than the final budgeted revenues by 0.1 percent or \$1.6 million. The \$2.9 million less received in federal revenue was offset by: (1) a \$1.1 million increase in revenue from the Commonwealth, (2) a \$1.1 million increase in tuition and fees, (3) a \$1.2 million increase in revenue from the use of money and property, and (4) a \$1.1 million increase in revenue from other sources.

The final expenditure appropriations exceeded the original approved budget by \$68.2 million or 4.2 percent. The actual expenditures were less than the final approved budget by \$111.7 million or 7.0 percent. No difference existed between the actual and budgeted total other financing sources/uses for fiscal year 2004.

The major expenditure variances between the final budget and the actual expenditures for the fiscal year ended June 30, 2004 (in millions) were:

- Regular instruction \$81.5
- Special instruction 18.1
- Administration, attendance and health 10.2
- Capital outlay 8.0

Total student membership was lower than anticipated so funding allocated for new teachers and the related fringe benefits were not utilized. In addition, the funding for classroom equipment and temporary classrooms was not needed.

**Food and Nutrition Services**

At the end of fiscal year 2004, the unreserved fund balance was \$8.0 million after considering the \$0.9 million reserved for outstanding encumbrances and the \$1.6 million reserved for inventories. This represents approximately 14.7 percent of the Food and Nutrition Services' total expenditures, a 1.9 percent increase over fiscal year 2003. The revenues of \$55.0 million and expenditures of \$54.5 million, resulted in an increase in the fund balance of \$0.8 million, including a \$0.3 million increase in inventory.

The fund balance grew as a result of an increase in the federal subsidy from \$0.19 to \$0.20 per lunch served to students participating in the National School Lunch Program. The increase was dampened by higher transportation charges from vendors as a result of increased fuel costs.



The table below presents a summary comparison of the Food and Nutrition Services original and final budgets with actual performance for fiscal year 2004.

<b>Food and Nutrition Services Fund Budget Comparison</b>				
For the Year Ended June 30, 2004				
(Dollars in millions)				
	Budget		Actual (Budget Basis)	Variance with Final Budget-Positive (Negative)
	Original	Final		
Total revenues	\$ 52.8	52.8	55.0	2.2
Total expenditures	52.5	53.8	54.5	(0.7)
Net change in fund balance	0.3	(1.0)	0.5	1.5
Fund balance, July 1, 2003	9.1	9.8	9.8	-
Increase in reserve for inventories	-	-	0.3	0.3
Fund balance, June 30, 2004	\$ 9.4	8.8	10.6	1.8

For fiscal year 2004, there was no change in the final estimated revenues from the original budget. Actual revenues were more than the final budgeted revenues by 4.2 percent or \$2.2 million. There was a \$1.0 million increase in federal revenue, a \$0.6 million increase in revenue from the County, and a \$0.7 million increase in food sales. The final expenditure appropriations exceeded the original approved budget by \$1.3 million or 2.5 percent. The actual expenditures were more than the final approved budget by \$0.7 million or 1.3 percent. The primary reason was increased food costs.

### **Grants and Self-Supporting Programs Fund**

At the end of fiscal year 2004, the unreserved fund balance was \$5.7 million. This represents approximately 10.7 percent of the Grants and Self-Supporting Programs Fund's total expenditures, a 1.8 percent decrease from fiscal year 2003. The revenues of \$35.6 million, expenditures of \$53.3 million and other net financing sources of \$19.1 million, resulted in an increase in the fund balance of \$1.4 million.

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

- The County appropriation increased \$5.4 million to fund Early Childhood programs
- Federal government revenue increased \$7.0 million as a result of additional funding under Title I and the Early Childhood programs
- Regular instruction expenditures increased \$10.6 million primarily due to increased salaries and related fringe benefits

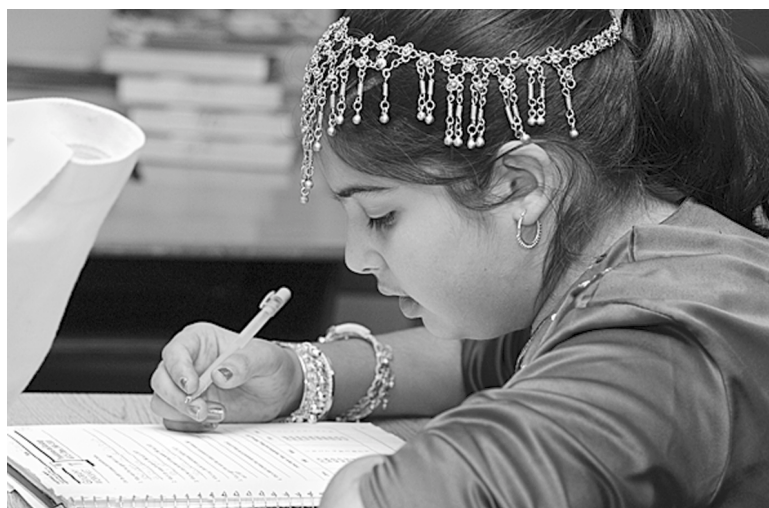
The table below presents a summary comparison of the Grants and Self-Supporting Programs Fund's original and final budgets with actual performance for fiscal year 2004.

<b>Grants and Self-Supporting Programs Fund Budget Comparison</b>				
For the Year Ended June 30, 2004				
(Dollars in millions)				
	Budget		Actual (Budget Basis)	Variance with Final Budget-Positive (Negative)
	Original	Final		
Total revenues	\$ 36.6	50.2	35.6	(14.6)
Total expenditures	51.4	74.6	53.3	21.3
Total other financing sources	14.3	19.1	19.1	-
Net change in fund balance	(0.5)	(5.3)	1.4	6.7
Fund balance, July 1, 2003	0.5	5.3	5.3	-
Fund balance, June 30, 2004	\$ -	-	6.7	6.7

For fiscal year 2004, the final estimated revenues exceeded the original budget by \$13.6 million or 37.2 percent. This increase was primarily as a result of anticipated grant funding of \$12.0 million from the federal government and \$0.9 million from the Commonwealth. Actual revenues were less than the final budgeted revenues by 29.1 percent or \$14.6 million. This was due to a decrease in revenue received from the federal government of \$11.1 million primarily from Title II, Part A and Title I. The Commonwealth of Virginia revenue associated with the State Technology grant decreased \$3.3 million.

The final expenditure appropriations exceeded the original approved budget by \$23.2 million or 45.1 percent. The actual expenditures were less than the final approved budget by \$21.3 million or 28.6 percent.

The final budget for other financing sources was \$4.8 million greater than the original approved budget as a result of an increase of the transfer in from the Operating Fund. No difference existed between the actual and final budget for total other financing sources for fiscal year 2004.



The budget for the Grants and Self-Supporting Programs Fund is developed based on total grant awards rather than anticipated revenue and expenditures for the current year. This results in substantial variance between the actual revenues and expenditures and the final budget.

## Adult and Community Education Fund

At the end of fiscal year 2004, the unreserved fund balance was \$1.6 million. This represents approximately 15.0 percent of the Adult and Community Education Fund's total expenditures, a 14.8 percent decrease from fiscal year 2003. The revenues of \$8.8 million, expenditures of \$10.4 million and other net financing sources of \$1.2 million, resulted in a decrease in the fund balance of \$0.4 million.

The primary reason for this reduction in the fund balance was the transfer in from the Operating Fund was \$0.8 million lower than in fiscal year 2003. The prior year transfer was to assist in the purchase of a new registration system.

The fiscal year 2004 original budget compared to the final budget and actual results are shown in the table following this analysis. The final estimated revenues exceeded the original budget by \$0.1 million or 1.1 percent. This increase was as a result of a \$0.8 million increase in funding from the federal government and a \$0.7 million decrease in funding from the Commonwealth of Virginia. No substantial difference existed between the actual and final budgeted revenues.

The final expenditure appropriations exceeded the original approved budget by \$2.3 million or 23.5 percent. The primary reasons for this increase were the addition of courses in the drivers' education, medical training and ESOL programs, as well as an anticipated increase in the design costs of the new online registration system. The actual expenditures were \$1.7 million or 14.0 percent less than the final approved budget. The expenditures were lower primarily as a result of a slower implementation of the new online registration system. There was a \$0.1 million increase in the total other financial sources from the original budget. No difference existed between the actual and the final budgeted total other financing sources for fiscal year 2004.

The table below presents a summary comparison of the Adult and Community Education Fund's original and final budgets with actual performance for fiscal year 2004.

<b>Adult and Community Education Fund Budget Comparison</b>				
For the Year Ended June 30, 2004				
(Dollars in millions)				
	Budget		Actual (Budget Basis)	Variance with Final Budget-Positive (Negative)
	Original	Final		
Total revenues	\$ 8.7	8.8	8.8	-
Total expenditures	9.8	12.1	0.4	1.7
Total other financing sources	1.1	1.2	1.2	-
Net change in fund balance	-	(2.1)	(0.4)	1.7
Fund balance, July 1, 2003	-	2.1	2.1	-
Fund balance, June 30, 2004	\$ -	-	1.7	1.7

## Capital Assets and Leases

At June 30, 2004, FCPS had \$2,213.6 million invested in land, land improvements, buildings, building improvements, library materials/collections, equipment and construction in progress. Accumulated depreciation on the capital assets amounted to \$679.2 million. The net change in accumulated depreciation for the fiscal year was \$67.5 million, composed of additional depreciation for the current year of \$73.9 million and write off of \$6.4 million in depreciation on disposed assets.

Below is a summary of FCPS' net capital assets as of June 30, 2004 and 2003:

<b>Net Capital Assets</b>		
As of June 30		
(Dollars in millions)		
<u>Capital Asset Category</u>	<u>Book Value</u> (net of depreciation)	
	<b>2004</b>	<b>2003</b>
Land	\$ 46.9	46.8
Land improvements	19.1	15.4
Buildings	488.7	449.3
Building improvements	649.0	588.5
Library material/collections	12.1	11.1
Equipment	70.2	61.0
Construction in progress	248.4	291.5
<b>Total</b>	<b>\$1,534.4</b>	<b>1,463.6</b>

The net capital assets increased 4.8 percent or \$70.8 million from June 30, 2003 to June 30, 2004. Additions to depreciable capital assets were \$188.3 million while reductions amounted to \$7.0 million. Construction in progress expenditures increased by \$117.6 million and transfers to finished assets were \$160.6 million.

The major transactions attributing to the change in net capital assets were:

- Acquisition of \$15.9 million in computer equipment, buses and vehicles through capital leases
- Purchase of \$4.6 million for library collections
- Purchase of \$4.9 million in other equipment and vehicles
- Completion of four new elementary schools – Colvin Run \$11.7 million; Lorton Station \$12.3 million; Island Creek \$12.8 million and Colin Powell \$12.1 million.

- Completion of major renovations at Kent Gardens Elementary School \$8.8 million; Lemon Road Elementary School \$6.2 million; Camelot Elementary School \$9.9 million; Hunters Woods Elementary School \$9.8 million; Holmes Middle School \$14.4 million and Stuart High School (Phase 3) \$11.2 million.

As of June 30, 2004, FCPS had \$36.3 million of outstanding debt related to capital leases compared to \$28.0 million as of June 30, 2003. The \$8.3 million increase represents the addition of \$22.8 million in new capital leases and \$14.5 million in principal payments on existing leases. FCPS had \$6.9 million in new capital leases, primarily for computers, which did not meet the FCPS minimum asset capitalization value of \$5,000.

Additional detailed information regarding the capital assets and leases including the current year's activity can be found in the notes to the financial statements.

### **Challenges for the Future**

FCPS is challenged with an increasing enrollment of a progressively more diverse student body. As a result of increased enrollment, FCPS opened four new elementary schools for the 2003-2004 school year. The membership growth rate has slowed in the last few years, but continues to grow in the number of students with disabilities and limited English proficiency. FCPS faces challenges in meeting this changing student population. This requires increasing the number of schools providing full-day kindergarten, setting aside funds needed to enhance the autism programs and realigning elementary school staffing.

The primary source of revenue for FCPS comes from Fairfax County. In the last few years, the County has initiated "belt tightening measures," which means FCPS will be lobbying for funds from a much smaller pot. The other major source of FCPS' revenue is driven by student enrollment, particularly in the area of state and federal aid. The Commonwealth of Virginia, like many other states, has had major budget cuts. At this time the state education budget has not been affected.

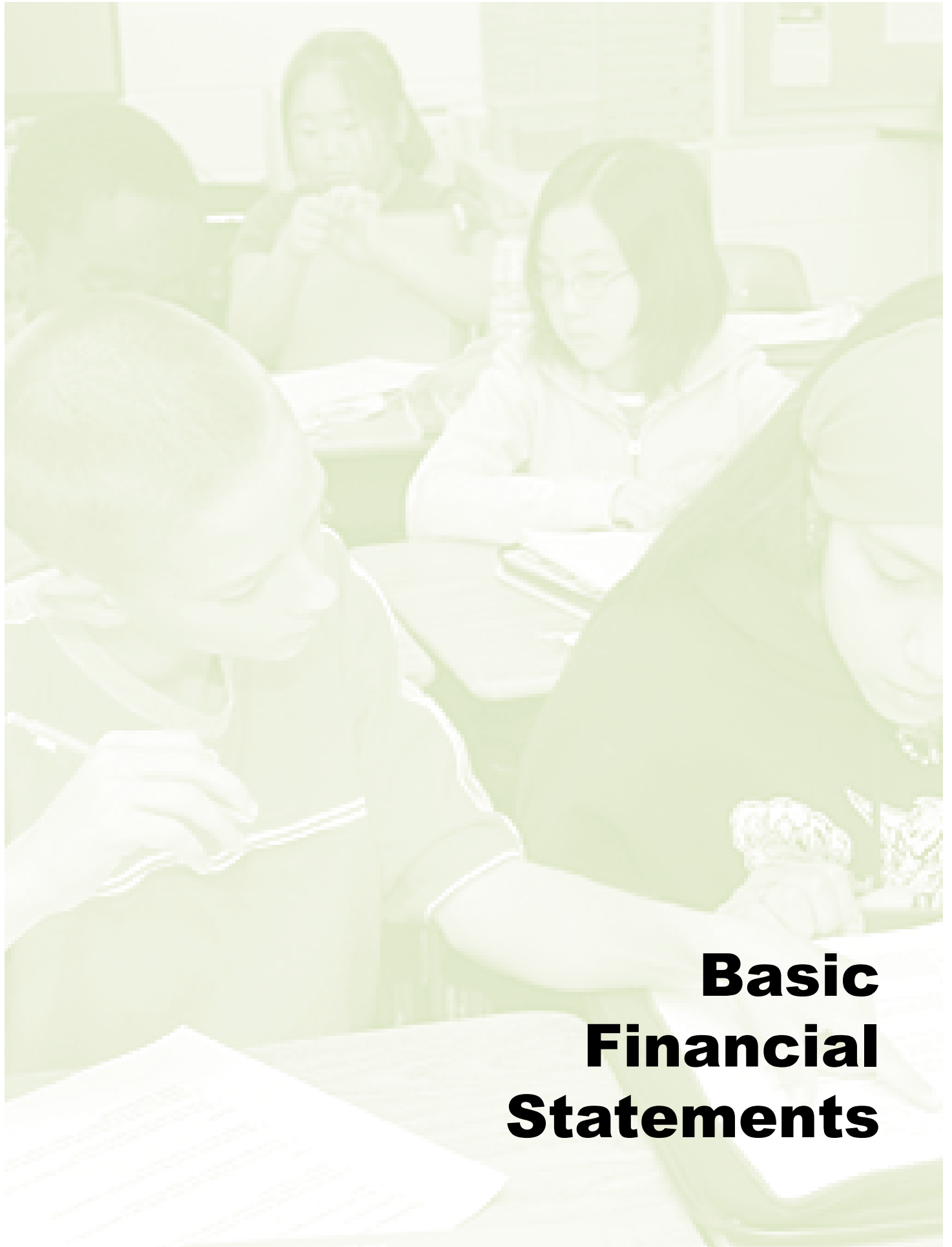
The fiscal year 2005 proposed operating budget includes a \$136.4 million or 8.2 percent increase in expenditures over the fiscal year 2004 approved budget. Approximately 85 percent of the budget is for compensation-related expenditures. The significant increases are:

- \$106.2 million for salary adjustments and benefit cost increases
- \$7.1 million for membership growth
- \$9.0 million for building maintenance
- \$6.0 million for equipment replacement
- \$15.3 million for the Technology Plan
- \$2.2 million for the lease/purchase of 121 replacement buses

### **Contacting FCPS Management**

This financial report is designed to provide a general overview of the financial condition of FCPS. If you have questions about the report or need additional financial information contact Deirdra McLaughlin, Chief Financial Officer, Financial Services, at 10700 Page Avenue, Fairfax, VA 22030, by e-mail [deirdra.mclaughlin@fcps.edu](mailto:deirdra.mclaughlin@fcps.edu), or by telephone (703) 246-2811; or Constance A. Downing, Director, Office of Finance, at 11000 Berry Street, Fairfax, VA 22030, by e-mail [connie.downing@fcps.edu](mailto:connie.downing@fcps.edu) or by telephone (703) 246-6700.





# **Basic Financial Statements**





**Fairfax County Public Schools**  
**Statement of Net Assets**  
**June 30, 2004**

**Exhibit A**

**ASSETS**

**Governmental Activities**

Cash on deposit with County of Fairfax, VA	\$ 293,025,628
Receivables:	
Accounts, net	306,446
Accrued interest	60,074
Due from intergovernmental units:	
County of Fairfax, VA	3,544,011
Other	33,282,321
Inventories	4,131,136
Prepaid expenses	47,940
Non-depreciable capital assets:	
Land	46,913,397
Construction in progress	248,449,748
Depreciable capital assets, net:	
Equipment	153,922,844
Library collections	29,034,740
Buildings and improvements	1,735,310,032
Accumulated depreciation	(679,217,501)
Total assets	<u>1,868,810,816</u>

**LIABILITIES**

Accounts payable	51,132,044
Accrued salaries and withholdings	79,532,616
Deferred revenue	7,868,853
Deposits	403,676
Contract retainages	7,861,778
Long-term obligations:	
Due within one year:	
Compensated absences	16,704,391
Capital leases	12,032,265
Actuarial claims payable	18,765,809
Due beyond one year:	
Compensated absences	7,860,889
Capital leases	24,264,618
Actuarial claims payable	10,345,845
Total liabilities	<u>236,772,784</u>

**NET ASSETS**

Invested in capital assets, net of related debt	1,510,528,454
Unrestricted	121,509,578
Total net assets	<u>\$1,632,038,032</u>

See accompanying notes to basic financial statements

**Fairfax County Public Schools  
Statement of Activities  
For the Fiscal Year Ended June 30, 2004**

**Exhibit B**

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	\$1,015,811,570	34,780,098	43,267,201	-	(937,764,271)
Special	274,857,773	1,306,455	40,821,729	-	(232,729,589)
Professional technical studies	35,733,995	59,345	4,365,814	-	(31,308,836)
Adult education	11,944,789	6,458,286	1,752,484	-	(3,734,019)
Other	20,634,696	650,625	4,035,908	-	(15,948,163)
Total instruction	<u>1,358,982,823</u>	<u>43,254,809</u>	<u>94,243,136</u>	-	<u>(1,221,484,878)</u>
Support services:					
Administration,					
attendance and health	95,153,606	-	5,000	-	(95,148,606)
Food operations	54,841,713	38,441,309	16,437,810	-	37,406
Student transportation	86,189,658	333,633	-	-	(85,856,025)
Operations and maintenance	182,988,349	81,734	4,216,974	-	(178,689,641)
Facilities	7,602,596	252,310	1,629,809	137,947,596	132,227,119
Total support services	<u>426,775,922</u>	<u>39,108,986</u>	<u>22,289,593</u>	<u>137,947,596</u>	<u>(227,429,747)</u>
Interest on long-term debt	1,049,056	-	-	-	(1,049,056)
Total governmental activities	<u>\$1,786,807,801</u>	<u>82,363,795</u>	<u>116,532,729</u>	<u>137,947,596</u>	<u>(1,449,963,681)</u>

General revenues:

Grants and contributions not restricted to specific purposes:

Federal government	3,823,532
Commonwealth of Virginia	282,525,486
County of Fairfax, VA	1,239,228,957
Revenue from the use of money and property	429,589
Other	2,965,372
Insurance recoveries	<u>2,344,929</u>
Total general revenues	<u>1,531,317,865</u>
Change in net assets	81,354,184
Net assets - July 1, 2003	<u>1,550,683,848</u>
Net assets - June 30, 2004	<u>\$1,632,038,032</u>

See accompanying notes to basic financial statements

**Fairfax County Public Schools  
Balance Sheet  
Governmental Funds  
June 30, 2004**

**Exhibit C**

	General	Food and Nutrition Services	Grants and Self-Supporting Programs	Adult and Community Education	Capital Projects	Total Governmental Funds
<b>ASSETS</b>						
Cash on deposit with County of Fairfax, VA	\$209,234,429	9,387,069	1,075,872	1,789,465	11,008,522	232,495,357
Receivables:						
Accounts, net	76,765	229,681	-	-	-	306,446
Accrued interest	-	7,834	-	1,469	-	9,303
Due from governmental units:						
County of Fairfax, VA	3,242,728	153,072	148,211	-	-	3,544,011
Other	16,920,247	925,000	15,422,395	14,679	-	33,282,321
Prepaid expenses	-	-	-	47,940	-	47,940
Interfund receivables	8,300,000	-	-	-	-	8,300,000
Inventories	-	1,648,239	-	-	-	1,648,239
Total assets	<u>237,774,169</u>	<u>12,350,895</u>	<u>16,646,478</u>	<u>1,853,553</u>	<u>11,008,522</u>	<u>279,633,617</u>
<b>LIABILITIES AND BALANCES</b>						
Liabilities:						
Accounts payable	45,742,707	1,050,136	136,547	13,366	787,764	47,730,520
Accrued salaries and withholdings	78,615,421	686,595	159,564	31,830	35,023	79,528,433
Deferred revenue	3,248,732	-	3,285,387	97,033	-	6,631,152
Deposits	-	-	-	51,176	352,500	403,676
Interfund payables	-	-	6,300,000	-	-	6,300,000
Contract retainages	-	-	-	-	7,861,778	7,861,778
Total liabilities	<u>127,606,860</u>	<u>1,736,731</u>	<u>9,881,498</u>	<u>193,405</u>	<u>9,037,065</u>	<u>48,455,559</u>
Fund balances:						
Reserved for:						
Encumbrances	33,213,206	939,748	1,053,980	102,386	120,075,080	155,384,400
Inventories	-	1,648,239	-	-	-	1,648,239
Unreserved (deficit)	76,954,103	8,026,177	5,711,000	1,557,762	(118,103,623)	(25,854,581)
Total fund balances	<u>110,167,309</u>	<u>10,614,164</u>	<u>6,764,980</u>	<u>1,660,148</u>	<u>1,971,457</u>	<u>131,178,058</u>
Total liabilities and fund balances	<u>\$ 237,774,169</u>	<u>12,350,895</u>	<u>16,646,478</u>	<u>1,853,553</u>	<u>11,008,522</u>	<u>279,633,617</u>

See accompanying notes to basic financial statements

**Fairfax County Public Schools**  
**Reconciliation of the Balance Sheet to the Statement of Net Assets**  
**Governmental Funds**  
**June 30, 2004**

**Exhibit C-1**

Fund balances - total governmental funds \$ 131,178,058

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

Capital assets used in governmental fund activities are not financial resources and, therefore, not reported in the funds:

Non-depreciable assets	\$ 295,363,145	
Depreciable assets	1,918,154,645	
Accumulated depreciation	<u>(679,184,703)</u>	1,534,333,087

Internal service funds are used by management to provide certain goods and services to governmental funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.

Assets:		
Current assets	\$ 63,063,939	
Capital assets	112,971	
Less: accumulated depreciation	(32,798)	
Liabilities	<u>(38,997,790)</u>	24,146,322

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

Compensated absences - due within one year	\$ (16,704,391)	
Compensated absences - due beyond one year	<u>(7,860,889)</u>	(24,565,280)

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.

Capital leases - due within one year	\$ (12,032,265)	
Capital leases - due beyond one year	<u>(24,264,618)</u>	(36,296,883)

Unfunded liability due from County for deferred teachers' salaries and benefits offset by deferred revenue in the funds. 3,242,728

Net assets of governmental activities \$ 1,632,038,032

See accompanying notes to basic financial statements.

**Fairfax County Public Schools**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Fiscal Year Ended June 30, 2004**

**Exhibit D**

<b>REVENUES</b>	<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>
Intergovernmental:						
Federal government	\$ 36,872,769	15,720,374	23,213,519	1,039,330	-	76,845,992
Commonwealth of Virginia	315,078,029	758,851	7,148,332	845,868	936,063	324,767,143
County of Fairfax, VA	1,240,850,321	2,168,208	1,603,329	-	130,000,000	1,374,621,858
Charges for Services:						
Tuition and fees	5,630,919	-	3,169,985	6,859,140	-	15,660,044
Food sales	-	36,273,101	-	-	-	36,273,101
Revenue from the use of money and property	2,527,557	78,503	-	18,919	-	2,624,979
Recovered costs	27,069,379	-	-	-	252,310	27,321,689
Other	4,695,131	-	484,162	9,331	3,943,856	9,132,480
Total revenues	1,632,724,105	54,999,037	35,619,327	8,772,588	135,132,229	1,867,247,286
<b>EXPENDITURES</b>						
Current:						
Instruction:						
Regular	919,236,541	-	45,100,455	-	-	964,336,996
Special	273,645,334	-	1,076,982	-	-	274,722,316
Professional technical studies	35,801,885	-	-	-	-	35,801,885
Adult education	2,566,387	-	-	9,399,911	-	11,966,298
Other	15,575,414	-	4,247,422	878,218	-	20,701,054
Support services:						
Administration, attendance and health	87,261,032	-	469,790	-	-	87,730,822
Food operations	-	54,353,158	-	-	-	54,353,158
Student transportation	83,697,259	-	1,894,506	-	-	85,591,765
Operations and maintenance	162,996,330	-	-	-	20,161,219	183,157,549
Facilities	7,270,829	-	47,268	-	-	7,318,097
Capital outlay	8,647,862	136,344	415,900	86,068	117,674,512	126,960,686
Capital leases and installment purchases	22,818,160	-	-	-	-	22,818,160
Total expenditures	1,619,517,033	54,489,502	53,252,323	10,364,197	137,835,731	1,875,458,786
<b>Excess (deficiency) of revenues over (under) expenditures</b>	13,207,072	509,535	(17,632,996)	(1,591,609)	(2,703,502)	(8,211,500)
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	-	-	19,071,530	1,200,131	11,152,388	31,424,049
Transfers out	(31,764,210)	-	-	-	-	(31,764,210)
Capital leases and installment purchases	22,818,160	-	-	-	-	22,818,160
Total other financing sources (uses)	(8,946,050)	-	19,071,530	1,200,131	11,152,388	22,477,999
Net change in fund balances	4,261,022	509,535	1,438,534	(391,478)	8,448,886	14,266,499
Fund balances July 1, 2003	105,906,287	9,797,485	5,326,446	2,051,626	(6,477,429)	116,604,415
Increase in reserve for inventories	-	307,144	-	-	-	307,144
Fund balances June 30, 2004	\$ 110,167,309	10,614,164	6,764,980	1,660,148	1,971,457	131,178,058

See accompanying notes to basic financial statements

**Fairfax County Public Schools  
 Reconciliation of Statement of Revenues, Expenditures,  
 and Changes in Fund Balances to the Statement of Activities  
 For the Fiscal Year Ended June 30, 2004**

**Exhibit D-1**

Net change in fund balances - total governmental funds \$ 14,266,499

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

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

Capital outlay	\$ 126,960,686	
New capital leases-capital outlay	15,889,735	
Depreciation expense	<u>(73,895,902)</u>	68,954,519

Donations of capital assets increase net assets in the statement of activities, but do not appear in the governmental funds because they are not financial resources. 2,505,773

Loss on disposal of capital assets is reported in the statement of activities. However, in the governmental funds, only the proceeds from sales are reported, which increase the fund balance. Thus, the difference is the depreciated cost of the capital assets disposed. (611,556)

Principal payments on capital leases are reported as an expenditure in governmental funds. However, the principal payments reduce the liabilities in the statement of net assets and do not result in an expense in the statement of activities. 14,500,330

Proceeds from the issuance of long-term debt are reported as other financing sources in the governmental funds, increasing fund balance. In the government-wide statements, new debt increases long-term liabilities in the statement of net assets and does not affect the statement of activities. This represents principal amounts of new capital leases. (22,818,160)

In the government-wide statements, inventory changes impact the net assets. Inventory is recorded as an expenditure in the governmental funds statements as purchased. These expenditures are not adjusted for the net change in inventory. 307,144

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. (1,067,190)

Internal service funds are used by management to provide certain goods and services to governmental funds. The change in net assets of these funds is reported within governmental activities in the statement of activities. 7,253,626

Some revenues will not be collected soon enough to pay for the current period's expenditures and, therefore, are reported as deferred revenue in the funds. (315,437)

Current year revenue from County for deferred teachers' salaries and benefits. (1,621,364)

Change in net assets of governmental activities \$ 81,354,184

See accompanying notes to basic financial statements

**Fairfax County Public Schools  
Statement of Net Assets  
Proprietary Funds  
June 30, 2004**

**Exhibit E**

	<b>Governmental Activities Internal Service Funds</b>
<b>ASSETS</b>	
Current assets:	
Cash on deposit with County of Fairfax, VA	\$ 60,530,271
Accrued interest	50,771
Inventories	2,482,897
Total current assets	<u>63,063,939</u>
Noncurrent assets:	
Capital assets, net	
Equipment	112,971
Accumulated depreciation	(32,798)
Total capital assets	<u>80,173</u>
Total assets	<u>63,144,112</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	3,401,524
Accrued salaries and withholdings	4,183
Interfund payable	2,000,000
Deferred revenue	4,480,429
Actuarial claims payable	18,765,809
Total current liabilities	<u>28,651,945</u>
Noncurrent liabilities:	
Actuarial claims payable	10,345,845
Total noncurrent liabilities	<u>10,345,845</u>
Total liabilities	<u>38,997,790</u>
<b>NET ASSETS</b>	
Invested in capital assets	80,173
Unrestricted	24,066,149
Total net assets	<u>\$ 24,146,322</u>

See accompanying notes to basic financial statements



**Fairfax County Public Schools  
Statement of Revenues, Expenses,  
and Changes in Fund Net Assets  
Proprietary Funds  
For the Fiscal Year Ended June 30, 2004**

**Exhibit E-1**

	<b>Governmental Activities Internal Service Funds</b>
<b>Operating revenues:</b>	
Charges for services	\$ 179,671,942
<b>Operating expenses:</b>	
Salaries and wages	1,648,418
Cost of goods sold	10,540,220
Claims and benefits	152,153,703
Professional consultant services	8,207,406
Other operating expenses	544,048
Depreciation	10,409
Total operating expenses	<u>173,104,204</u>
Operating income	6,567,738
<b>Non-operating revenues:</b>	
Interest revenue	<u>345,727</u>
Income before operating transfers	6,913,465
Transfers in	<u>340,161</u>
Change in net assets	7,253,626
Total net assets - July 1, 2003	<u>16,892,696</u>
Total net assets - June 30, 2004	<u><u>\$ 24,146,322</u></u>

See accompanying notes to basic financial statements

**Fairfax County Public Schools  
Statement of Cash Flows  
Proprietary Funds  
For the Fiscal Year Ended June 30, 2004**

**Exhibit E-2**

	<b>Governmental Activities Internal Service Funds</b>
	<hr/>
<b>Cash flows from operating activities:</b>	
Receipts from interfund services provided	\$ 181,105,363
Payments to employees	(1,644,235)
Payments to vendors for inventory	(10,248,576)
Payments for claims and health benefits	(151,842,869)
Payments for professional services	(8,237,179)
Payments for other operating expenses	(544,048)
Net cash provided by operating activities	<u>8,588,456</u>
<b>Cash flows from noncapital financing activities:</b>	
Transfers from other funds	<u>340,161</u>
Net cash provided by noncapital financing activities	340,161
<b>Cash flows from capital and related financing activities:</b>	
Purchase of capital assets	<u>(8,773)</u>
Net cash used by capital and related financing activities	(8,773)
<b>Cash flows from investing activities:</b>	
Interest received	<u>328,672</u>
Net cash provided by investing activities	<u>328,672</u>
Net increase in cash and cash equivalents	9,248,516
Cash and cash equivalents, July 1, 2003	<u>51,281,755</u>
<b>Cash and cash equivalents, June 30, 2004</b>	<u><u>\$ 60,530,271</u></u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income	\$ 6,567,738
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	10,409
Decrease in inventories	739,924
Decrease in accounts payable	(378,053)
Increase in accrued salaries and withholding	4,183
Decrease in interfund payable	(100,000)
Increase in deferred revenue	1,433,421
Increase in actuarial claims payable	<u>310,834</u>
Total adjustments to operating income	<u>2,020,718</u>
Net cash provided by operating activities	<u><u>\$ 8,588,456</u></u>

See accompanying notes to basic financial statements

**Fairfax County Public Schools  
Statement of Fiduciary Net Assets  
Fiduciary Funds  
June 30, 2004**

**Exhibit F**

	<b>Pension Trust</b>	<b>Student Activity</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 228,013	\$ 14,703,164
Cash with fiscal agent	142,920	-
Cash collateral for securities on loan	91,993,858	-
Short-term investments	45,640,515	-
Receivables:		
Accounts	13,432,444	443,930
Accrued interest	3,290,335	-
Investments, at fair value:		
U.S. government obligations	25,156,749	-
Mortgage-backed securities	7,953,952	-
Bonds	87,868,180	-
Stocks	902,077,331	-
Mutual funds	461,790,501	-
Inventories	-	176,763
Prepaid expenses	52,723	-
Total assets	<u>1,639,627,521</u>	<u>15,323,857</u>
<b>LIABILITIES</b>		
Accounts payable	1,059,443	1,093,715
Payable for purchase of pension investments	18,454,105	-
Liability for collateral received under securities lending agreements	91,993,858	-
Due to student groups	-	14,230,142
Total liabilities	<u>111,507,406</u>	<u>\$ 15,323,857</u>
<b>NET ASSETS</b>		
Held in trust for pension benefits	<u>\$ 1,528,120,115</u>	

See accompanying notes to basic financial statements

**Fairfax County Public Schools  
Statement of Changes in Fiduciary Net Assets  
Pension Trust Fund  
For the Fiscal Year Ended June 30, 2004**

**Exhibit F-1**

**ADDITIONS**

Contributions:	
Employer	\$ 37,331,203
Plan members	22,340,870
Total contributions	<u>59,672,073</u>
Investment income:	
Net appreciation in fair value of investments	198,465,315
Interest and dividends	40,712,655
Securities lending	1,254,970
Other	113,982
Total investment income	<u>240,546,922</u>
Less investment expense:	
Investment fees and other	5,815,622
Securities lending	923,336
Total investment expenses	<u>6,738,958</u>
Net investment income	<u>233,807,964</u>
Total additions	<u>293,480,037</u>

**DEDUCTIONS**

Benefit payments	110,236,424
Refund of contributions	1,996,947
Administrative expenses	2,918,778
Total deductions	<u>115,152,149</u>
Change in net assets	178,327,888
Net assets - July 1, 2003	<u>1,349,792,227</u>
Net assets - June 30, 2004	<u><u>\$1,528,120,115</u></u>

See accompanying notes to basic financial statements

**I. Summary of Significant Accounting Policies**

Fairfax County Public Schools (FCPS) is a corporate body operating under the constitution of the Commonwealth of Virginia and the *Code of Virginia*. The twelve voting members of the School Board are elected by the citizens of Fairfax County (County) to serve 4-year terms. Each of the County's nine magisterial districts has a member who represents its constituents. There are three at large members and a non-voting student member selected by a countywide student advisory council to serve a one-year term. 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.

**A. Reporting Entity**

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure the basic financial statements are not misleading. The primary government for FCPS includes the general fund, three special revenue funds and the capital projects fund. FCPS is not financially accountable for any legally separate organizations; therefore, it has no component units. However, because FCPS is fiscally dependent on the County and its operations are primarily funded by payments from the County's general fund, it is considered a component unit of the County.

The financial statements of FCPS are prepared in conformity with accounting principles generally accepted in the United States of America as applicable to governmental units (GAAP). The Governmental Accounting Standards Board (GASB) is the standard setting body for establishing governmental accounting and financial reporting principles.

**B. Basis of Financial Statement Presentation**

The basic financial statements consist of the government-wide statements, including the statement of net assets and the statement of activities, fund financial statements, which provide more detailed financial information, and notes to the basic financial statements which provide detailed narrative information.

**Government-wide financial statements**

The statement of net assets and the statement of activities present financial information about FCPS as a whole. These statements include the financial activity of the FCPS primary government, except the fiduciary funds. The activities of the internal service funds are eliminated to avoid duplicate reporting of revenues and expenses. In accordance with GASB reporting requirements, activities are reported in these statements as either governmental or business type. Primary activities of FCPS are categorized as solely governmental in nature.

The statement of net assets presents the overall financial condition of FCPS at year-end. 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 net revenue or expense shows whether the function is self-supporting or relying on general revenue funding sources. The direct expenses are those that are clearly identifiable to particular functions. FCPS includes indirect costs as program expenses within the functional activities.

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 are received as payments from the County, as well as certain unrestricted amounts received from the Commonwealth of Virginia and the Federal government.

### ***Fund financial statements***

In order to provide budgetary controls and maintain legal compliance, FCPS records transactions in separate funds. The fund statements provide information at a more detailed level. All FCPS governmental funds have been deemed major; therefore, each is presented in a separate column. The internal service fund is presented in the proprietary fund statements. The fiduciary funds are reported by type (i.e., Pension Trust and Student Activity).

## **C. Fund Accounting**

Financial transactions and accounts of FCPS are maintained on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts. Each fund reports cash and other financial resources together with all related liabilities and residual equities or balances, and changes therein. There are three categories of funds: governmental, proprietary and fiduciary.

### ***Governmental Funds***

**General Fund:** The General Fund (hereafter referred to as the Operating Fund) is FCPS' 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, whose expenditures are restricted for a specified purpose. 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.

**Capital Projects Fund:** This 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.

### ***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, within the school district, 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 workers' compensation.

### ***Fiduciary Funds***

Pension Trust Fund: The trust fund is 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.

Agency Fund: The Student Activity 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. Measurement Focus***

### ***Government-wide Financial Statements***

The government-wide financial statements are presented using an economic resources measurement focus. All assets and liabilities are shown in the statement of net assets; therefore, the non-current assets (i.e., land, buildings, improvements, and long term accounts receivable) as well as the long-term liabilities (i.e., capital lease liabilities) are included in this statement.

The statement of activities presents the degree to which expenses are offset by program revenues for a specific program or function of FCPS. Program revenues include charges for services, operating grants and contributions and capital grants and contributions. Grants and contributions from the County, the Commonwealth of Virginia, and the Federal Government, which are not restricted for specific purposes, are presented as general revenues. Revenue from the use of money and property and insurance recoveries are also presented as general revenues.

### ***Fund Financial Statements***

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 current financial resources. Since the governmental fund statements are presented on a different measurement focus than the government-wide statements, a schedule of 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.

All proprietary funds and fiduciary funds are accounted for on the economic resources measurement focus. All assets and liabilities associated with the operation of these funds are included on the statement of net assets. Proprietary fund equity (i.e., net total assets) is segregated into unrestricted assets and those invested in capital assets. The proprietary fund operating statement presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The operating revenue is charges for services; the cost to provide these services is reported as operating expenses. Non-operating revenue is generated from financing and investing type activities. The statement of cash flows reflects how FCPS finances the cash requirements of its proprietary activities.

In preparing the financial statements of the proprietary funds, FCPS has elected not to apply the option of paragraph 7 of GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting.* Therefore, FCPS has applied all Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, except those that conflict with or contradict GASB pronouncements.

### **E. Basis of Accounting**

The basis of accounting determines when transactions are recorded as financial transactions and reported in the financial statements. The government-wide financial statements are reported using the accrual basis of accounting. All governmental funds use the modified accrual basis of accounting. The proprietary and fiduciary funds also use the accrual basis of accounting. The difference in the basis of accounting relates to how revenue is recognized, how deferred revenue is recorded and whether FCPS reports expenses or expenditures.

#### **Revenues**

Revenue for exchange transactions is recorded on the accrual basis. Non-exchange transactions are recorded on the modified accrual basis, that is, revenue is recorded in the fiscal year in which the resources are measurable and expected to be collected by fiscal year end or soon enough thereafter to be used to pay current liabilities. FCPS uses 60 days after fiscal year end for its funds availability criteria. Non-exchange transactions, where FCPS either gives or receives value without directly receiving or giving equal value in exchange, include grants and donations. These revenues are recognized in the fiscal year in which all eligibility requirements have been satisfied. The effect of interfund revenue has been eliminated from these statements.

FCPS' primary revenues are payments from the County and receipts from the Commonwealth of Virginia. These are considered general revenues and are recognized in the period received. Revenue from general-purpose grants is recognized as general revenues in the period to which the grant applies. In the governmental fund financial statements, revenue for specific purposes (i.e., federal, state, and other grants) is recognized as program revenue when earned. 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.

Operating revenue in the proprietary funds is revenue that is earned from charges for services provided to other departments on a cost reimbursement basis. The non-operating revenue of these funds does not require a good or service to be delivered. The primary source for non-operating revenues is interest income.

#### **Deferred Revenue**

Deferred revenue results when funds are received before the revenue recognition criteria have been met. FCPS has several types of deferred revenue. The Operating Fund receives annual funding from the County for the unfunded liability related to educational employees' salaries and benefits. The Grants and Self-Supporting Programs Fund and the Adult and Community Education Fund record deferred revenue for advance tuition payments for Summer School classes. Deferred revenue in the Health Benefits Trust Fund represents coverage for the months of July and August withheld in advance from teachers' salaries.



## **Expenses/Expenditures**

In the accrual basis of accounting, expenses are recorded when incurred. In governmental fund accounting, decreases in net financial resources are reported as expenditures rather than expenses. Expenditures are reported in the fiscal year when the related fund liability is incurred, except that certain general long-term obligations, such as compensated absences, are recognized only to the extent they have matured. Depreciation and amortization, which are allocations of cost, are not recorded in the governmental funds.

## **F. 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 30, 2004, 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 year, which could not be invested in the enhanced cash fund until July 1, 2004.

On a monthly basis, the County allocates to individual funds any investment earnings less an administrative charge based on the average balance in pooled cash and investments. County policy only allows interest to be allocated to the Food and Nutrition Services Fund, the Adult and Community Education Fund, the Health Benefits Trust Fund, and the Pension Trust Fund. For FY 2004, interest earned by other FCPS funds assigned directly to the County's General Fund totaled \$1.4 million.

Cash in the student activity funds 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.*"

## **G. 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. 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.

## **H. Inventories**

Inventories in the Internal Service Fund are valued and carried on a weighted average unit cost basis. The Food and Nutrition Services Fund values and carries its inventory on a cost basis. The consumption method of accounting for inventory is used in the government-wide statements as well as in the internal service funds. Under this method, inventory items are expensed as operating supplies and material as consumed. The purchase method of accounting for inventory is used in the governmental funds. Under this method, inventory items are expensed when purchased. In the governmental funds, the inventory of the Food and Nutrition Services, which consists of perishable and non-perishable food products, is fully reserved in the fund balance. The Internal Service inventory is comprised of expendable supplies held for consumption.

## **I. 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 greater than one year, 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, capital assets are recorded at acquisition cost or if it is not readily available, at estimated historical cost. Donated assets are recorded at their fair market value at the time of receipt. Assets acquired through capital lease agreements are recorded at their total financed amount, as stated in the lease's amortization schedule.

All reported capital assets except land and construction in progress are depreciated. The straight-line depreciation method is used over 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; 5 years for library collections; and 8 years for licensed vehicles (i.e., school buses and cars). Accumulated depreciation is recorded as a reduction to the capital assets.

## **J. Compensated Absences**

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

All compensated absences are accrued as a liability in the government-wide financial statements. The 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).

In accordance with GASB Interpretation 6, a compensated absences liability is recognized as a governmental fund liability and expenditure when payments come due each period upon the occurrence of relevant events. FCPS' fund liability pertains to those employees who retired and/or resigned, and have not received payment for their accrued annual leave as of June 30, 2004. In addition, employee-earned salary-related liabilities that have not been paid, or the best estimate thereof, including certain employer related fringe benefits, are also recorded as a fund liability.

**K. *Accrued Liabilities and Long-term Obligations***

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements as well as in the proprietary fund financial statements. The long-term liabilities are segregated between those due within one year and those due beyond one year.

Payables and accrued liabilities that will be paid from current financial resources are reported as obligations of the funds. Any long-term obligations, such as claims and judgments, due for payment during the current fiscal year are recorded as liabilities of the governmental funds.

**L. *Net Assets***

Net assets represent the difference between assets and liabilities in the government-wide and proprietary fund financial statements. The net assets of FCPS fall into two categories: net assets invested in capital assets, net of related debt, and unrestricted net assets. The first category represents the portion of net assets related to capital assets, net of accumulated depreciation, reduced by the outstanding capital lease obligations to acquire these assets. The remaining net assets are reported as unrestricted.

**M. *Encumbrances***

FCPS uses encumbrance accounting where purchase orders, contracts and other commitments for the expenditure of funds are reported as a reservation of fund balance. Encumbrances represent the estimated amount of expenditures to result if open purchase orders and unfinished contracts were completed. Encumbrances for the Capital Projects Fund do not lapse until the projects are completed and are reported as a reservation of fund balance at year-end. Funding for all other encumbrances lapse at year-end and require reappropriation by the School Board. These are shown as reservation of fund balance to indicate they may not be available for other financing purposes.

**N. *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 in the governmental funds financial statements. For FY 2004, the reimbursement approximated \$27 million.

**O. *Use of Estimates***

The presentation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

**P. *Tax Status***

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

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

The reconciling differences were a result of the 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. Detailed Notes on All Funds**

### **A. Deposits**

At June 30, 2004, the majority of FCPS deposits are held by the County in its investment pool. The deposits of the Student Activity fund are held in local school accounts in checking and 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.

## **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 with other states
- 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.

As permitted by the Code described above, ERFC invests in derivative instruments on a limited basis in accordance with Board of Trustees' policy. These investments allow the system to increase earnings and/or hedge against potential losses. There are inherent risks associated with derivative investments including market risk resulting from fluctuations in interest and currency rates and credit worthiness of counter parties and mortgages. Investment managers are required to obtain specific authorization from the Board of Trustees to purchase securities on margin or leverage.

During the fiscal year, consistent with standard accounting principles guidelines, ERFC invested in the following derivatives that were not reported on the financial statements as of June 30, 2004: money market futures, government futures, and options. Additional details on these off-balance sheet derivatives follows:

Money market futures are used to manage interest rate exposure at the short end of the yield curve. At June 30, 2004, the notional value and market value of these futures were approximately \$34,750,000 and \$33,697,000, respectively. The effective dates of these contracts range from June 30, 2003, through September 30, 2003, with maturity dates ranging from March 31, 2005, to June 30, 2005.

Government futures are an inexpensive substitute for government securities and are 100% backed by cash equivalent securities to replicate government bond positions. At June 30, 2004, the notional value and market value of these futures were approximately \$43,450,000 and \$43,186,000, respectively, with effective dates of April 27, 2004 and June 23, 2004, respectively and a maturity date of September 30, 2004.

Options are financial instruments that, in exchange for an option price, give the owner the right to purchase or sell a financial asset at a specified price within a specified timeframe or on a specified date. Options are utilized to manage interest rates and/or manage the volatility exposure of the portfolio. At June 30, 2004, the notional value and market value of the options were approximately \$20,900,000 and \$10,915, respectively, with effective dates from February 4, 2004 to May 21, 2004, and maturity dates from July 19, 2004, to August 27, 2004.

At June 30, 2004, investments in derivatives, including mutual funds, on the financial statements represented 3.0 percent of the total market value of the ERFC portfolio. Throughout the fiscal year, investments in derivatives ranged from 1.4 percent to 6.0 percent of the total portfolio and included collateralized mortgage obligations (CMOs) and asset backed securities.

The Board of Trustees policies permit ERFC to lend certain securities to approved brokers/dealers for collateral in the form of cash or other securities specified in the securities lending agreement. The pension fund's custodian is the agent in the lending program. Collateral must be provided in the amount of 102 percent of the market value for domestic securities and 105 percent for international securities. ERFC did not impose any restrictions during the period on the amount of loans the custodian made on its behalf. The custodian provides for full indemnification to ERFC for any losses that might occur in the program due to the failure of a broker/dealer to return a borrowed security or failure to pay the income earned on the securities while on loan. The market value of the 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 75/25 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 \$91,993,858 as of June 30, 2004. As of June 30, 2004, the market value of securities on loan is \$89,314,063. 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.

Pension Fund investments at June 30, 2004 were as follows:

	<u>Carrying Amount</u>
Short-term investments	
Commercial paper	\$ 1,891,890
Corporate fixed income securities	14,350,114
U.S. government obligations on securities loan for securities collateral	269,797
Mortgage-backed securities	7,953,952
Common stock	841,035,842
U.S. government obligations Not on securities loan	2,707,630
On securities loan for securities collateral	1,093,125
Preferred stock	3,933,464
Other bonds and notes	79,494,421
Subtotal	<u>952,730,235</u>

	Carrying Amount (con't)
Mutual funds	461,790,501
Cash collateral for securities on loan	91,993,858
Investments held under securities loan with cash collateral:	
Short-term investments	1,113,363
Common stock	57,108,025
U.S. government securities	21,355,994
Other bonds and notes	<u>8,373,759</u>
Total investments held under securities loans with cash collateral	<u>87,951,141</u>
Total	<u>\$ 1,594,465,735</u> <sup>1</sup>

**Reconciliation to investments on Statement of Fiduciary Net Assets**

	\$1,594,465,735
Less short-term investments:	
Cash collateral for securities on loan	(91,993,858)
Short-term investments not on securities loan	(16,242,004)
Short-term investments on securities loan for non-cash collateral	(269,797)
Short-term investments on securities loan for cash collateral	<u>(1,113,363)</u>
Investments on Statement of Fiduciary Net Assets	<u>\$1,484,846,713</u>

<sup>1</sup> Investment in money market funds of \$28,015,351 is not included in the above schedules.

ERFC's pension fund investments are required to be categorized to indicate the level of risk assumed by the entity as of June 30, 2004. 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, the short-term collateral investment pool and the securities on loan for which cash collateral is invested in the collateral investment pool are not categorized due to their nature. All other ERFC investments meet the Category 1 criteria.

### C. Due From Intergovernmental Units

Amounts due from other governments at June 30, 2004 were:

	Federal	State	Other Jurisdictions	Total	County
Operating Fund	\$ 5,301,492	11,512,636	106,119	16,920,247	3,242,728
Food and Nutrition Services	925,000	-	-	925,000	153,072
Grants & Self-Supporting Programs	11,696,485	3,721,664	4,246	15,422,395	148,211
Adult and Community Education	14,679	-	-	14,679	-
<b>Total</b>	<b>\$ 17,937,656</b>	<b>15,234,300</b>	<b>110,365</b>	<b>33,282,321</b>	<b>3,544,011</b>

Amounts due from the Federal government are attributed primarily to the Individuals with Disabilities Education Act (IDEA) in the Operating Fund and to the Titles I, II and III 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 III 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 based on school-age population. The receivable from the Commonwealth of Virginia in the Grants and Self-Supporting Programs represents FCPS' allocation of the Virginia Public School Authority Educational Technology note proceeds. These proceeds are available to school divisions for qualified technology expenditures.

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 fiscal year 1984. The County Board of Supervisors decided to fund this liability over a period of ten years. In fiscal year 1991, the County experienced severe budget constraints and suspended payments until the County's financial position improved. During fiscal year 1996, the County agreed to pay the remaining \$16,213,640 over a ten-year period; a payment of \$1,621,364 was made during fiscal year 2004. At June 30, 2004, the \$3,242,728 receivable from the County represents the remaining unfunded liability, which is offset by corresponding deferred revenue in the fund financial statements. 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. Interfund Receivables, Payables, and Transfers**

The composition of interfund receivable and payable balances as of June 30, 2004 is as follows:

Fund	Interfund Receivables	Interfund Payables
Operating Fund	\$ 8,300,000	-
Grants & Self-Supporting Programs	-	6,300,000
Internal Service	-	2,000,000
	\$ 8,300,000	8,300,000

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

The breakdown of interfund transfers as of June 30, 2004 is as follows:

Transfer To (Fund)	Transfer From (Fund) Operating
Grants & Self-Supporting Programs	\$ 19,071,530
Adult and Community Education	1,200,131
Capital Projects	11,152,388
Internal Service	340,161
<b>Total</b>	<b>\$ 31,764,210</b>

The purposes for the interfund transfers were:

- Operating Fund transfers of \$19,071,530 to the Grants and Self-Supporting Programs Fund represent funds required to cover increased summer school expenditures especially those related to preparation for the Virginia Standards of Learning exams.
- Operating Fund transfers of \$1,200,131 to the Adult and Community Education Fund represent funds needed to subsidize the English for Speakers of Other Languages (ESOL) programs.
- Operating Fund transfers of \$11,152,388 to the Capital Projects Fund represent funds required for building maintenance, classroom equipment and facility modifications.
- Operating Fund transfers of \$340,161 to the Internal Service Fund represent the savings in the employer's share of FICA resulting from the increase in employee participation in Flexible Spending Accounts, which is a pre-tax payroll deduction.

**E. Capital Assets**

A summary of capital asset activity for fiscal year 2004 is as follows:

	Balance July 1, 2003	Additions	Deductions	Balance June 30, 2004
Non-depreciable capital assets:				
Land	\$ 46,818,517	94,880	-	46,913,397
Construction in progress	291,484,223	117,570,470	(160,604,945)	248,449,748
Total capital assets not depreciated	<u>338,302,740</u>	<u>117,665,350</u>	<u>(160,604,945)</u>	<u>295,363,145</u>
Depreciable capital assets:				
Land improvements	18,299,158	4,592,610	-	22,891,768
Buildings	748,370,554	54,563,978	-	802,934,532
Building improvements	808,130,254	101,353,478	-	909,483,732
Library materials/collections	24,385,069	4,649,671	-	29,034,740
Equipment	137,821,169	23,144,824	(7,043,149)	153,922,844
Total depreciable capital assets	<u>1,737,006,204</u>	<u>188,304,561</u>	<u>(7,043,149)</u>	<u>1,918,267,616</u>
Less accumulated depreciation:				
Land improvements	2,955,739	842,435	-	3,798,174
Buildings	299,056,265	15,235,344	-	314,291,609
Building improvements	219,612,140	40,913,612	-	260,525,752
Library materials/collections	13,285,399	3,627,190	-	16,912,589
Equipment	76,833,240	13,287,730	(6,431,593)	83,689,377
Total accumulated depreciation	<u>611,742,783</u>	<u>73,906,311</u>	<u>(6,431,593)</u>	<u>679,217,501</u>
Depreciable capital assets, net	<u>1,125,263,421</u>	<u>114,398,250</u>	<u>(611,556)</u>	<u>1,239,050,115</u>
Total net capital assets	<u>\$1,463,566,161</u>	<u>232,063,600</u>	<u>(161,216,501)</u>	<u>1,534,413,260</u>

Depreciation was charged to governmental functions/programs as follows:

**Depreciation Expense**

Instruction:	
Regular	\$61,055,203
Special	940,034
Professional technical studies	49,024
Adult education	16,950
Administration, attendance and health	1,336,932
Food operations	968,925
Student transportation	8,380,943
Operations and maintenance	794,013
Facilities	364,287
Total	<u>\$73,906,311</u>

## F. 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, 2004.

	Balance July 1, 2003	Additions	Deductions	Balance June 30, 2004	Due within One Year
Compensated absences	\$ 23,498,090	15,636,006	14,568,816	24,565,280	16,704,391
Capital leases	27,979,053	22,818,160	14,500,330	36,296,883	12,032,265
Actuarial claims payable	28,800,820	152,153,703	151,842,869	29,111,654	18,765,809
Total	\$ 80,277,963	190,607,869	180,912,015	89,973,817	47,502,465

Internal service funds predominantly serve the governmental funds. Accordingly, their long-term liabilities are included as part of governmental activities. The compensated absences, capital leases, and actuarial claims payable are generally liquidated from the Operating Fund.

## G. Capital Leases

FCPS has entered into lease agreements as lessee for school buses, other vehicles, trailers, facility modifications, and computers and photocopy equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. These leases are under non-cancelable agreements that expire at various times through fiscal year 2008. There are no capital leases, which extend beyond 2008.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2004, were as follows:

<u>Fiscal Year</u>	<u>Principal</u>
2005	\$ 13,316,442
2006	12,148,412
2007	8,681,377
2008	4,881,762
Total minimum obligations	39,027,993
Less portion representing interest	2,731,110
Present value of minimum obligations	<u>\$ 36,296,883</u>

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

<b>Asset Class</b>	<b>Acquisition Cost</b>	<b>Accumulated Depreciation</b>	<b>Net</b>
Capital assets:			
Buses	\$ 34,216,878	10,753,603	23,463,275
Other vehicles	3,592,416	789,857	2,802,559
Parkos/trailers	728,799	43,052	685,747
Personal computers	19,581,484	-	19,581,484 *
Non capital equipment	2,370,957	-	2,370,957 *
Software	1,105,512	-	1,105,512 *
<b>Total</b>	<b>\$ 61,596,046</b>	<b>11,586,512</b>	<b>50,009,534</b>

\*These leases are for items under the \$5,000 capitalization threshold.

#### **H. Operating Leases**

FCPS has obligations under several long-term lease agreements in connection with leases related to real estate and equipment. Most of the real estate leases contain a provision for an annual increase of from 3 to 5 percent. For fiscal year 2004, the total expenditures for these operating leases approximated \$9,721,000.

At June 30, 2004, annual operating lease commitments are as follows:

<b>Fiscal Year</b>	<b>Real Estate</b>	<b>Equipment</b>
2005	\$ 2,433,475	7,294,889
2006	2,077,978	4,931,442
2007	1,769,575	2,648,508
2008	1,526,795	2,072,508
2009	1,205,987	1,737,682
2010-2015	373,865	7,017,040
<b>Total</b>	<b>\$ 9,387,675</b>	<b>25,702,069</b>

#### **I. Construction commitments**

At June 30, 2004 FCPS had contractual commitments of \$120,075,080 in the Capital Projects Fund for construction of various projects.

## IV. Other information

### A. Risk Management

The 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. The FCPS maintains self-insurance internal service funds for workers' compensation claims, certain property and casualty risks, and 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.

In addition to the self-insurance program, the FCPS carries commercial property insurance, surety bonds, fiduciary insurance and catastrophic medical insurance (for Virginia High School League Student participants only). In the past three fiscal years, settled claims have not exceeded any of the commercial coverage.

Changes in the balances of claims liabilities during fiscal years 2003 and 2004 were as follows:

	Insurance	Health Benefits
July 1, 2002 liability balance	\$ 15,625,553	10,400,000
Claims and changes in estimates	5,888,946	125,336,897
Claims payments	(5,913,679)	(122,536,897)
June 30, 2003 liability balance	15,600,820	13,200,000
Claims and changes in estimates	7,250,815	144,902,888
Claims payments	(8,133,981)	(143,708,888)
June 30, 2004 liability balance	\$ 14,717,654	14,394,000

### B. 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.

### 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 principal or interest on any debt incurred on FCPS' behalf, the debt is shown in the County's government-wide financial statements.

#### **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, 2004, management believes that the amount of loss, if any, is not material to FCPS government-wide statement of net 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, except for one grant for which the maximum potential disallowed cost has been estimated not to exceed \$1.6 million.

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

FCPS employees participate in ERFC, the Fairfax County Employees' 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 and ERFC 2001 are legally separate single-employer defined benefit pension plans established under the *Code of Virginia* and 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 cost-of-living increases of 3 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 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 to ERFC and ERFC 2001 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 both ERFC Plan Documents. The ERFC and ERFC 2001 provide 12 types of benefit payments. ERFC's minimum eligibility requirements 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. The minimum eligibility requirements for full benefits for ERFC 2001 are reaching age 60 with 5 years of service or any age with 30 years of service. A description of each of the 12 types of benefit payments is contained in the annual actuarial valuation report.

The 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 and ERFC 2001 members are established and may be amended by the ERFC Board of Trustees with the approval of the School Board. 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 their covered salaries. To determine the employer contribution rates, and to assess the extent to which the fundamental financial objective is being achieved, the 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. In fiscal year 2004, the employer actuarially determined contribution rate increased from 4.0 to 4.29 percent of annual covered payroll.

The following is a schedule of employer contributions for fiscal years ended 2002 through 2004.

#### **Schedule of Employer Contributions**

Fiscal Year Ended June 30	Annual Required Contribution	Percentage Contributed
2002	\$ 30,849,067	100 %
2003	34,506,630	100
2004	37,331,203	100

### **Annual Pension Cost**

For each of the years ended June 30, 2004, 2003, and 2002, FCPS' annual pension cost of \$37,331,203, \$34,506,630 and \$30,849,067, respectively, was equal to its required and actual contributions. The required contribution for FY 2004 was determined as part of the June 30, 2003, 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, 2003, was 30 years.

## Concentrations

The ERFC does not have investments (other than U.S. Government and U.S. Government guaranteed obligations) in any one organization that represent 5 percent or more of net plan assets available for plan benefits.

## Required Supplementary Information

Three-year historical trend information about the ERFC is presented below 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)**  
(in thousands)

Actuarial Valuation Date	Actuarial Value of Assets {a}	Actuarial Accrued Liability AAL-Entry Age {b}	(Excess of Assets) Unfunded AAL (UAAL) {b-a}	Funded Ratio {a/b}	Covered Payroll {c}	(Excess of Assets) UAAL as a Percentage of Covered Payroll {{b-a}/c}
6/30/2001	\$ 1,599,219	\$ 1,552,558	\$ (46,661)	103.00 %	\$ 759,906	-6.14 %
6/30/2002	1,619,889	1,693,956	74,067	95.63	781,756	9.47 %
6/30/2003	1,597,459	1,772,418	174,959	90.13	866,502	20.19 %

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 Employees' 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 Fairfax County 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 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 4 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 4 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 fiscal year 2004 was 6.13 percent of annual covered payroll. This rate was established by the County Board of Supervisors to cover the actuarially-determine normal cost plus administrative expenses of the ERS. In the event the ERS's funded ratio (the ratio of the actuarial value of assets to the actuarial accrued liability) exceeds 120 percent or falls below 90 percent, the contribution rate will be adjusted to bring the funded ratio back within these parameters. The FCPS' contributions to the ERS for fiscal year 2004 was \$9,298,777, while contributions for fiscal years 2003 and 2002 were \$8,521,497 and \$8,283,130, 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, the 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.

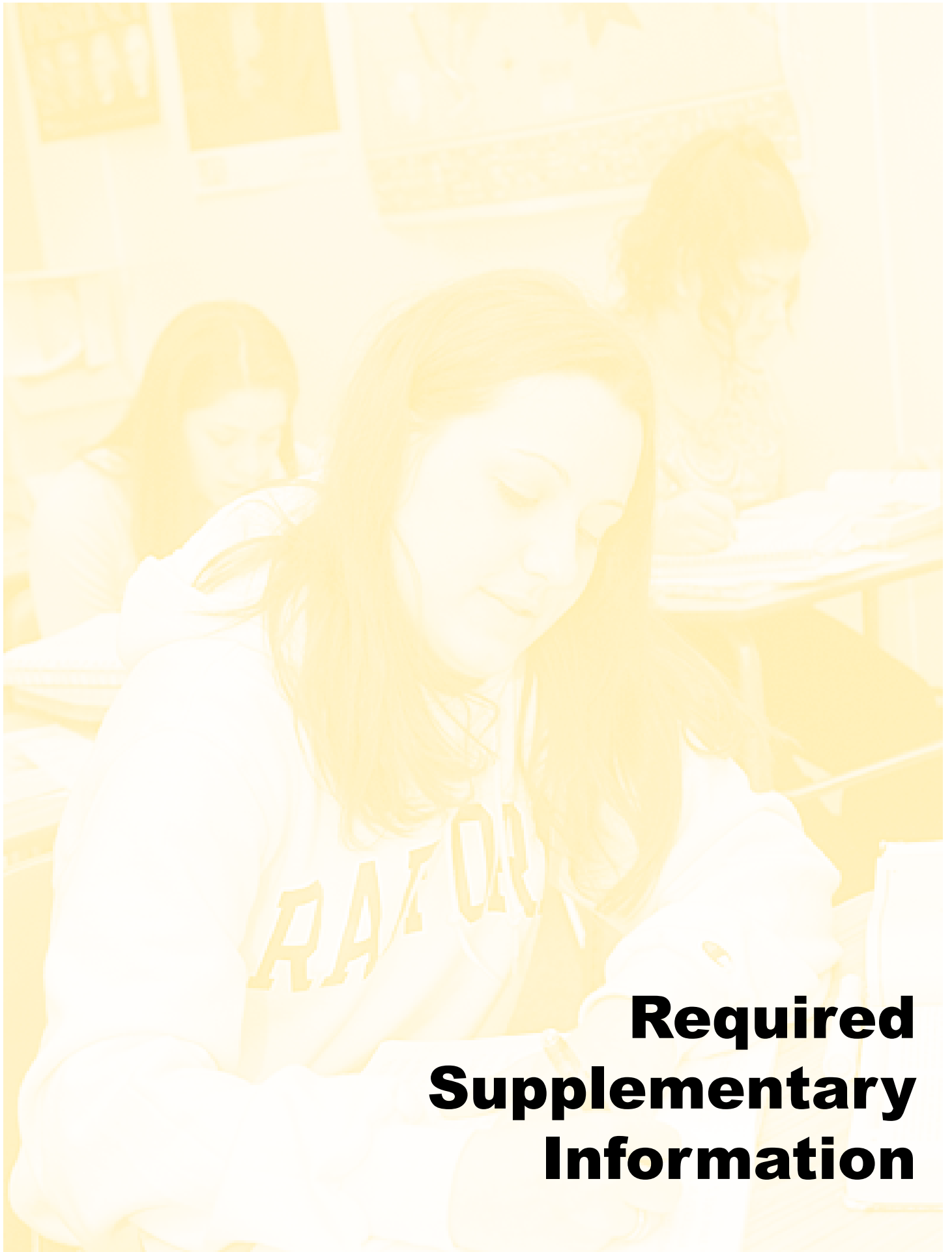
### **Funding Policy**

Plan members are required by State statute to contribute five percent of their annual covered salary to the 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 contribute at an actuarially determined rate. The rate for fiscal year 2004 was 6.27 percent of annual covered payroll. Only the Commonwealth of Virginia Legislature may amend State statute. The FCPS' contributions to the VRS for fiscal year 2004 was \$42,418,186, while contributions for fiscal years 2003 and 2002 were \$33,837,799 and \$30,939,858, 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 55 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 6,239 participants currently eligible and receiving benefits in the program. For fiscal year 2004, the cost of this program to FCPS was \$5,823,444.





**Required  
Supplementary  
Information**



## **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 the 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**  
**Budgetary Comparison Schedule - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2004**

**Exhibit G**

	Budget		Actual	Variance from
	Original	Final	(Budget Basis)	Final Budget - Positive (Negative)
<b>Revenues</b>				
Intergovernmental:				
Federal government	\$ 35,785,766	39,762,349	36,872,769	(2,889,580)
Commonwealth of Virginia	310,503,814	313,916,308	315,078,029	1,161,721
County of Fairfax, VA	1,238,475,201	1,240,850,321	1,240,850,321	-
Charges for services:				
Tuition and fees	4,540,601	4,540,601	5,630,919	1,090,318
Revenue from the use of money and property	1,336,300	1,336,300	2,527,557	1,191,257
Recovered costs	29,085,000	27,069,379	27,069,379	-
Other	3,582,900	3,587,900	4,695,131	1,107,231
Total revenues	1,623,309,582	1,631,063,158	1,632,724,105	1,660,947
<b>Expenditures</b>				
Current				
Instruction:				
Regular	968,047,871	1,002,389,301	920,857,905	81,531,396
Special	281,943,481	291,754,396	273,645,334	18,109,062
Professional technical studies	29,380,334	30,472,490	35,801,885	(5,329,395)
Adult education	2,165,158	2,207,480	2,566,387	(358,907)
Other	16,157,804	15,259,473	15,575,414	(315,941)
Support services:				
Administration, attendance and health	93,448,712	97,414,825	87,261,032	10,153,793
Student transportation	79,718,237	84,906,393	83,697,259	1,209,134
Operations and maintenance	151,036,705	158,625,802	162,996,330	(4,370,528)
Facilities	7,642,368	10,380,418	7,270,829	3,109,589
Capital outlay	12,255,784	16,635,552	8,647,862	7,987,690
Total expenditures	1,641,796,454	1,710,046,130	1,598,320,237	111,725,893
Excess (deficiency) of revenues over (under) expenditures	(18,486,872)	(78,982,972)	34,403,868	113,386,840
<b>Other Financing Uses</b>				
Transfers out	(26,510,408)	(31,764,210)	(31,764,210)	-
Total other financing uses	(26,510,408)	(31,764,210)	(31,764,210)	-
Net change in fund balance	(44,997,280)	(110,747,182)	2,639,658	113,386,840
Fund balance, July 1, 2003	44,997,280	110,747,182	105,906,287	(4,840,895)
Fund balance, June 30, 2004	\$ -	-	108,545,945	108,545,945

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 Fiscal Year Ended June 30, 2004**

**Exhibit G-1**

	Budget		Actual	Variance from
	Original	Final	(Budget Basis)	Final Budget - Positive (Negative)
<b>Revenues</b>				
Intergovernmental:				
Federal government	\$ 14,696,065	14,696,065	15,720,374	1,024,309
Commonwealth of Virginia	717,873	717,873	758,851	40,978
County of Fairfax, VA	1,594,361	1,594,361	2,168,208	573,847
Charges for services:				
Food sales	35,590,548	35,590,548	36,273,101	682,553
Revenue from the use of money and property	196,607	208,203	78,503	(129,700)
Total revenues	<u>52,795,454</u>	<u>52,807,050</u>	<u>54,999,037</u>	<u>2,191,987</u>
<b>Expenditures</b>				
Current:				
Support services:				
Food operations	52,396,398	53,622,666	54,353,158	(730,492)
Capital outlay	132,924	132,924	136,344	(3,420)
Total expenditures	<u>52,529,322</u>	<u>53,755,590</u>	<u>54,489,502</u>	<u>(733,912)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>266,132</u>	<u>(948,540)</u>	<u>509,535</u>	<u>1,458,075</u>
Fund balance, July 1, 2003	9,087,058	9,797,485	9,797,485	-
Increase in reserve for inventories	-	-	307,144	307,144
Fund balance, June 30, 2004	<u>\$ 9,353,190</u>	<u>8,848,945</u>	<u>10,614,164</u>	<u>1,765,219</u>

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 Fiscal Year Ended June 30, 2004**

**Exhibit G-2**

	Budget		Actual	Variance from
	Original	Final	(Budget Basis)	Final Budget - Positive (Negative)
<b>Revenues</b>				
Intergovernmental:				
Federal government	\$ 22,305,797	34,327,299	23,213,519	(11,113,780)
Commonwealth of Virginia	9,458,169	10,402,325	7,148,332	(3,253,993)
County of Fairfax, VA	1,603,329	1,603,329	1,603,329	-
Charges for services:				
Tuition and fees	2,887,036	3,187,036	3,169,985	(17,051)
Other	305,600	692,827	484,162	(208,665)
Total revenues	36,559,931	50,212,816	35,619,327	(14,593,489)
<b>Expenditures</b>				
Current				
Instruction:				
Regular	44,193,618	62,005,619	45,100,455	16,905,164
Special	948,462	1,351,005	1,076,982	274,023
Professional technical studies	-	20,903	-	20,903
Other	3,518,128	5,288,373	4,247,422	1,040,951
Support services:				
Administration, attendance and health	657,673	1,383,852	469,790	914,062
Student transportation	2,059,396	3,908,962	1,894,506	2,014,456
Operations and maintenance	-	19,456	-	19,456
Facilities	-	47,268	47,268	-
Capital outlay	-	585,354	415,900	169,454
Total expenditures	51,377,277	74,610,792	53,252,323	21,358,469
Deficiency of revenues under expenditures	(14,817,346)	(24,397,976)	(17,632,996)	6,764,980
<b>Other Financing Sources</b>				
Transfers in	14,344,873	19,071,530	19,071,530	-
Total other financing sources	14,344,873	19,071,530	19,071,530	-
Net change in fund balance	(472,473)	(5,326,446)	1,438,534	6,764,980
Fund balances July 1, 2003	472,473	5,326,446	5,326,446	-
Fund balances June 30, 2004	\$ -	-	6,764,980	6,764,980

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 Fiscal Year Ended June 30, 2004**

**Exhibit G-3**

	Budget		Actual	Variance from Final Budget - Positive (Negative)
	Original	Final	(Budget Basis)	
<b>Revenues</b>				
Intergovernmental:				
Federal government	\$ 212,000	965,428	1,039,330	73,902
Commonwealth of Virginia	1,402,347	748,672	845,868	97,196
Charges for services:				
Tuition and fees	6,917,684	6,917,684	6,859,140	(58,544)
Revenue from the use of money and property	127,427	121,344	18,919	(102,425)
Other	-	-	9,331	9,331
Total revenues	8,659,458	8,753,128	8,772,588	19,460
<b>Expenditures</b>				
Current:				
Instruction:				
Adult education	8,573,559	9,951,419	9,399,911	551,508
Other	1,108,530	1,904,955	878,218	1,026,737
Capital outlay	77,500	148,511	86,068	62,443
Total expenditures	9,759,589	12,004,885	10,364,197	1,640,688
Deficiency of revenues under expenditures	(1,100,131)	(3,251,757)	(1,591,609)	1,660,148
<b>Other Financing Sources:</b>				
Transfers in	1,100,131	1,200,131	1,200,131	-
Total other financing sources	1,100,131	1,200,131	1,200,131	-
Net change in fund balance	-	(2,051,626)	(391,478)	1,660,148
Fund balances July 1, 2003	-	2,051,626	2,051,626	-
Fund balances June 30, 2004	\$ -	-	1,660,148	1,660,148

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

**Fairfax County Public Schools**  
**Notes to the Budgetary Comparison Schedules**  
**June 30, 2004**

The Code of Virginia requires the appointed superintendent of FCPS to submit a budget to the County Board of Supervisors (BOS), with the approval of the School Board.

The preparation of FCPS budget begins with soliciting input from parents and community leaders on the School Board's priorities. In early January the proposed budget is presented to the School Board, which then, late in January, conducts a series of public hearings and workshops.

After considering all of the input from participants, the School Board adopts the the Advertised Budget in early February. It is then forwarded to the County for inclusion in the County Executive's advertised budget. In early April, the BOS holds public hearings regarding the proposed budget.

After the BOS has determined the amount of funding to be transferred to FCPS, the School Board holds public hearings and approves the final budget in late May. The approved budget governs the financial operations of the school system beginning on July 1.

Annual budgets are adopted for all the funds except for the capital projects fund, which is budgeted on a project-by-project basis. The modified accrual basis is used in budgeting for governmental funds and the budgets are consistent with accounting principals 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; and
- The current year's cost of the unfunded teachers' liability for salaries and benefits is recorded as intergovernmental revenue and an offsetting expenditure to eliminate the effect of this transaction on the fund balance.

All annual appropriation lapse at fiscal year end. The current budget is re-evaluated three times during the year based on current projections and amended accordingly by the School Board and the BOS.

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 place at the object level, which is the expenditure level for each office and school within a fund. Management may amend the approved budget at the administrative control level within the same fund. Amendments, changes or transfers at the legal level require the specific approval of the School Board.

For the year ended June 30, 2004, expenditures exceeded appropriations (the legal level of budgetary control) in the Food and Nutrition Services fund by \$733,912. The major reason for this situation was the increased fuel costs incurred by vendors were passed on to FCPS. The current year revenue was sufficient to fund the over expenditures thereby not creating a negative fund balance.

The following schedule reconciles the amounts on the General Fund Budgetary Comparison Schedule – Budget and Actual, Exhibit G to the amount on the Statement of Revenues, Expenditures and Changes in Fund Balances, Exhibit D.

	<u>General Fund</u>
Net change in fund balance (budget basis)	\$ 2,639,658
Basis difference - expenditures for teachers' liability	<u>1,621,364</u>
Net change in fund balance (GAAP basis)	<u>\$ 4,261,022</u>



A young woman with her hair in a bun, wearing a hoodie, looking down at a book or document. The image is faded and serves as a background for the text.

# **Supplementary Information**



## **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 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.



**Fairfax County Public Schools**  
**Combining Statement of Net Assets**  
**Internal Service Funds**  
**June 30, 2004**

**Exhibit H**

	Central Procurement	Health Benefits	Insurance	Totals
<b>ASSETS</b>				
Current assets:				
Cash on deposit				
with County of Fairfax, VA	\$ 16,101	44,735,881	15,778,289	60,530,271
Accrued interest	-	50,771	-	50,771
Inventories	2,482,897	-	-	2,482,897
Total current assets	2,498,998	44,786,652	15,778,289	63,063,939
Noncurrent assets:				
Capital assets, net:				
Equipment	100,053	-	12,918	112,971
Accumulated depreciation	(30,376)	-	(2,422)	(32,798)
Total capital assets	69,677	-	10,496	80,173
Total assets	2,568,675	44,786,652	15,788,785	63,144,112
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	90,722	2,263,233	1,047,569	3,401,524
Accrued salaries and withholdings			4,183	4,183
Interfund payable	2,000,000	-	-	2,000,000
Deferred revenue	-	4,480,429	-	4,480,429
Actuarial claims payable	-	14,394,000	4,371,809	18,765,809
Total current liabilities	2,090,722	21,137,662	5,423,561	28,651,945
Noncurrent liabilities:				
Actuarial claims payable	-	-	10,345,845	10,345,845
Total noncurrent liabilities	-	-	10,345,845	10,345,845
Total liabilities	2,090,722	21,137,662	15,769,406	38,997,790
<b>NET ASSETS</b>				
Invested in capital assets	69,677	-	10,496	80,173
Unrestricted	408,276	23,648,990	8,883	24,066,149
Total net assets	\$ 477,953	23,648,990	19,379	24,146,322

See accompanying independent auditors' report

**Fairfax County Public Schools**  
**Combining Statement of Revenues,**  
**Expenses, and Changes in Fund Net Assets**  
**Internal Service Funds**  
**For the Fiscal Year Ended June 30, 2004**

**Exhibit H-1**

	Central Procurement	Health Benefits	Insurance	Totals
<b>Operating revenues:</b>				
Charges for services	\$ 10,766,960	160,665,990	8,238,992	179,671,942
<b>Operating expenses:</b>				
Salaries and wages	89,085	780,995	778,338	1,648,418
Cost of goods sold	10,540,220	-	-	10,540,220
Claims and benefits	-	144,902,888	7,250,815	152,153,703
Professional consultant services	-	6,667,344	1,540,062	8,207,406
Other operating expenses	486,108	41,486	16,454	544,048
Depreciation	8,794	-	1,615	10,409
Total operating expenses	11,124,207	152,392,713	9,587,284	173,104,204
Operating income (loss)	(357,247)	8,273,277	(1,348,292)	6,567,738
<b>Non-operating revenues:</b>				
Interest revenue	-	345,727	-	345,727
Income (loss) before operating transfers	(357,247)	8,619,004	(1,348,292)	6,913,465
Transfers in	-	340,161	-	340,161
Change in net assets	(357,247)	8,959,165	(1,348,292)	7,253,626
Total net assets - July 1, 2003	835,200	14,689,825	1,367,671	16,892,696
Total net assets - June 30, 2004	\$ 477,953	23,648,990	19,379	24,146,322

See accompanying independent auditors' report

**Fairfax County Public Schools  
Combining Statement of Cash Flows  
Internal Service Funds  
For the Fiscal Year Ended June 30, 2004**

**Exhibit H-2**

	Central Procurement	Health Benefits	Insurance	Totals
<b>Cash flows from operating activities:</b>				
Receipts from interfund services provided	\$ 10,766,960	162,099,411	8,238,992	181,105,363
Payments to employees	(89,085)	(780,995)	(774,155)	(1,644,235)
Payments to vendors for inventory	(10,248,576)	-	-	(10,248,576)
Payments for claims and health benefits	-	(143,708,888)	(8,133,981)	(151,842,869)
Payments for professional services	-	(7,090,969)	(1,146,210)	(8,237,179)
Payments for other operating expenses	(486,108)	(41,486)	(16,454)	(544,048)
Net cash provided (used) by operating activities	(56,809)	10,477,073	(1,831,808)	8,588,456
<b>Cash flows from noncapital financing activities:</b>				
Transfers from other funds	-	340,161	-	340,161
Net cash provided by noncapital financing activities	-	340,161	-	340,161
<b>Cash flows from capital and related financing activities:</b>				
Purchase of capital assets	(8,773)	-	-	(8,773)
Net cash used by capital and related financing activities	(8,773)	-	-	(8,773)
<b>Cash flows from investing activities:</b>				
Interest received	-	328,672	-	328,672
Net cash provided by investing activities	-	328,672	-	328,672
Net increase (decrease) in cash and cash equivalents	(65,582)	11,145,906	(1,831,808)	9,248,516
Cash and cash equivalents July 1, 2003	81,683	33,589,975	17,610,097	51,281,755
<b>Cash and cash equivalents June 30, 2004</b>	<b>\$ 16,101</b>	<b>44,735,881</b>	<b>15,778,289</b>	<b>60,530,271</b>

**Reconciliation of operating income (loss)**

**to net cash provided (used) by operating activities:**

Operating income (loss)	\$ (357,247)	8,273,277	(1,348,292)	6,567,738
Adjustments to reconcile operating income (loss)				
to net cash provided (used) by operating activities:				
Depreciation expense	8,794	-	1,615	10,409
Decrease in inventories	739,924	-	-	739,924
Increase (decrease) in accounts payable	(348,280)	(423,625)	393,852	(378,053)
Increase in accrued salaries and withholding	-	-	4,183	4,183
Decrease in interfund payable	(100,000)	-	-	(100,000)
Increase in deferred revenue	-	1,433,421	-	1,433,421
Increase (decrease) in actuarial claims payable	-	1,194,000	(883,166)	310,834
Total adjustments to operating income	300,438	2,203,796	(483,516)	2,020,718
Net cash provided (used) by operating activities	\$ (56,809)	10,477,073	(1,831,808)	8,588,456

See accompanying independent auditors' report.

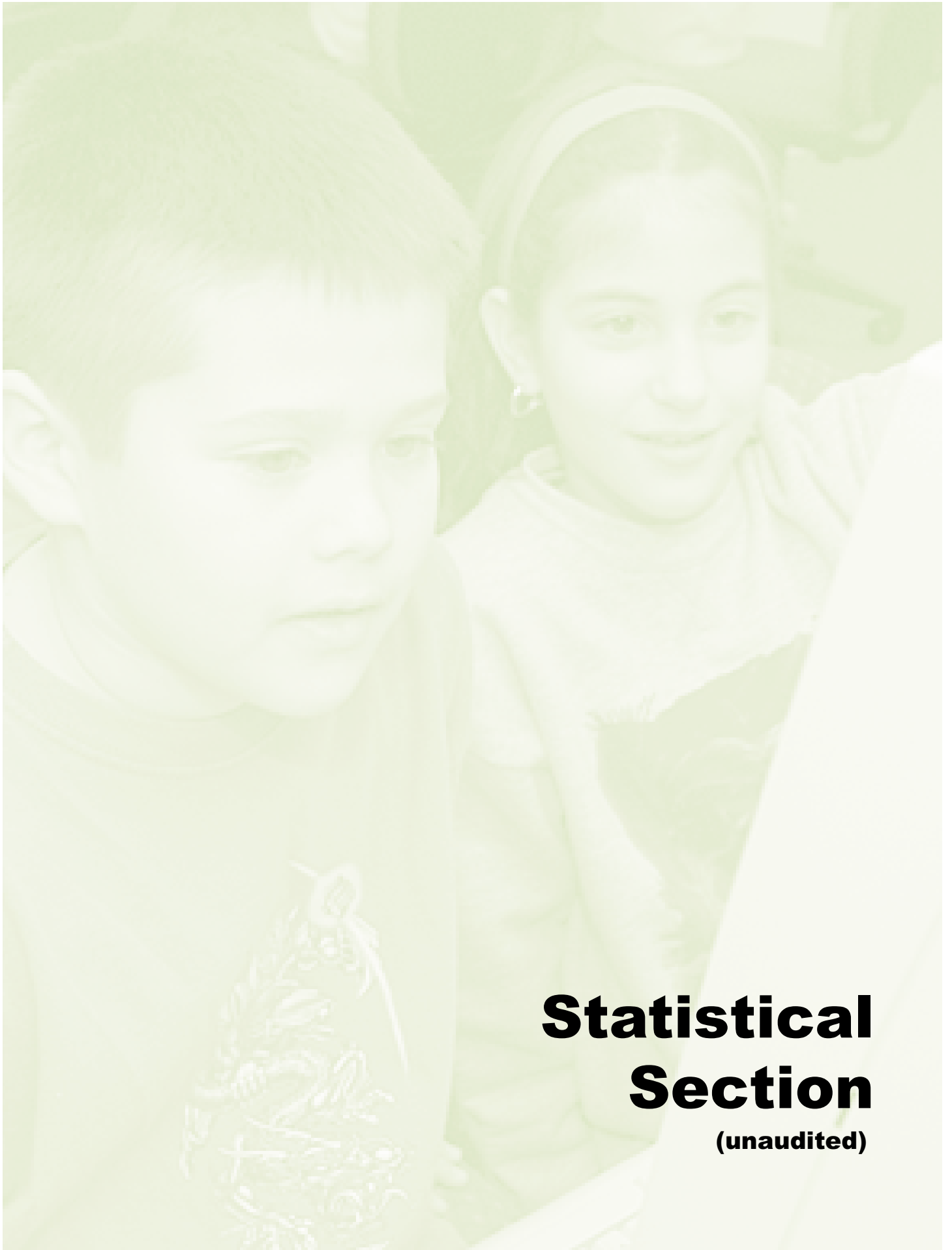
**Fairfax County Public Schools**  
**Statement of Changes in Assets and Liabilities**  
**Student Activity Fund**  
**For the Fiscal Year Ended June 30, 2004**

**Exhibit I**

	Balance July 1, 2003	Additions	Deductions	Balance June 30, 2004
<b>ASSETS</b>				
Cash and cash equivalents	\$ 14,626,436	45,617,798	45,541,070	14,703,164
Accounts receivable	431,895	171,078	159,043	443,930
Inventories	187,118	50,304	60,659	176,763
Total Assets	15,245,449	45,839,180	45,760,772	15,323,857
<b>LIABILITIES</b>				
Accounts payable	839,338	443,077	188,700	1,093,715
Due to student groups	14,406,111	45,396,103	45,572,072	14,230,142
Total Liabilities	\$ 15,245,449	45,839,180	45,760,772	15,323,857

See accompanying independent auditors' report





**Statistical  
Section**  
(unaudited)

**Fairfax County Public Schools**

**Table 1 - General School System Government - wide Expenses by Function<sup>1</sup>  
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
2003	959,618,339	237,743,984	34,873,515	12,419,166	20,084,736
2004	1,015,811,570	274,857,773	35,733,995	11,944,789	20,634,696

<sup>1</sup> There is no comparative data prior to fiscal year 2002. This was the first year of implementation of GASB 34

<sup>2</sup> Interest on long-term debt of \$1,084,829 for fiscal year 2002 was incorporated within the functional programs

**Fairfax County Public Schools**

**Table 2 - General School System Government - wide Revenues<sup>1</sup>  
Last Ten Fiscal Years**

	Program Revenues			General Revenues	
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Grants and Contributions Not Restricted to Specific Programs	Revenue from the use of Money and Property
2002	\$ 78,281,595	100,156,368	145,667,453 <sup>2</sup>	1,359,196,624	613,144
2003	77,510,685	102,397,834	149,262,768 <sup>2</sup>	1,442,192,068	467,350
2004	82,363,795	116,532,729	137,947,596	1,525,577,975	429,589

<sup>1</sup>There is no comparative data prior to fiscal year 2002. This was the first year of implementation of GASB 34.

<sup>2</sup> In fiscal year 2004, capital grants and contributions were revised to include revenues previously listed under grants and contributions restricted to specific programs.

### Support Services

Administration Attendance & Health	Food Operations	Student Transportation	Operation & Maintenance	Facilities	Interest on Long-term Debt	Total
\$ 68,640,166	50,894,577	68,638,138	141,023,120	21,462,765	- <sup>2</sup>	1,574,535,598
78,057,408	51,232,850	77,230,692	148,856,714	37,180,938	1,220,954	1,658,519,296
95,153,606	54,841,713	86,189,658	182,988,349	7,602,596	1,049,056	1,786,807,801

### General Revenues (cont'd)

Other	Insurance Recoveries	Total
\$ 7,497,943	-	1,691,413,127
3,733,049	-	1,775,563,754
2,965,372	2,344,929	1,868,161,985



## Fairfax County Public Schools

**Table 3 - General School System Governmental Expenditures by Function <sup>1</sup>  
Last Ten Fiscal Years**

	Regular Instruction	Special Education	Professional Technical Studies	Adult Education	Other Educational Programs	Administration, Attendance and Health Services
1995 <sup>3</sup>	\$ 712,676,187	-	-	6,186,705	12,480,106	45,117,324
1996 <sup>3</sup>	724,548,014	-	-	6,300,176	14,996,506	45,200,662
1997 <sup>3</sup>	790,190,669	-	-	5,265,374	15,151,974	48,046,787
1998 <sup>3</sup>	856,176,795	-	-	5,812,707	15,391,363	53,065,363
1999 <sup>3</sup>	894,395,168	-	-	6,829,312	21,287,040	59,552,528
2000 <sup>3</sup>	984,694,544	-	-	8,048,725	40,133,005	65,214,329
2001 <sup>3</sup>	1,087,288,489	-	-	9,426,599	26,309,739	65,847,885
2002	885,237,350	222,077,101	35,224,316	12,250,918	21,659,658	69,934,620
2003	916,520,516	234,912,725	34,859,235	12,416,515	20,115,367	78,584,604
2004	964,336,996	274,722,316	35,801,885	11,966,298	20,701,054	87,730,822

<sup>1</sup> Includes expenditures of all governmental fund types except capital leases and installment purchases.

<sup>2</sup> Includes reimbursement to Fairfax County for bond cost.

<sup>3</sup> Prior to fiscal year 2002, instruction expenditures were not categorized by type.

## Fairfax County Public Schools

**Table 4 - General School System Governmental Revenues by Source<sup>1</sup>  
Last Ten Fiscal Years**

	Fairfax County	Sales Tax Receipts	Other Commonwealth of Virginia	Federal Government	Other	Total
1995 <sup>2</sup>	\$ 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
2003	1,308,831,549	108,484,574	199,254,083	66,445,249	84,465,835	1,767,481,290
2004	1,374,621,858	120,800,001	203,967,142	76,845,992	91,012,293	1,867,247,286

<sup>1</sup> Includes revenue of all governmental fund types.

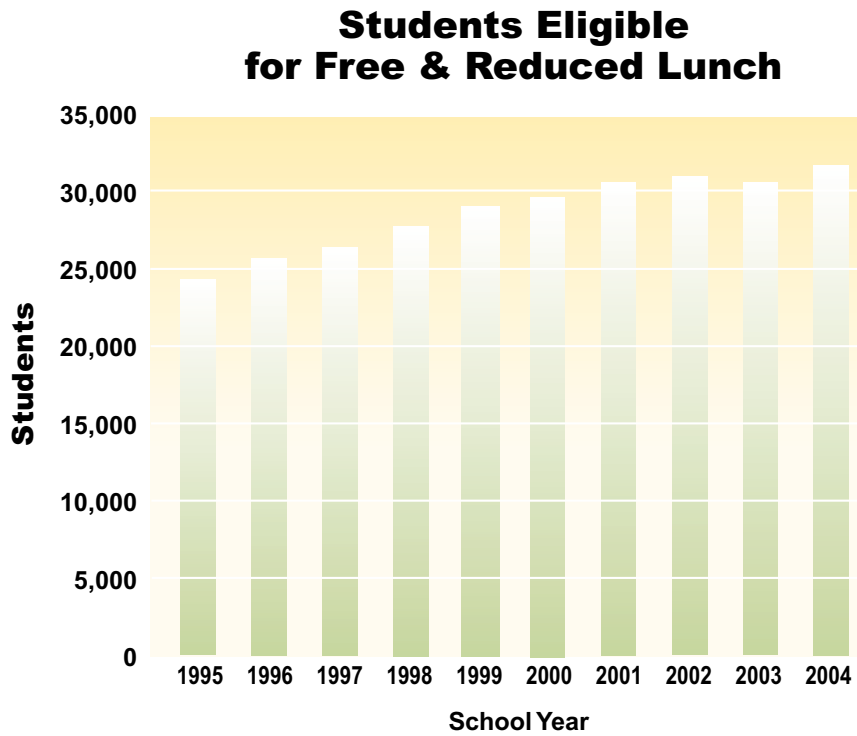
<sup>2</sup> Effective FY 1995, County funds include proceeds from general obligation bonds for Capital Projects Fund.

Food Operations	Student Transportation	Operations and Maintenance	Facilities/ Capital Outlay	Total
\$ 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 <sup>2</sup>	1,462,585,265
51,097,564	65,265,826	143,667,275	123,410,973 <sup>2</sup>	1,572,314,350
47,705,926	61,743,040	158,249,284	201,000,455	1,715,082,668
46,826,088	74,491,784	180,142,521	138,700,278	1,737,569,633
54,353,158	85,591,765	183,157,549	134,278,783	1,852,640,626

**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				
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
2003	79,012	1.60	1.70	1.70	10,665	1.00	139	30,657
2004	81,166	1.70	1.80	1.80	11,410	1.00	148	32,024

Source: Office of Food and Nutrition Services

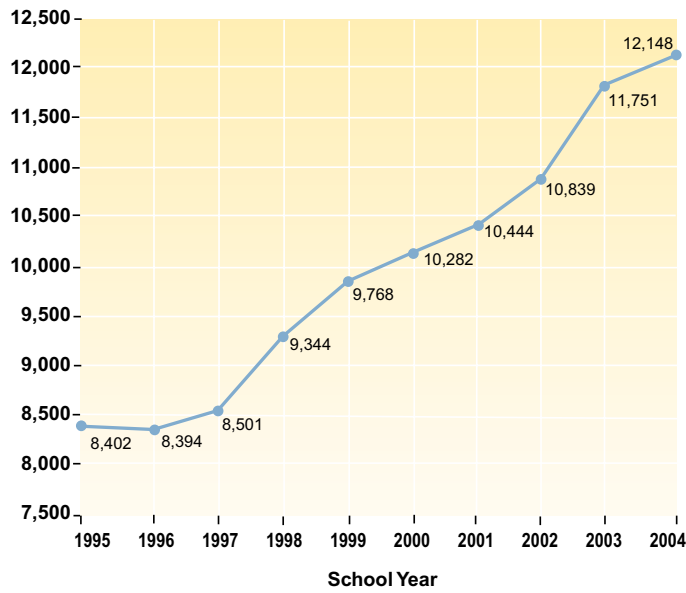


**Fairfax County Public Schools**  
**Table 6 - Student Enrollment**  
**Last Ten Fiscal Years**

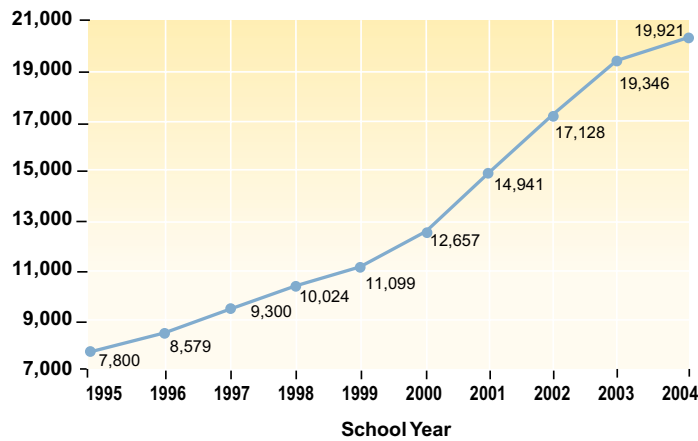
	Student Enrollment	Special Education Enrollment Level 2	ESOL Enrollment
1995	140,097	8,402	7,800
1996	143,040	8,394	8,579
1997	145,805	8,501	9,300
1998	148,026	9,344	10,024
1999	151,418	9,768	11,099
2000	154,523	10,282	12,657
2001	158,331	10,444	14,941
2002	161,385	10,839	17,128
2003	163,386	11,751	19,346
2004	164,195	12,148	19,921

Source: Office of Budget Services and Office of ESOL and Language Programs

**Special Education Enrollment**



**ESOL Enrollment**



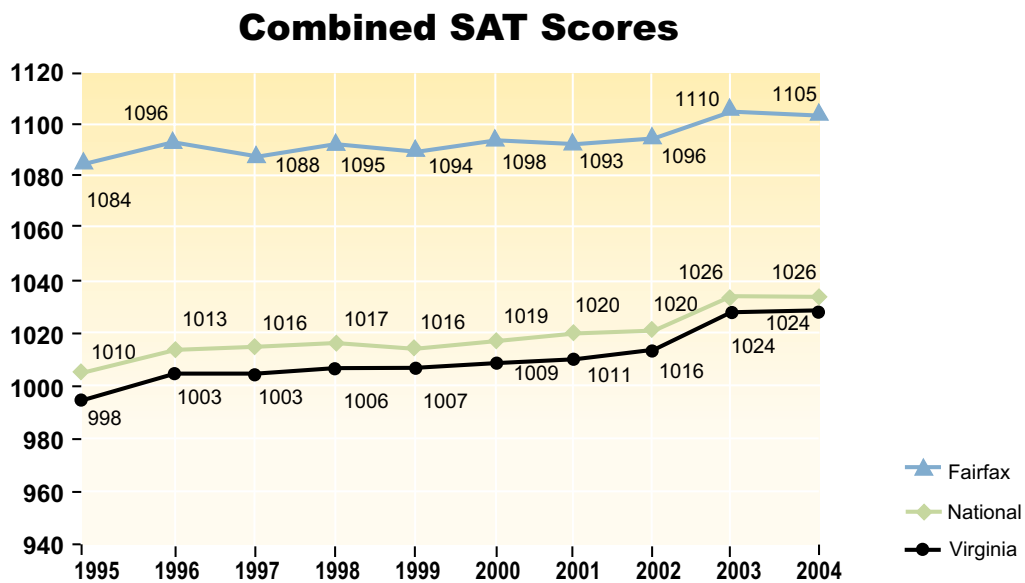
## Fairfax County Public Schools

### Table 7 - Scholastic Assessment Test (SAT) Scores

#### Comparison of Fairfax County, Virginia and National Averages Last Ten Fiscal Years

	Combined SAT Scores - Verbal and Math		
	Fairfax	Virginia	National
1995	1084	998	1010
1996	1096	1003	1013
1997	1088	1003	1016
1998	1095	1006	1017
1999	1094	1007	1016
2000	1098	1009	1019
2001	1093	1011	1020
2002	1096	1016	1020
2003	1110	1024	1026
2004	1105	1024	1026

Source: Office of Planning and Testing



**COUNTY OF FAIRFAX, VIRGINIA**

**Table 8 - Real and Personal Property Tax Levies and Collections<sup>1</sup>  
Last Ten Fiscal Years**

	Total Tax Levy (000)	Current Tax Collections <sup>2</sup> (000)	Percent of Levy Collected	Delinquent Tax Collections (000)	Total Tax Collections <sup>4</sup> (000)	Total Collections as a Percent of Current	Outstanding Delinquent Taxes <sup>3</sup> (000)	Outstanding Delinquent Taxes as a Percent of Current Levy
1995	\$1,058,500	\$ 1,048,276	99.03%	\$ 13,000	\$ 1,061,276	100.26%	\$ 17,386	1.6%
1996	1,103,903	1,095,762	99.26	11,490	1,107,252	100.30	16,387	1.5
1997	1,203,645	1,195,312	99.31	6,479	1,201,791	99.85	14,417	1.2
1998	1,250,521	1,241,128	99.25	1,267	1,242,395	99.35	22,546	1.8
1999	1,308,122	1,299,201	99.32	12,088	1,311,289	100.24	22,185	1.7
2000	1,394,627	1,385,239	99.33	13,795	1,399,034	100.32	18,113	1.3
2001	1,524,861	1,512,551	99.13	10,761	1,523,312	99.90	18,665	1.2
2002	1,705,787	1,690,398	99.10	14,269	1,704,667	99.93	20,073	1.2
2003	1,864,588	1,851,665	99.31	11,364	1,863,029	99.92	19,492	1.0
2004	1,973,175	1,960,699	99.37	13,900	1,974,599	100.07	21,273	1.1

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

<sup>1</sup> General Fund

<sup>2</sup> Current tax collections include collection of current tax, penalty, and interest.

<sup>3</sup> Outstanding delinquent taxes include penalty and interest net of allowance for uncollectables.

<sup>4</sup> Tax collections include payments received from the Commonwealth of Virginia under its personal property tax-relief program.

**COUNTY OF FAIRFAX, VIRGINIA**

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

	Assessed Value				Estimated Actual Value (000)
	Real Property (000) <sup>1</sup>	Personal Property (000)	Public Service Corporations (000)	Total (000)	
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
2003	114,155,500	11,610,600	3,161,000	128,927,100	128,927,100
2004	127,892,600	11,699,600	3,256,600	142,848,800	142,848,800

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

<sup>1</sup> Pursuant to the Code of Virginia, all real property assessments are required to be made at 100 percent of estimated actual value.

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

	Real Estate <sup>1</sup>	Personal Property <sup>1</sup>		
		Most Vehicles	Machinery, Tools and R & D	Public Service Corporations
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
2003	1.21	4.57	4.57	1.23
2004	1.16	4.57	4.57	1.23

Source: Fairfax County Department of Tax Administration.  
<sup>1</sup> 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 <sup>1</sup>	Tax Levies	Tax Rates <sup>1</sup>	Tax Levies
1995	\$ 0.320	3,832,983	0.300	3,779,010
1996	0.320	4,054,577	0.300	3,943,906
1997	0.320	4,308,590	0.310	4,192,373
1998	0.320	4,584,304	0.310	4,271,557
1999	0.320	5,219,698	0.310	4,465,739
2000	0.320	5,774,217	0.310	4,791,464
2001	0.320	5,754,853	0.310	4,636,899
2002	0.320	6,666,897	0.285	5,821,396
2003	0.300	6,933,357	0.275	6,280,738
2004	0.280	7,336,469	0.265	6,649,128

Source: Town of Herndon and Town of Vienna.  
<sup>1</sup> Real property tax rates are levied per \$100 of assessed value.

**COUNTY OF FAIRFAX, VIRGINIA**  
**Table 12 - Principal Real Estate Taxpayers**  
**June 30, 2004**

Rank	Taxpayer Name	Property Type	2004 Assessed Value <sup>1</sup>	% of Total Assessed
1	Lehndorff Tysons Property	Tysons Corner Regional Shopping Center	\$ 485,820,295	0.34
2	West Group Properties LLC	Various Offices, Retail, Industrial and Land	453,206,520	0.31
3	Prentiss Properties	Office and Land	424,250,515	0.29
4	Dominion Virginia Power	Public Utility	358,671,418	0.25
5	Smith Property Holdings	Various Commercial	257,888,285	0.18
6	Franconia Two LP	Springfield Mall	247,895,865	0.17
7	Company of Fairfax	Fair Oaks Mall	247,260,135	0.17
8	Washington Gas Light Co.	Public Utility	202,770,217	0.14
9	EOP Reston Town Center	Office, Shopping Center, and Land	190,398,370	0.13
10	Springfield Campus LLC	Continuing Care Retirement Company	178,961,575	0.12
11	Gannett Co., Inc.	Office	171,686,680	0.12
12	Mobil Oil Corp.	Headquarter Office and Various Commercial	169,940,580	0.12
13	PS Business Parks LP	Industrial Park	162,282,450	0.11
14	USRP I LLC	Shopping Centers	160,688,865	0.11
15	West Mac Associates	Various Offices and Land	158,529,400	0.11
16	Writ LP	Offices, Apartments, Industrial, and Shopping Centers	154,448,760	0.11
17	Summit Properties	Apartments and Land	148,218,635	0.10
18	Mitre Corporation	Office	146,674,540	0.10
19	Capital One Bank	Office	141,827,810	0.10
20	Campus Point Realty Corp.	Office	140,527,065	0.10
21	Navy Federal Credit Union	Various Offices and Land	128,769,755	0.09
22	ISTAR NG LP	Office	124,650,780	0.09
23	Avalon Properties, Inc.	Apartments	121,524,115	0.08
24	Pulte Home Corp.	Residential and Land	117,850,745	0.08
25	Verizon Virginia, Inc.	Public Utility	114,891,764	0.08
			<u>\$ 5,209,635,139</u>	<u>3.60%</u>

Source: Fairfax County Department of Tax Administration.

Note: Total assessed value of all real property is \$144,804,746,640.

<sup>1</sup> Assessed values as of January 1, 2004.

**COUNTY OF FAIRFAX, VIRGINIA**  
**Table 13 - Computation of Debt Margin**  
**June 30, 2004**

The Commonwealth of Virginia does not impose a legal limit on the amount of long-term indebtedness that 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<sup>1</sup> 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 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 (\$142,848,800,000)	\$ 4,285,464,000
Less long-term debt <sup>1</sup>	<u>1,814,517,662</u>
Debt margin	<u>\$ 2,470,946,338</u>

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

<sup>1</sup> Excludes self-imposed debt of the Integrated Sewer System, special assessment debt of the Small District One in the Dranesville District (McLean Community Center), the HUD Section 108 Loan, and capital lease debt related to equipment acquisitions, which are not general obligations of Fairfax County.



**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 <sup>1</sup>	Value of Taxable Property (000) <sup>2</sup>	Net Bonded Debt <sup>2 3</sup>	Percentage of Net Bonded Debt to Property Value <sup>2</sup>	Net Debt Per Capita <sup>2</sup>
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	1,004,400	113,801,300	1,655,613,600	1.45	1,648
2003	1,012,100	128,927,100	1,779,461,575	1.38	1,758
2004	1,027,500	142,848,800	1,814,517,662	1.27	1,766

<sup>1</sup> Source: Fairfax County Department of Systems Management for Human Services.

<sup>2</sup> Source: Fairfax County Department of Management and Budget.

<sup>3</sup> Excludes self-imposed debt of the Integrated Sewer System, special assessment debt of the Small District One in the Dranesville District (McLean Community Center), the HUD Section 108 Loan, and capital lease debt related to equipment acquisitions, which are not general obligations of Fairfax County.

**COUNTY OF FAIRFAX, VIRGINIA**

**Table 15 - Ratio of Annual Debt Service Requirements for General Bonded Debt to General Fund Expenditures and Operating Transfers Out and to Total Expenditures <sup>4</sup> Last Ten Fiscal Years**

	Debt Service Requirements <sup>1</sup>	General Fund Expenditures <sup>2</sup> and Transfers Out <sup>3</sup>	Percentage of Debt Service to General Fund Expenditures and Transfers Out	Total Expenditures Reported <sup>4</sup>	Percentage of Debt Service to Total Expenditures <sup>4</sup>
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
2003	212,106,642	2,447,015,916	8.7	3,358,108,843	6.3
2004	213,027,136	2,597,650,034	8.2	3,580,197,956	6.0

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

<sup>1</sup> Excludes bond issuance and other expenditures recorded in the Debt Service Funds.

<sup>2</sup> Expenditures exclude donated food and capital leases and installment purchases in year initiated.

<sup>3</sup> Includes operating transfers out to component units which, commencing in fiscal year 2002, are reported as functional expenditures.

<sup>4</sup> 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, 2004**

	Net Debt Outstanding	Applicable to County	County's Share of Debt
Direct: <sup>1</sup>			
County of Fairfax	\$ 1,814,517,662	100 %	\$ 1,814,517,662
Overlapping: <sup>2</sup>			
Commonwealth of Virginia <sup>3</sup>	79,765,000	47 <sup>4</sup>	37,489,550
Underlying: <sup>2</sup>			
Town of Vienna <sup>5</sup>	14,696,666	100	14,696,666
Town of Herndon <sup>6</sup>	54,067	100	54,067
Small District One of the Dranesville District (McLean Community Center)	375,000	100	375,000
Total overlapping and underlying debt			<u>52,615,283</u>
Total direct and overlapping and underlying debt			<u><u>\$ 1,867,132,945</u></u>

<sup>1</sup> Excludes self-imposed debt of the Integrated Sewer System, special assessment debt of the Small District One in the Dranesville District (McLean Community Center), the HUD Section 108 Loan, and capital lease debt related to equipment acquisitions, which are not general obligations of Fairfax County.

<sup>2</sup> These overlapping and underlying general obligation bonds are obligations for the respective governmental units and are not general obligations of Fairfax County.

<sup>3</sup> Virginia Department of Transportation

<sup>4</sup> Percentage applicable to the County of 47% is an estimate based on the projected development of Route 28 to the year 2018.

<sup>5</sup> Source: Town of Vienna.

<sup>6</sup> Source: Town of Herndon.

**COUNTY OF FAIRFAX, VIRGINIA**

**Table 17 - Construction and Property Values  
Last Ten Fiscal Years**

	New Non-Residential Construction <sup>2</sup>		New Residential Construction <sup>2</sup>		Property Values (000) <sup>1</sup>			
	Permits Issued	Value (000)	Permits Issued	Value (000)	Real Estate	Personal Property	Public Service Corporations <sup>3</sup>	Tax Exempt Real Estate <sup>4</sup>
1995	199	\$ 126,711	7,078	\$ 613,992	\$ 66,912,100	\$ 6,775,400	\$ 2,015,200	\$ 5,939,500
1996	166	107,445	8,567	646,767	68,647,300	7,539,300	1,968,500	6,163,600
1997	174	135,281	6,159	562,993	70,510,800	8,257,400	2,085,700	6,227,000
1998	374	583,076	7,500	592,779	72,507,700	8,620,700	2,343,000	6,508,300
1999	293	422,293	8,601	679,858	75,500,700	9,070,800	2,515,200	6,690,000
2000	264	636,167	8,667	728,964	80,225,000	9,885,000	2,582,600	7,036,600
2001	258	502,248	6,767	613,342	87,334,100	10,820,500	2,893,900	7,812,400
2002	183	301,439	6,550	566,793	99,172,800	11,586,200	3,042,300	8,246,400
2003	205	164,906	4,866	504,118	114,155,500	11,610,600	3,161,000	8,732,600
2004	167	232,459	5,875	571,195	127,892,600	11,699,600	3,256,600	9,261,170

<sup>1</sup> Source: Fairfax County Department of Tax Administration.

<sup>2</sup> 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.

<sup>3</sup> Consists of \$991,053 real property and \$2,265,616 personal property in 2004 (000).

<sup>4</sup> Source: Fairfax County Department of Tax Administration. This value is determined on January 1 for the subsequent July 1 to June 30 fiscal year.

**COUNTY OF FAIRFAX, VIRGINIA**  
**Table 18 - Demographic Statistics**  
**Last Ten fiscal Years**

	Estimated Population <sup>1</sup>	Per Capita Income <sup>2</sup>	Median Age <sup>3</sup>	School Enrollment <sup>4</sup>	Residents with Bachelor's or Higher Degree and 25 Years of Age or Older <sup>5</sup>	Unemployment Rates <sup>6</sup>
1995	879,400	37,201	35.0	140,097	n/a	2.8
1996	899,700	38,482	36.0	143,040	56.0	2.7
1997	912,100	40,330	n/a	145,805	n/a	2.3
1998	931,500	43,193	37.0	148,036	n/a	1.6
1999	946,400	47,306	n/a	151,418	n/a	1.6
2000	969,700	50,027	36.0	154,523	54.8	1.2
2001	984,400	51,463	36.4	158,331	56.2	2.3
2002	1,004,400	52,199	37.3	161,385	55.9	3.0
2003	1,012,100	n/a	37.9	163,386	56.3	2.5
2004 (projection)	1,027,500	n/a	n/a	164,195	n/a	n/a

<sup>1</sup> Source: Fairfax County Department of Systems Management for Human Services, 1995 - 2004; estimates U.S. Bureau of Census, 2000 Decennial Census.

<sup>2</sup> Source: Bureau of Economic Analysis, U.S. Department of Commerce, 1995 - 2001; Fairfax County Department of Management and Budget, 2002 - 2004; Includes City of Fairfax and City of Falls Church.

<sup>3</sup> Source: Fairfax County Department of Systems Management for Human Services, 1995 - 1999; 2003 - 2004; U.S. Bureau of Census, 2000 - 2001.

<sup>4</sup> Source: Revised figures from Fairfax County Public Schools, Office of Finance.

<sup>5</sup> Source: Fairfax County Department of Systems Management for Human Services, 1996; U.S. Bureau of the Census, 2000 - 2001.

<sup>6</sup> Source: Virginia Employment Commission, Annual Unemployment Statistics.

**COUNTY OF FAIRFAX, VIRGINIA**  
**Table 19 - Miscellaneous Statistical Data**  
**As of June 30, 2004, 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:	3,267
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	4
Total fire stations	35
2. Number of authorized positions:	1,225 uniform/107 civilian
F. Police protection:	
1. Number of authorized positions:	1,309 sworn/543 civilian
2. Number of police vehicles:	1,248
3. Number of helicopters:	2
4. Correctional operations (facilities and population):	
a. Number of authorized positions	498 sworn/84 civilian
b. Number of correctional facilities	2
Adult Detention Center (jail) capacity	1,160 beds
Pre-Release Center (community corrections) capacity	100 beds
Total capacity	1,260 beds
c. Number of prisoners booked	51,972
G. Recreation:	
1. Number of County Parks (including stream valleys):	388
2. Number of regional parks:	10 <sup>1</sup>
3. Number of acres in County parks:	22,975
4. Facilities in County parks:	

	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004
Athletic fields	293	295	290	290	274	275
Trail miles	182	190	206	206	207	211
Garden plots	825	825	825	825	790	675
Play areas and tot lots	271	197	201	201	201	205
Tennis courts	252	222	222	222	222	223
Multi-use courts	138	135	143	143	119	118
Recreational centers	8	8	8	8	8	8
Golf courses	7	7	7	7	7	7
Historic sites	51	54	60	60	60	65
Nature/visitor centers	6	7	7	7	7	7
Marinas	3	3	3	3	3	3

Note: The process for calculating certain park facilities was revised in FY 2003.

H. Public education system:	
1. Number of public schools:	
a. Elementary	136
b. Middle	22
c. High/Secondary	24
d. Special education centers	20
e. Alternative high schools	3
2. Number of personnel:	21,069
3. Number of students:	164,195

**COUNTY OF FAIRFAX, VIRGINIA**  
**Table 19 - Miscellaneous Statistical Data**  
**As of June 30, 2004, unless otherwise indicated**  
(continued)

I.	Number of street lights:				52,283
J.	Number of authorized County positions:				
	1. General fund				9,359
	2. General fund supported				1,251
	3. Other funds				833
				Total	<u>11,443</u>
K.	Population:				
	1. Census population count for last 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: <sup>2</sup>				
	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: <sup>2</sup>				
	a. 2000 census median household income				\$ 50,027
	b. 1990 census median household income				29,857
	c. 1980 census median household income				14,419

<sup>1</sup> Includes Parks of the Northern Virginia Regional Park Authority, the Commonwealth of Virginia, and the U.S. Department of Interior.

<sup>2</sup> Source: Bureau of Economic Analysis, U.S. Department of Commerce and U.S. Bureau of Census.