

Fairfax County Public Schools  
A Component Unit of Fairfax County

# Comprehensive Annual Financial Report

For the Year Ended June 30, 2005



Prepared By:

## DEPARTMENT OF FINANCIAL SERVICES

**Jack D. Dale**  
Superintendent

**Deirdra McLaughlin**  
Chief Financial Officer, Financial Services

**Constance A. Downing**  
Director, Finance



# Table of Contents

## INTRODUCTORY SECTION (unaudited)

Letter of Transmittal .....	vii
Members of the School Board and School Board Officials .....	xvii
Organizational Chart .....	.xviii
GFOA Certificate of Achievement for Excellence in Financial Reporting .....	.xix
ASBO Certificate of Excellence in Financial Reporting .....	.xx

## FINANCIAL SECTION

Independent Auditors' Report .....	1
Management's Discussion and Analysis .....	3

### BASIC FINANCIAL STATEMENTS

#### Government-wide Financial Statements

Exhibit A	Statement of Net Assets .....	19
Exhibit B	Statement of Activities .....	20

#### Fund Financial Statements

Exhibit C	Balance Sheet—Governmental Funds with Reconciliation .....	21
Exhibit D	Statement of Revenues, Expenditures, and Changes in Fund Balances— Governmental Funds with Reconciliation .....	23
Exhibit E	Statement of Net Assets - Proprietary Funds .....	25
Exhibit E-1	Statement of Revenues, Expenses, and Changes in Fund Net Assets— Proprietary Funds .....	26
Exhibit E-2	Statement of Cash Flows—Proprietary Funds .....	27
Exhibit F	Statement of Fiduciary Net Assets—Fiduciary Funds .....	28
Exhibit F-1	Statement of Changes in Fiduciary Net Assets—Pension Trust Fund .....	29

#### Notes to the Financial Statements

I	Summary of Significant Accounting Policies .....	30
II	Reconciliation of Government-wide and Fund Financial Statements .....	36
III	Detailed Notes to All Funds .....	36
IV	Other Information .....	48

### REQUIRED SUPPLEMENTARY INFORMATION (unaudited)

Exhibit G	Budgetary Comparison Schedule—Budget and Actual—General Fund.....	57
Exhibit G-1	Schedule of Funding Progress .....	58
Exhibit G-2	Schedule of Employer Contributions .....	58
	Notes to Required Supplementary Information .....	59

OTHER SUPPLEMENTARY INFORMATION

**Nonmajor Governmental Funds**

Exhibit H	Combining Balance Sheet—Nonmajor Governmental Funds .....	63
Exhibit H-1	Combining Statement of Revenues, Expenditures, and Changes in Fund Balances—Nonmajor Governmental Funds .....	64

**Budgetary Comparison Schedules—Budget and Actual**

Exhibit H-2	Food and Nutrition Services Fund .....	65
Exhibit H-3	Grants and Self-Supporting Programs Fund .....	66
Exhibit H-4	Adult and Community Education Fund .....	67

**Internal Service and Student Activity Funds**

Exhibit I	Combining Statement of Net Assets - Internal Service Funds .....	68
Exhibit I-1	Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets—Internal Service Funds .....	69
Exhibit I-2	Combining Statement of Cash Flows—Internal Service Funds .....	70
Exhibit J	Statement of Changes in Assets and Liabilities—Student Activity Fund .....	71

**STATISTICAL SECTION** (unaudited)

Table 1	General School System Government-wide Expenses by Function .....	75
Table 2	General School System Government-wide Revenues .....	76
Table 3	General School System Governmental Expenditures by Function .....	77
Table 4	General School System Governmental Revenues by Source .....	78
Table 5	Student Enrollment .....	78
Table 6	Food and Nutrition Services Program .....	80
Table 7	Scholastic Assessment Test (SAT) Scores .....	81

FAIRFAX COUNTY, VIRGINIA

Table 8	Real and Personal Property Tax Levies and Collections .....	82
Table 9	Assessed Value and Estimated Actual Value of All Taxable Property .....	82
Table 10	General Property Tax Rates .....	83
Table 11	Real Property Tax Rates and Tax Levies—All Overlapping Governments .....	83
Table 12	Principal Real Estate Taxpayers .....	84
Table 13	Computation of Debt Margin .....	85
Table 14	Comparative Ratio of Net Bonded Debt to Estimated Actual Value of Taxable Property and Net Bonded Debt Per Capita .....	85
Table 15	Ratio of Annual Debt Service Requirements for General Bonded Debt to General Fund Expenditures and Operating Transfers Out and to Total Expenditures .....	86
Table 16	Computation of Direct and Overlapping and Underlying Debt .....	87
Table 17	Construction and Property Values .....	88
Table 18	Demographic Statistics .....	88
Table 19	Miscellaneous Statistical Data .....	89

# Transmittal Letter

(unaudited)





October 31, 2005

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

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

**W**e hereby submit the Comprehensive Annual Financial Report (CAFR) of the Fairfax County Public Schools (FCPS) for the fiscal year ended June 30, 2005. 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, 2005.

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), the basic financial statements including the notes, and the required supplementary information. In addition, the financial section contains other 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 12th largest in the continental United States.

The FCPS School Board's function is to set general school policy and, within the framework of the Virginia Board of Education regulations, to establish guidelines and rules to ensure the proper administration of the County school system. The twelve-member School Board 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 deputy superintendent and 13 assistant superintendents, the chief financial officer, and the chief information officer manage the day-to-day operations of the schools.

## Economic Condition and Outlook

### ECONOMY

The Washington Metropolitan area's economy has grown by 4.4 percent (adjusted for inflation) in the past five years, compared to the national growth rate of 1.2 percent. The region was the only major metropolitan area in the nation with positive job growth for the third consecutive year. The region has also maintained the nation's lowest metropolitan unemployment rate (2.9 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 133.2 in June 2005 compared to 127.9 in June 2004. In June 2005, the Coincident Index for the Washington Metropolitan area was 123.4. All components of this index increased over the 2004 levels. A 10.1 percent increase in sales tax receipts coupled with strong employment gains have made consumers more positive about the market prospects. In Northern Virginia, 25,000 new jobs were added between April 2004 and April 2005.

In June 2005, the leading index was 110.9 for the Washington Metropolitan area. The County's leading index for June 2005 was 109.2, as compared to 107.3 in June 2004. Three of the five components of this index increased by June 2005. The leading index has shown 27 months of gains, providing a clear signal of the County's future economic growth.

The consumer confidence index was 106.2 in June 2005, as compared to 102.8 in June 2004. 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 (BOS).



The EDA promotes the County as a quality location for start-up businesses as well as those wanting to relocate or expand. In 2004, the EDA helped 144 companies add over 11,000 jobs to the County's economy and fill 2.19 million square feet of office space.

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. The County is now the home to almost 300 foreign-owned businesses.

Through revitalization of the County's more mature business communities, the BOS 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 31,800 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. Two of the business sectors showing the greatest employment growth in 2004 were (1) information technology firms and (2) services industry. These sectors created more than 7,000 new jobs in 71 companies including L-3 Communications, Man Tech International, PricewaterhouseCoopers, Sunrise Senior Living and UTD Incorporated.



The unemployment rate in the County has fallen to 2.9 percent in June 2005 from 3.0 percent in June 2004. The Commonwealth of Virginia and the national unemployment rates in June 2005 were 3.8 percent and 5.0 percent, respectively. In June 2005, initial unemployment claims were 32.1 percent (seasonally adjusted) less than claims in June 2004.

## DEMOGRAPHICS

The estimated population of the County for calendar year 2005 is over one 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 2004, approximately 33 percent of the population was non-white. According to the 2004 American Community Survey, 32.5 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 2004 was approximately 380,000. The make-up of the housing units was:

- Single-family detached homes – 49.4 percent
- Townhomes – 24.6 percent
- Garden homes, high-rises and mid-rise homes, multiplex units, and mobile homes – 26.0 percent

The median market value of owned homes (including condominiums) in 2004 was \$415,000, representing a 35.1 percent increase over 2003.



## SCHOOL SYSTEM

FCPS is the largest educational system in the Commonwealth of Virginia and is the 12th 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 13,000 students in the 2000 school year to over 21,000 in the current school year. Fairfax County is one of the most affluent counties in the nation, with a median household income of \$88,133 in 2004; 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 \$24,505 for a family of four; for reduced-price lunches the maximum family income is \$34,873. In the 2004-2005 school year, close to 33,000 or 20.6 percent of the student population qualified for these services.

FCPS operates 200 schools and centers with 21,564 full-time employees, 19,854 of whom are school based. More than 86 percent of the school system budget (\$1.8 billion for fiscal year 2005) 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 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.

### 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	15
<b>TOTAL</b>	<b>200</b>

## Major Initiatives

### VISION

The FCPS School Board's vision is "to provide a gifted-quality education to every child in an instructional setting appropriate for his or her need." This vision is supported by the mission "to educate all students to meet high academic standards and to prepare all students to be responsible citizens in the 21st century." The following initiatives reflect the School Board's commitment to the students of Fairfax County.

### ELEMENTARY

**Project Excel** – provides 20 elementary schools with additional instructional time and an augmented academic program. These schools have a uniform school day, full-day kindergarten, focused instructional programs, and computer-based phonics instruction.

**Elementary Focus** – program at 14 elementary schools. The curriculum has a specific focus such as math, science, communications technology, fine arts and languages.

**State K-3 Initiative** – provides smaller class sizes for at-risk students in kindergarten through grade 3 at 42 schools.

**Success by Eight** – customized program for children in preschool to second grade at 17 elementary schools. Each school offers a variety of options in organizing grade levels and has full-day kindergarten.

**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 15 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.

**Early Identification Program**– a multiyear college preparatory program for students in populations traditionally underrepresented in postsecondary education. The program is designed to increase college enrollment, improve academic excellence, and heighten academic aspirations.

**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. TJHSST is a Governor’s regional magnet school which serves students with

special abilities and interest in science, mathematics and computer science.

**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** – extends the school day and/or year to provide support for identified students at 5 middle and high schools to help them pass the Standards of Learning (SOL) tests.

**International Baccalaureate (IB)** – is offered at a total of 11 middle and 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 program for students in grades 6-10 in three pyramids to increase the number of juniors and seniors enrolled in the IB courses.

**Professional Technical Studies**– focused curricula around six program-specific 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 and the quality of instruction.

**Professional Development Schools** – partnerships with local universities to develop novice professionals, continue the development of experienced professionals, and for research and development of the teaching profession. FCPS partners with George Mason University, George Washington University, and Marymount University.

## 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 subprograms: Woodson Adult High School (WAHS), External Diploma Program (EDP), General Education Development (GED), and the Volunteer Learning Program (VLP).

**Apprenticeship** – a two-part training program of classroom instruction and on-the-job training (OJT) in such disciplines as Cosmetology; Electricity; Heating, Ventilating and Air Conditioning (HVAC); and Plumbing. The classroom instruction component complements the OJT provided by employers participating in the Virginia State Apprenticeship Program.

## OTHER PROGRAMS AND INITIATIVES

---

**Alternative High Schools** – courses leading to a FCPS diploma are taught at three accredited schools 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.

**Mentor Works** – a partnership program between FCPS, the Fairfax Partnership for Youth and the County Council of Parent Teacher Associations (PTAs). The mission is to connect students with a caring, responsible adult to fully develop the student's strengths and capabilities.

**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 200 FCPS seniors had been named semifinalists in the 2006 National Merit Scholarship program. Thomas Jefferson High School for Science and Technology, a Governor's magnet school for Northern Virginia, had 167 semifinalists, making it the number one school in the nation for the last 15 out of 16 years based on the number of semifinalists. The students have a chance to win a share of \$33.0 million awarded in National Merit Scholarships. In 2005, the County had 88 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 11,657 students took 23,573 AP exams in the 2004-2005 school year. More than 41.3 percent of the students were seniors, but 58.7 percent of the tests were taken by underclassmen. The average score on a 1-to-5 scale was 3.14, up from 3.13 in the prior school year. Most colleges and universities will award students college credit for scores of 3 or higher on these exams.

In 2005, 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 1114 out of a possible 1600. This is above the average for Virginia of 1030 and the national average of 1028. The break-down of average score by ethnicity is as follows:

- Non-Hispanic white      1149
- Hispanic                      1002
- Black                              923
- Asian                              1113



## COMBINED SAT SCORES

Comparison of Local Jurisdictions  
School Year 2004–2005

DIVISION	TOTAL	TOTAL ENROLLMENT
City of Falls Church	1167	1,865
<b>Fairfax County</b>	<b>1114</b>	<b>164,408</b>
Montgomery County	1101	139,393
Arlington County	1085	18,744
Loudoun County	1073	44,011
Manassas City	1027	6,761
Prince William County	1012	66,298
City of Alexandria	963	10,996
Prince George's County	877	136,095

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 below 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 2005, 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.

### COST PER PUPIL COMPARISON

Fiscal Year 2004–2005

Arlington County	\$ 15,298
City of Falls Church	\$ 14,106
City of Alexandria	\$ 13,670
Montgomery County	\$ 12,108
<b>Fairfax County</b>	<b>\$ 11,022</b>
Loudoun County	\$ 10,266
Manassas City	\$ 10,137
Prince William County	\$ 8,939
Prince George's County	\$ 8,612

Source: Washington Area Boards of Education Guide

## 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 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. Expenditure commitments, including purchase orders and contracts, are encumbered to ensure funds have been reserved 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 risk management program endeavors to minimize or eliminate, when possible, risks that endanger the safety and environmental health of the students, staff, property and financial resources of FCPS. These objectives are met by identifying risk exposures, measuring and analyzing them, and implementing appropriate procedures to correct them. The results are evaluated for effectiveness and revised, as needed.

Liability risk is managed through insurance. 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. FCPS is also self-insured for workers' compensation.

## CASH MANAGEMENT

---

The County is the custodian of all cash and investments of FCPS except certain cash on hand, investments held for certain capital projects, funds held in local student 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 the Board make investment decisions for these assets.

Investments held in trust in the Capital Projects Fund are invested in accordance with the *Code of Virginia*. All

investments are held by an unaffiliated custodian in the name of the County. The custodian or County investment advisors 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, 2004. This is the eleventh 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 2004, FCPS issued a Summary Annual Report (SAR), also known as PAFR, for the seventh 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 CAFR. FCPS submitted the SAR to GFOA for evaluation under this program and the report was selected for its 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 fiscal year 2004 report. This is the eleventh 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.

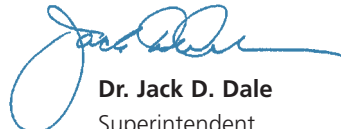
FCPS has won several awards for its budgeting reports, forecasting reports, and separately issued financial report for the ERFC. For fiscal year 2004, ASBO presented

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 2004 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, 2005

## SCHOOL BOARD

**Phillip A. Niedzielski-Eichner**

Chair  
Providence District

**Ilryong Moon**

Vice Chair  
Member-at-Large

**Catherine A. Belter**

Springfield District

**Brad Center**

Lee District

**Stuart D. Gibson**

Hunter Mill District

**Stephen M. Hunt**

Member-at-Large

**Kaye Kory**

Mason District

**Janet S. Oleszek**

Member-at-Large

**Kathy L. Smith**

Sully District

**Daniel G. Storck**

Mount Vernon District

**Jane K. Strauss**

Dranesville District

**Judith (Tessie) Wilson**

Braddock District

**Ian Hurdle**

Student Representative

## OFFICIALS

**Jack D. Dale**

Superintendent of Schools

**Brad Draeger**

Deputy Superintendent

**Michael E. Glascoe**

Assistant Superintendent  
Educational Accountability

**Dean A. Tistadt**

Assistant Superintendent  
Facilities and Transportation Services

**Deirdra McLaughlin**

Chief Financial Officer  
Financial Services

**Kevin North**

Assistant Superintendent  
Human Resources

**Ann Monday**

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**

Cluster Assistant Superintendent  
Cluster I

**Ellen Schoetzau**

Cluster Assistant Superintendent  
Cluster II

**John English**

Cluster Assistant Superintendent  
Cluster III

**Calanthia Tucker**

Cluster Assistant Superintendent  
Cluster IV

**Betsy Fenske**

Cluster Assistant Superintendent  
Cluster V

**Patrick Murphy**

Cluster Assistant Superintendent  
Cluster VI

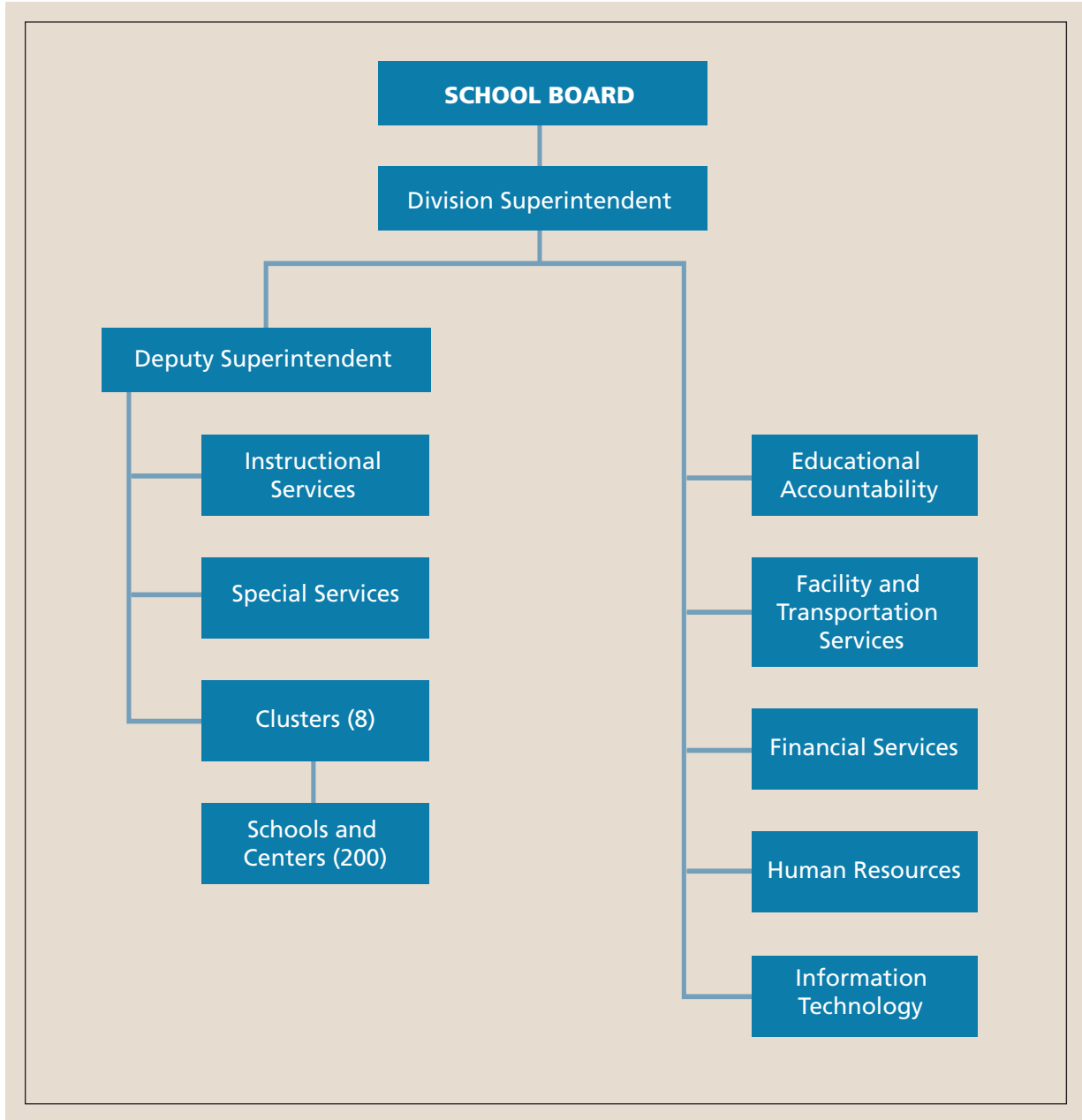
**Lillian Lowery**

Cluster Assistant Superintendent  
Cluster VII

**Betsy Goodman**

Cluster Assistant Superintendent  
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, 2005, 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of FCPS' internal control over financial reporting. Accordingly, we express no such opinion. 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 Fairfax County Public Schools as of June 30, 2005, 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, budgetary comparison schedule, schedule of funding progress, and schedule of employer contributions, as listed in the accompanying table of contents, 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.

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

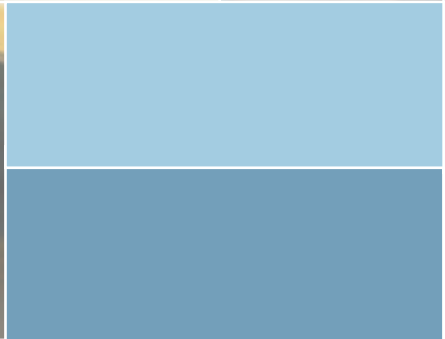
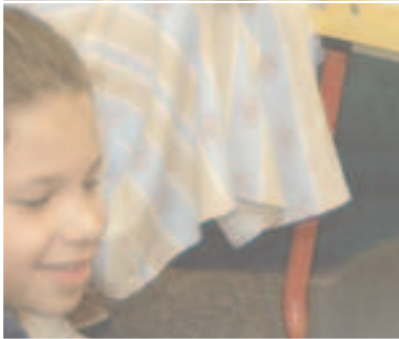
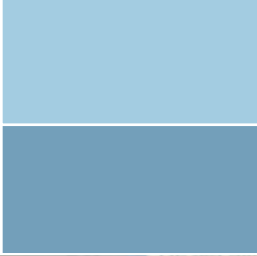


Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise FCPS' basic financial statements. The introductory section, other supplementary information, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The other 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 31, 2005

# Management's Discussion and Analysis





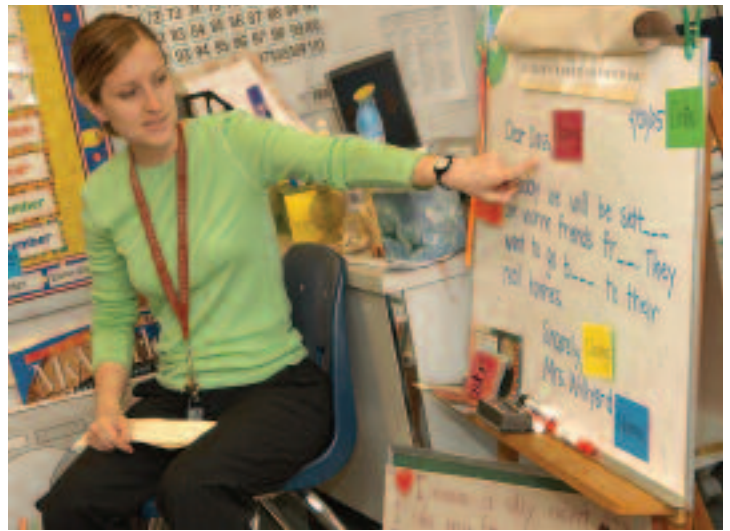


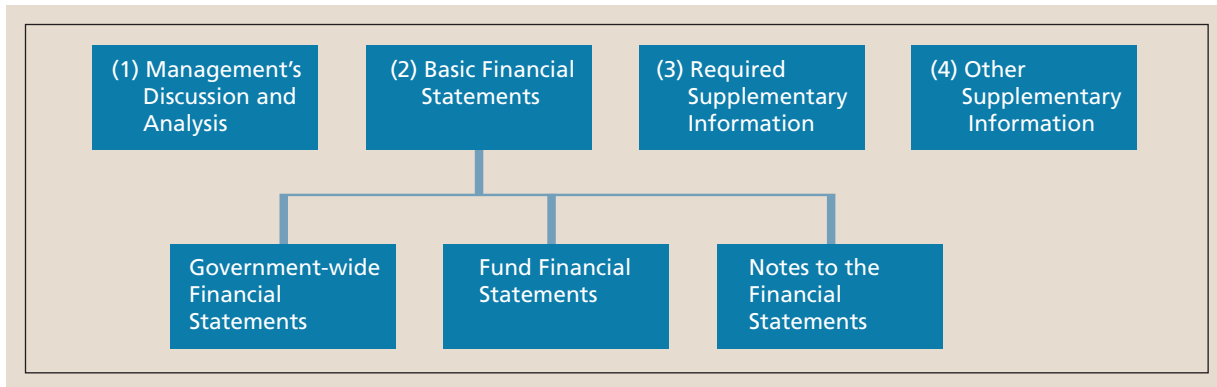
## Management's Discussion and Analysis

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, 2005. We encourage readers to consider this information in conjunction with FCPS' transmittal letter, basic financial statements and notes to the basic financial statements to enhance their understanding and use of the basic financial statements.

### FINANCIAL HIGHLIGHTS

- FCPS' total net assets (assets less liabilities) on a government-wide basis were \$1,777.9 million at June 30, 2005, representing an increase of \$145.9 million or 8.9 percent over June 30, 2004. The increase was primarily from additional construction in progress of \$124.3 million, acquisition of \$73.8 million in capital assets financed by capital leases and the donation of a \$68.0 million school by Fairfax County (County). Long-term liabilities increased \$76.8 million and accounts and accrued wages payable increased \$19.1 million over fiscal year 2004.
- For the fiscal year, FCPS' governmental activities' expenses of \$1,941.6 million exceeded program revenues (charges for services, operating grants and contributions, and capital grants and contributions) of \$430.8 million by \$1,510.8 million. This excess is 4.2 percent more than the \$1,450.0 million from fiscal year 2004. General revenues, funds available for all educational purposes, including contributions from the County of \$1,321.2 million, general contributions from the state and federal governments of \$320.8 million, and \$9.6 million in gain from the sale of land, were sufficient to cover the net program expenses.
- FCPS' governmental funds revenues and other financing sources exceeded expenditures and other financing uses by \$30.1 million for the fiscal year. This net addition resulted primarily from a 6.0 percent increase in the County transfer to cover additional enrollment, which was offset by an increase in instructional staff, fringe benefits, student transportation, and operations and maintenance expenditures. FCPS also had an increase of 5.2 percent in recovered costs from the School Services Agreement with the City of Fairfax.
- FCPS' General Fund (hereafter referred to as the Operating Fund) reported a fund balance of \$115.0 million, an increase of \$4.8 million or 4.4 percent over June 30, 2004. There was an \$81.5 million increase in revenue from the County, a \$5.3 million increase in the Individuals with Disabilities Education Act (IDEA) grant and a \$50.5 million increase in revenue from the Commonwealth of Virginia. The expenditures increased \$80.4 million for regular instruction, \$27.4 million for special education, \$7.2 million for other instruction and \$9.2 million for student transportation.
- In October 2004, the County issued \$311.8 million of general obligation public improvement bonds. FCPS' share amounted to \$125.6 million that will be used to finance construction of new facilities and improvements to existing ones. In January 2005, the County Economic Development Authority issued \$60.7 million of Facilities Revenue Bonds to purchase and improve certain property to be used by FCPS as an administration building and the adjacent land. The County, in turn, entered into a capital lease agreement with FCPS for \$60.7 million for repayment of the bonds over 30 years. The funds for the first lease payment and the leasehold improvements totaling \$15.1 million were unspent at June 30, 2005.





## 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 the budget to actual comparison schedule for the Operating Fund and historical trend information about the pension trust fund. In addition to the required elements, FCPS provides as other supplementary information combining fund statements for the nonmajor governmental funds, budget to actual comparison schedules for the nonmajor special revenue funds, combining fund statements for the internal services

funds, and the statement of changes in assets and liabilities for the student activity fund.

## 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 used 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. FCPS maintains three types of funds:

**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. The Operating and Capital Projects funds are FCPS' major funds. The Food and Nutrition Service, Grants and Self-Supporting Programs, and Adult and Community Education funds, comprise FCPS' nonmajor governmental 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 the 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 or students. 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 trust 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

Total net assets increased \$145.9 million or 8.9 percent over June 30, 2004. The investment in capital assets, net of related debt increased \$119.7 million due to the purchase of additional classroom computers, buses, and vehicles and the County's donation of the new South County Secondary School. The unrestricted net assets increased by \$26.2 million primarily because FCPS received an additional \$25.5 million in operating grants

and contributions for regular and special education instruction.

The Commonwealth of Virginia requires counties to issue general obligation debt for all financially dependent component units. The 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 \$100.1 million. This represents a \$63.8 million increase over June 30, 2004. The major new capital lease obligation was for the acquisition of a new administrative building. FCPS has an equipment installment purchase agreement outstanding for \$15.0 million related to an energy saving program FCPS is implementing.

The following table provides a summary of FCPS' net assets as of June 30, 2005 and 2004:

<b>SUMMARY OF NET ASSETS</b>				
As of June 30 (Dollars in Millions)				
	<b>Governmental Activities</b>			
	2005	2004	Variance	% Variance
<b>Assets:</b>				
Current and other	\$ 394.1	334.4	59.7	17.9 %
Capital assets (net)	1,717.4	1,534.4	183.0	11.9
<b>Total Assets</b>	<b>2,111.5</b>	<b>1,868.8</b>	<b>242.7</b>	<b>13.0</b>
<b>Liabilities:</b>				
Other liabilities	215.2	194.3	20.9	10.8
Long-term liabilities	118.4	42.5	75.9	178.6
<b>Total Liabilities</b>	<b>333.6</b>	<b>236.8</b>	<b>96.8</b>	<b>40.9</b>
<b>Net assets:</b>				
Invested in capital assets (net of related debt)	1,630.2	1,510.5	119.7	7.9
Unrestricted	147.7	121.5	26.2	21.6
<b>Total Net Assets</b>	<b>\$ 1,777.9</b>	<b>1,632.0</b>	<b>145.9</b>	<b>8.9</b>

## FCPS' OPERATING RESULTS

The following table provides a summary of the changes in net assets for FCPS for the years ended June 30, 2005 and 2004:

<b>SUMMARY OF CHANGES IN NET ASSETS</b>				
For the Year Ended June 30 (Dollars in Millions)				
	<b>Governmental Activities</b>			
	<b>2005</b>	<b>2004</b>	<b>Variance</b>	<b>% Variance</b>
<b>Revenues:</b>				
<b>Program Revenues:</b>				
Charges for services	\$ 85.3	82.4	2.9	3.5 %
Operating grants and contributions	144.1	116.5	27.6	23.7
Capital grants and contributions	201.4	137.9	63.5	46.0
<b>General Revenue:</b>				
Grants and contributions	1,642.0	1,525.6	116.4	7.6
Revenue from the use of money	1.3	0.4	0.9	225.0
Other	3.5	3.0	0.5	16.7
Insurance recoveries	0.3	2.3	(2.0)	(87.0)
<b>Total Revenues</b>	<b>2,077.9</b>	<b>1,868.1</b>	<b>209.8</b>	<b>11.2</b>
<b>Expenses:</b>				
<b>Instruction:</b>				
Regular	1,095.0	1,015.8	79.2	7.8
Special	307.7	274.9	32.8	11.9
Professional technical studies	37.9	35.7	2.2	6.2
Adult education	11.2	12.0	(0.8)	(6.7)
Other	28.0	20.6	7.4	35.9
<b>Support:</b>				
Administration	96.5	95.2	1.3	1.4
Food operations	57.4	54.8	2.6	4.7
Student transportation	93.5	86.2	7.3	8.5
Operations and maintenance	182.8	183.0	(0.2)	(0.1)
Facilities	30.4	7.6	22.8	300.0
<b>Interest on long-term debt</b>	<b>1.2</b>	<b>1.0</b>	<b>0.2</b>	<b>20.0</b>
<b>Total Expenses</b>	<b>1,941.6</b>	<b>1,786.8</b>	<b>154.8</b>	<b>8.7</b>
Excess in net assets before special item	136.3	81.3	55.0	67.7
<b>Special item - gain on sale of land</b>	<b>9.6</b>	<b>-</b>	<b>9.6</b>	<b>-</b>
<b>Increase in net assets</b>	<b>145.9</b>	<b>81.3</b>	<b>64.6</b>	<b>79.5</b>
<b>Beginning net assets</b>	<b>1,632.0</b>	<b>1,550.7</b>	<b>81.3</b>	<b>5.2</b>
<b>Ending net assets</b>	<b>\$ 1,777.9</b>	<b>1,632.0</b>	<b>145.9</b>	<b>8.9</b>

The \$145.9 million increase in net assets was mainly attributable to:

- \$27.6 million increase in operating grants and contributions primarily related to increased funding for Individuals with Disabilities Education Act (IDEA), Title I and Title II
- \$63.5 million increase in capital grants and contributions primarily related to the County's donation of the South County Secondary School
- \$116.4 million increase in general revenue grants and contributions primarily from a \$82.0 million increase in contributions from the County
- \$79.2 million increase in regular instruction expenditures primarily from a cost of living adjustment of 3.0 percent combined with annual merit increments

- \$32.8 million increase in special education instruction from a cost of living adjustment of 3.0 percent, annual merit increments and additional expenses for handicapped students supported by the increased funding from IDEA

The net program cost is determined by offsetting the revenue available to support the program against the total program cost. Total program costs of \$1,941.6 million for fiscal year 2005 were partially financed by program revenue from (1) charges for services—\$85.3 million, (2) operating grants and contributions—\$144.1 million and (3) capital grants and contributions—\$201.4 million.

The majority of the functions required general revenue to cover the cost of operations. However, the Facilities function was self supporting in fiscal year 2005 with revenue exceeding expenses by \$171.6 million. The majority of the revenue in this function is used for the construction, acquisition, or renovation of capital assets.

The following table compares the total program cost and net program cost for each of FCPS' functional areas for fiscal years 2005 and 2004.

<b>SUMMARY OF PROGRAM COSTS BY FUNCTION</b>							
For the Year Ended June 30 (Dollars in Millions)							
<b>Function:</b>	<b>Total Cost of Function</b>			<b>Net Cost (Revenue) of Function</b>			
	<b>2005</b>	<b>2004</b>	<b>% Variance</b>	<b>2005</b>	<b>2004</b>	<b>% Variance</b>	
<b>Instruction:</b>							
Regular	\$1,095.0	1,015.8	7.8 %	1,002.0	937.8	6.8 %	
Special	307.7	274.9	11.9	253.1	232.7	8.8	
Professional technical studies	37.9	35.7	6.2	33.6	31.3	7.3	
Adult education	11.2	12.0	(6.7)	2.7	3.7	(27.0)	
Other	28.0	20.6	35.9	22.2	16.0	38.8	
<b>Support services:</b>							
Administration	96.5	95.2	1.4	96.0	95.1	0.9	
Food operations	57.4	54.8	4.7	0.6	-	-	
Student transportation	93.5	86.2	8.5	92.9	85.9	8.1	
Operations and maintenance	182.8	183.0	(0.1)	178.1	178.7	(0.3)	
Facilities	30.4	7.6	300.0	(171.6)	(132.2)	29.8	
Interest on long-term debt	1.2	1.0	20.0	1.2	1.0	20.0	
<b>Total</b>	<b>\$1,941.6</b>	<b>1,786.8</b>	<b>8.7</b>	<b>1,510.8</b>	<b>1,450.0</b>	<b>4.2</b>	

## FCPS' GOVERNMENTAL FUNDS

Revenues and other financial sources, excluding transfers in, for governmental funds in fiscal year 2005 were \$2,104.1 million, an 11.3 percent increase over fiscal year 2004. FCPS' primary source of revenue is intergovernmental revenue, amounting to \$1,917.5 million in fiscal year 2005, an 8.0 percent increase over fiscal year 2004. This revenue source consists of \$1,457.7 million in funding from the County, \$376.3 million in funding from the Commonwealth of Virginia, and \$83.5 million in grants from the Federal government. Key increases include: \$81.6 million in the operating transfer from the County to cover anticipated increases in education costs, an increase of \$20.8 million in sales tax revenue from the Commonwealth due to a change in tax rate and an increased portion allotted to education, and an increase of \$5.3 million in IDEA grant funds. The charges for services (comprised of foods sales and tuition and fees) increased by \$2.6 million, a 5.0 percent increase, from fiscal year 2004 to fiscal year 2005.

In fiscal year 2005, FCPS' other financing sources, excluding transfers, increased \$72.4 million from the fiscal year 2004 level of \$22.8 million. This increase was attributed to the proceeds of new capital leases and installment purchase agreements of \$95.2 million, including \$60.7 million for the new Central Administration Building.

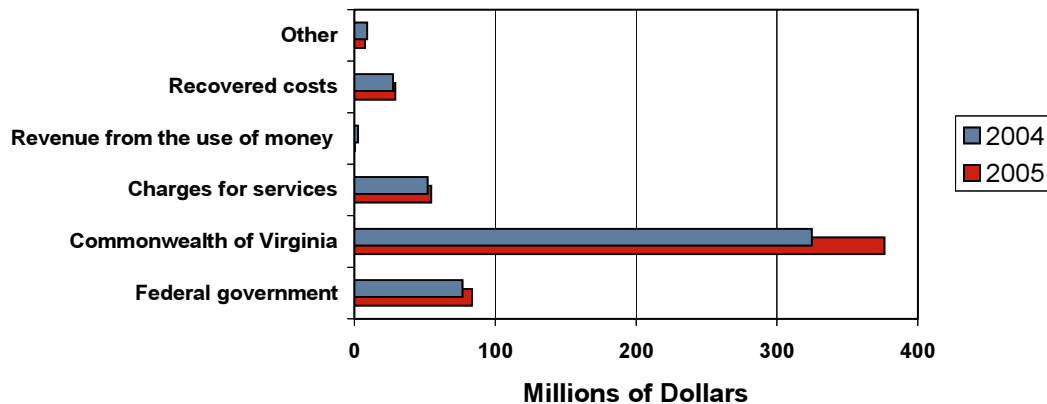
During fiscal year 2005, FCPS sold 35.5 acres of surplus land for \$11.7 million; this is reported as a special item in the financial statements. The proceeds from the sale will

provide additional cash for renovation projects in the Capital Projects Fund.

The total expenditures and other financing uses, excluding transfers out, for the fiscal year 2005 governmental funds were \$2,085.4 million, an increase of 11.2 percent over fiscal year 2004. Regular instruction accounts for the majority of FCPS' expenditures. For fiscal year 2005, these expenditures were \$1,042.6 million in comparison to \$964.3 million for fiscal year 2004. This represents an increase of \$78.3 million or 8.1 percent. The main reasons for the expenditure increases were:

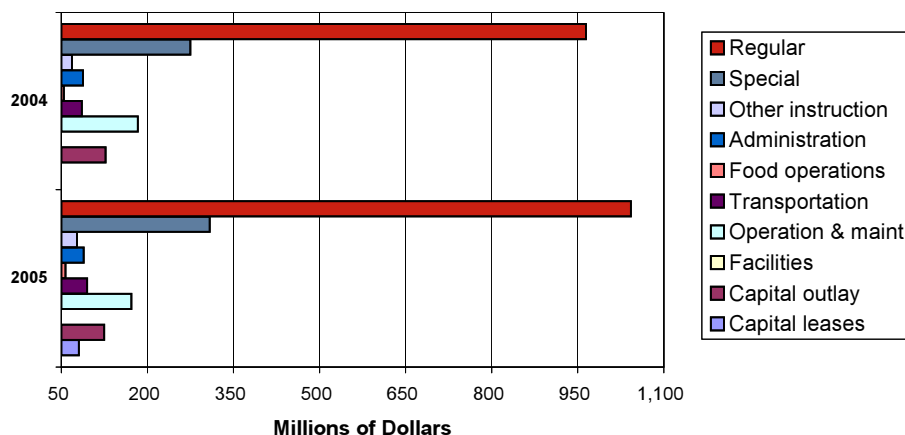
- Enrollment growth, especially in special education, required the hiring of additional special education teachers and instructional assistants
- Increase in fringe benefits costs, especially health care premiums and employer contributions to the Virginia Retirement System (VRS), the Educational Employees' Supplementary Retirement System of Fairfax County (ERFC) and the Fairfax County Employees' Retirement System (FCERS)
- New capital leases of \$18.4 million for the purchase of additional buses, construction vehicles and technology equipment of which \$6.8 million worth was below the FCPS capitalization threshold
- New capital lease of \$46.0 million for the land and building for Phase I of the administrative building consolidation and the land for Phase II
- Equipment installment purchase agreement for energy savings project of \$16.1 million

The sources of revenue, excluding revenue from the County, for fiscal years 2005 and 2004 are displayed below:





The chart below displays the expenditures by function for fiscal years 2005 and 2004:



## FUND HIGHLIGHTS

FCPS’ Operating and Capital Projects funds are the major funds. The nonmajor governmental funds are the Food and Nutrition Services, Grants and Self-Supporting Programs, and the Adult and Community Education special revenue funds. All of these funds 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, 2005, FCPS’ governmental funds reported a combined fund balance of \$161.3 million, an increase of \$30.1 million over June 30, 2004. This balance is comprised of \$126.4 million in funds already committed for existing purchase orders and construction contracts, \$1.7 million of inventory, and \$15.1 million in capital projects, including \$1.8 million for the first capital lease payment on the new Central Administration Building, due October 2005. The remaining unreserved fund balance is \$18.1 million. Approximately \$91.2 million of the unreserved fund balance constitutes resources available for appropriation. The capital project fund includes an unreserved deficit of \$73.1 million as a result of \$84.1 million in construction fund contract commitments made for projects that will be funded over multiple years.

The net change in total governmental fund balances was a \$30.1 million increase compared to the \$14.6 million increase in fiscal year 2004. The total revenues and other financing sources for all governmental funds for the fiscal year ended June 30, 2005 were \$2,104.1 million—11.3 percent higher than the \$1,890.1 million in fiscal year 2004. Total expenditures and other financing uses increased by 11.2 percent to \$2,085.4 million in fiscal year 2005 from the fiscal year 2004 amount of \$1,875.5 million.

## OPERATING FUND

The Operating Fund is the primary fund of FCPS. At the end of fiscal year 2005, the unreserved fund balance was \$79.0 million after considering the \$36.1 million reserved for outstanding encumbrances. This represents approximately 4.5 percent of the Operating Fund’s total expenditures, a 6.3 percent decrease from fiscal year 2004. The revenues of \$1,770.7 million, expenditures of \$1,769.5 million and other net financing sources of \$3.7 million, resulted in an increase in the fund balance of \$4.9 million.

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

- The County appropriation increased \$81.5 million to fund continuing student membership growth and replacement of technology equipment in the schools



- Federal government revenue increases resulted from additional funding under the Individuals with Disabilities Education Act of \$5.3 million
- Sales tax receipts increased \$20.8 million based on the Commonwealth's allocation of funds for school age children and the increase of the state sales tax rate to 5.0%
- Other revenue from the Commonwealth increased \$29.7 million
- Expenditures for increased staffing and related benefits were \$113.3 million

### Budgeting Highlights of the 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 2005:

<b>OPERATING FUND BUDGET COMPARISON</b>				
For the Year Ended June 30, 2005 (Dollars in Millions)				
	<b>Budget</b>		<b>Actual (Budget Basis)</b>	<b>Variance with Final Budget- Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
Total revenues	\$ 1,767.5	1,770.5	1,770.7	0.2
Total expenditures	1,775.3	1,853.1	1,736.7	116.4
Total other financing uses	(30.8)	(30.8)	(30.8)	-
Net change in fund balance	(38.6)	(113.4)	3.2	116.6
Fund balance, July 1, 2004	38.6	113.4	110.2	(3.2)
Fund balance, June 30, 2005	-	-	113.4	113.4

For fiscal year 2005, the final estimated revenues exceeded the original budget by \$3.0 million or 0.2 percent. This change was as a result of a \$0.5 million decrease in funding from the Commonwealth of Virginia, a \$4.0 million increase in funding from the federal government, and a \$0.6 million decrease in recovered costs. Actual revenues were more than the final budgeted revenues by \$0.2 million. The \$3.9 million less received in federal revenue was offset by: (1) a \$0.4 million increase in revenue from the Commonwealth, (2) a \$2.3 million increase in tuition and fees, and (3) a \$1.3 million increase in revenue from other sources.

The final expenditure appropriations exceeded the original approved budget by \$77.8 million or 4.4 percent. The increase was primarily due to funds carried over for undelivered orders and the reserve for unanticipated expenditures. The actual expenditures were less than the final approved budget by \$116.4 million or 6.3 percent. No difference existed between the actual and budgeted total other financing sources/uses for fiscal year 2005.

The major expenditure variances between the final budget and the actual expenditures for the fiscal year ended June 30, 2005 (in millions) were:

• Regular instruction	\$81.0
• Special instruction	18.2
• Professional technical studies	(6.4)
• Administration, attendance and health	24.4
• Student transportation	(5.8)
• Capital outlay	8.1

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

## CAPITAL PROJECTS FUND

The Capital Projects Fund is FCPS' other major fund. At the end of fiscal year 2005, the unreserved fund deficit was \$73.1 million after considering the \$84.1 million reserved for outstanding encumbrances and the \$15.1 million reserved for investments with fiscal agent for future expenditures on the Central Administration Building. The total fund balance of \$26.1 million is a \$24.1 million increase from fiscal year 2004. This resulted from revenues of \$128.8 million, expenditures of \$190.5 million, other net financing sources of \$74.1 million, and a special item of \$11.7 million from the sale of land.

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

- FCPS has not spent \$15.1 million received from the County for the new Central Administration Building
- FCPS sold 35.5 acres of surplus land for \$11.7 million to accelerate the construction of two new elementary schools and provide funding for 12 school renovation projects planned for the 2004-2008 timeframe

### Capital Assets and Leases

At June 30, 2005, FCPS reported \$1,717.4 million, net, in land, land improvements, buildings, building improvements, library materials/collections, equipment and construction in progress. Accumulated depreciation on capital assets amounted to \$754.2 million. The net change in accumulated depreciation for the fiscal year was \$75.0 million, composed of additional depreciation for the current year of \$81.7 million less write off of \$6.7 million in depreciation on disposed assets.

The net capital assets increased 11.9 percent or \$183.0 million from June 30, 2004 to June 30, 2005. Excluding constructed assets, additions to capital assets were \$143.0 million while reductions amounted to \$9.4 million. Construction in progress expenditures increased by \$124.3 million and transfers to finished assets were \$259.2 million.

Below is a summary of FCPS' net capital assets as of June 30, 2005 and 2004:

<b>NET CAPITAL ASSETS</b>		
As of June 30 (Dollars in Millions)		
<b>Capital Asset Category</b>	<b>Book Value (net of depreciation)</b>	
	<b>2005</b>	<b>2004</b>
Land	\$ 50.8	46.9
Land improvements	18.3	19.1
Buildings	629.6	488.7
Building improvements	819.8	649.0
Library material/collections	12.6	12.1
Equipment	72.7	70.2
Construction in progress	113.6	248.4
<b>Total</b>	<b>\$ 1,717.4</b>	<b>1,534.4</b>

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

- Acquisition of \$11.9 million in computer equipment, buses and vehicles through capital leases
- Purchase of \$4.4 million for library collections
- Purchase of \$5.5 million in other equipment and vehicles
- Receipt of South County Secondary School from the County of Fairfax - \$68.0 million
- Acquisition via capital lease of land and existing building for Phase I of the administrative consolidation and land for Phase II of the project - \$46.0 million
- Completion of major renovations - Hayfield Secondary \$53.2 million; Annandale High School \$30.5 million; Lee High School \$35.5 million and Madison High School \$10.4 million

As of June 30, 2005, FCPS had \$100.1 million of outstanding debt related to capital leases compared to \$36.3 million as of June 30, 2004. The \$63.8 million increase represents the addition of \$79.2 million in new capital leases and \$15.4 million reductions in principal payments on existing leases. FCPS' new capital leases were primarily for the acquisition of the land and existing building for the administrative consolidation project and 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. The membership growth rate has slowed in the last few years, but the number of students with disabilities and limited English proficiency continues to increase. 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 southern end of Fairfax County is developing rapidly, especially in the area of the old Lorton prison. This development has created a need for an additional secondary school in that area of the County which will open for the 2005-2006 school year. An elementary and middle school will eventually also be built in this area.

The primary source of revenue for FCPS comes from the County. In the last few years, the County has initiated "belt tightening measures", but FCPS has maintained its funding levels at the expense of other County agencies. As the County increases its revenue stream and increases the funding to other agencies, FCPS may not be able to lobby for the current funding levels. 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 2006 advertised operating budget includes a \$121.5 million or 6.7 percent increase in expenditures over the fiscal year 2005 approved budget. Approximately 85 percent of the budget is for compensation-related expenditures. The significant increases are:

- \$104.3 million for salary adjustments and benefit cost increases
- \$1.3 million for science and social studies textbook adoption for elementary and high schools



- \$2.6 million for increased charges for fuel, labor and parts from the County's Department of Vehicle Services
- \$0.5 million for purchase or lease/purchase of 70 replacement vehicles
- \$2.2 million for the lease/purchase of 111 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





	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash on deposit with County of Fairfax, VA	\$ 331,209,200
Receivables:	
Accounts, net	388,063
Accrued interest	261,574
Due from intergovernmental units:	
County of Fairfax, VA	1,824,064
Other	41,209,730
Inventories	4,039,727
Prepaid expenses	45,543
Restricted investments	15,139,807
Non-depreciable capital assets:	
Land	50,775,897
Construction in progress	113,585,603
Depreciable capital assets, net:	
Equipment	164,077,445
Library collections	33,385,752
Buildings and improvements	2,109,767,343
Accumulated depreciation	<u>(754,189,993)</u>
	<u>2,111,519,755</u>
 <b>LIABILITIES</b>	
Accounts payable	62,490,141
Accrued salaries and withholdings	87,268,379
Unearned revenue	8,566,288
Deposits	728,148
Contract retainages	7,694,727
Long-term obligations:	
Due within one year:	
Compensated absences	17,362,677
Capital leases	15,216,030
Installment purchases	1,283,674
Actuarial claims payable	14,526,587
Due beyond one year:	
Compensated absences	7,970,672
Capital leases	84,863,338
Installment purchases	13,680,921
Actuarial claims payable	<u>11,908,350</u>
	<u>333,559,932</u>
 <b>NET ASSETS</b>	
Invested in capital assets, net of related debt	1,630,223,936
Unrestricted	<u>147,735,887</u>
Total net assets	<u>\$ 1,777,959,823</u>

See accompanying notes to basic financial statements

Fairfax County Public Schools  
**STATEMENT OF ACTIVITIES**  
 For the Fiscal Year Ended June 30, 2005

**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	
<b>Governmental activities:</b>					
Instruction:					
Regular	\$ 1,095,009,887	36,751,553	56,294,565	-	(1,001,963,769)
Special	307,681,469	1,327,095	53,244,075	-	(253,110,299)
Professional technical studies	37,898,434	62,930	4,185,141	-	(33,650,363)
Adult education	11,251,831	6,487,642	2,057,716	-	(2,706,473)
Other	27,983,324	485,645	5,326,099	-	(22,171,580)
Total instruction	1,479,824,945	45,114,865	121,107,596	-	(1,313,602,484)
Support services:					
Administration, attendance and health	96,531,047	-	560,646	-	(95,970,401)
Food operations	57,373,078	39,385,589	17,427,636	-	(559,853)
Student transportation	93,542,156	333,230	296,708	-	(92,912,218)
Operations and maintenance	182,805,663	-	4,731,333	-	(178,074,330)
Facilities	30,359,964	514,345	25,776	201,405,585	171,585,742
Total support services	460,611,908	40,233,164	23,042,099	201,405,585	(195,931,060)
Interest on long-term debt	1,239,946	-	-	-	(1,239,946)
Total governmental activities	\$ 1,941,676,799	85,348,029	144,149,695	201,405,585	(1,510,773,490)

**General revenues:**

Grants and contributions not restricted to specific purposes:

Federal government	4,303,013
Commonwealth of Virginia	316,510,126
County of Fairfax, VA	1,321,224,654
Revenue from the use of money	1,272,295
Other	3,522,923
Insurance recoveries	299,945
<b>Special item - gain on sale of land</b>	<u>9,562,325</u>
Total general revenues and special items	<u>1,656,695,281</u>
Change in net assets	145,921,791
Net assets - July 1, 2004	1,632,038,032
Net assets - June 30, 2005	<u>\$ 1,777,959,823</u>

See accompanying notes to basic financial statements



	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash on deposit with County of Fairfax, VA \$	226,105,802	22,727,426	9,979,029	258,812,257
Receivables:				
Accounts, net	95,242	-	146,494	241,736
Accrued interest	-	-	33,499	33,499
Due from intergovernmental units:				
County of Fairfax, VA	1,621,364	-	202,700	1,824,064
Other	24,201,137	-	17,008,593	41,209,730
Inventories	-	-	1,700,122	1,700,122
Prepaid items	-	-	45,543	45,543
Interfund receivables	5,100,000	-	-	5,100,000
Restricted investments	-	15,139,807	-	15,139,807
Total assets	<u>257,123,545</u>	<u>37,867,233</u>	<u>29,115,980</u>	<u>324,106,758</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	54,527,468	3,406,414	628,577	58,562,459
Accrued salaries and withholdings	85,921,626	17,230	1,327,679	87,266,535
Unearned revenue	1,651,024	-	3,415,974	5,066,998
Deposits	-	657,269	70,879	728,148
Interfund payables	-	-	3,500,000	3,500,000
Contract retainages	-	7,694,727	-	7,694,727
Total liabilities	<u>142,100,118</u>	<u>11,775,640</u>	<u>8,943,109</u>	<u>162,818,867</u>
Fund balances:				
Reserved for:				
Encumbrances	36,071,506	84,085,889	6,225,815	126,383,210
Inventories	-	-	1,700,122	1,700,122
Capital projects	-	13,324,561	-	13,324,561
Future lease payments	-	1,815,246	-	1,815,246
Unreserved (deficit) reported in:				
General fund	78,951,921	-	-	78,951,921
Special revenue funds	-	-	12,246,934	12,246,934
Capital projects fund	-	(73,134,103)	-	(73,134,103)
Total fund balances	<u>115,023,427</u>	<u>26,091,593</u>	<u>20,172,871</u>	<u>161,287,891</u>
Total liabilities and fund balances	<u>\$ 257,123,545</u>	<u>37,867,233</u>	<u>29,115,980</u>	<u>324,106,758</u>

See accompanying notes to basic financial statements

**RECONCILIATION OF THE BALANCE SHEET TO THE  
STATEMENT OF NET ASSETS—GOVERNMENTAL FUNDS****EXHIBIT C-1**

June 30, 2005

Fund balances - total governmental funds	\$	161,287,891
------------------------------------------	----	-------------

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	\$	164,361,500
Depreciable assets		2,307,090,458
Accumulated depreciation		<u>(754,145,002)</u>
		1,717,306,956

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	\$	75,110,950
Capital assets		140,082
Less: accumulated depreciation		(44,991)
Liabilities		<u>(37,085,117)</u>
		38,120,924

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

Compensated absences - due within one year	\$	(17,362,677)
Compensated absences - due beyond one year		<u>(7,970,672)</u>
		(25,333,349)
Capital leases - due within one year	\$	(15,216,030)
Capital leases - due beyond one year		<u>(84,863,338)</u>
		(100,079,368)
Installment purchases - due within one year	\$	(1,283,674)
Installment purchases - due beyond one year		<u>(13,680,921)</u>
		(14,964,595)

Unfunded liability due from County for deferred teachers' salaries and benefits is offset by deferred revenue in the funds.		1,621,364
-----------------------------------------------------------------------------------------------------------------------------	--	-----------

Net assets of governmental activities	\$	<u><u>1,777,959,823</u></u>
---------------------------------------	----	-----------------------------

See accompanying notes to basic financial statements

Fairfax County Public Schools

**STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES—GOVERNMENTAL FUNDS**

**EXHIBIT D**

For the Fiscal Year Ended June 30, 2005

	<b>General Fund</b>	<b>Capital Projects Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>				
Intergovernmental:				
Federal government	\$ 41,480,527	-	41,990,761	83,471,288
Commonwealth of Virginia	365,591,151	933,000	9,773,712	376,297,863
County of Fairfax, VA	1,322,374,187	126,061,831	9,304,227	1,457,740,245
Charges for services:				
Tuition and fees	7,830,103	-	9,815,151	17,645,254
Food sales	-	-	36,865,502	36,865,502
Revenue from the use of money	524	43,404	187,830	231,758
Recovered costs	28,544,499	514,345	-	29,058,844
Other	4,854,211	1,229,803	1,540,486	7,624,500
Total revenues	<u>1,770,675,202</u>	<u>128,782,383</u>	<u>109,477,669</u>	<u>2,008,935,254</u>
<b>EXPENDITURES</b>				
Current:				
Instruction:				
Regular	999,661,533	-	42,945,328	1,042,606,861
Special	300,996,957	-	7,686,752	308,683,709
Professional technical studies	38,045,913	-	43,455	38,089,368
Adult education	2,713,244	-	8,589,877	11,303,121
Other	22,809,784	-	5,254,226	28,064,010
Support services:				
Administration, attendance and health	88,159,380	-	599,222	88,758,602
Food operations	-	-	57,236,917	57,236,917
Student transportation	92,856,761	-	2,180,436	95,037,197
Operations and maintenance	171,826,276	10,063,381	-	181,889,657
Facilities	9,887,086	18,620,053	-	28,507,139
Capital outlay	8,084,403	115,715,759	858,713	124,658,875
Capital leases and installment purchases	34,496,041	46,090,618	-	80,586,659
Total expenditures	<u>1,769,537,378</u>	<u>190,489,811</u>	<u>125,394,926</u>	<u>2,085,422,115</u>
<b>Excess (deficiency) of revenues     over (under) expenditures</b>	<u>1,137,824</u>	<u>(61,707,428)</u>	<u>(15,917,257)</u>	<u>(76,486,861)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	13,412,549	16,998,953	30,411,502
Transfers out	(30,777,747)	-	-	(30,777,747)
Capital leases and installment purchases	34,496,041	60,715,190	-	95,211,231
Total other financing sources	<u>3,718,294</u>	<u>74,127,739</u>	<u>16,998,953</u>	<u>94,844,986</u>
<b>SPECIAL ITEM</b>				
Proceeds from the sale of land	-	11,699,825	-	11,699,825
Net change in fund balances	4,856,118	24,120,136	1,081,696	30,057,950
Fund balances July 1, 2004	110,167,309	1,971,457	19,039,292	131,178,058
Increase in reserve for inventories	-	-	51,883	51,883
Fund balances June 30, 2005	<u>\$ 115,023,427</u>	<u>26,091,593</u>	<u>20,172,871</u>	<u>161,287,891</u>

See accompanying notes to basic financial statements

**RECONCILIATION OF STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES  
TO THE STATEMENT OF ACTIVITIES**

EXHIBIT D-1

For the Fiscal Year Ended June 30, 2005

Net change in fund balances - total governmental funds \$ 30,057,950

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		\$ 124,658,875	
New capital leases-capital outlay	\$ 80,586,659		
Capital leases on equipment not capitalized	<u>(6,804,341)</u>	73,782,318	
Depreciation expense		<u>(81,715,909)</u>	116,725,284

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. 69,954,546

Gains or losses on the disposal of capital assets are reported in the statement of activities. However, in the governmental funds the proceeds from sales are reported. The difference is the net depreciated value of the disposed capital assets. (2,610,932)

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. 15,369,122

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. (95,211,231)

In the government-wide statements, inventory changes impact 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. 51,883

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. (768,069)

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. 13,974,602

Current year revenue from the County for deferred teachers' salaries and benefits is not reported in the statement of activities because it met accrual basis accounting criteria in a prior year. (1,621,364)

Change in net assets of governmental activities \$ 145,921,791

See accompanying notes to basic financial statements

June 30, 2005

	<b>Governmental Activities Internal Service Funds</b>
	<b>_____</b>
<b>ASSETS</b>	
Current assets:	
Cash on deposit with County of Fairfax, VA	\$ 72,396,943
Accounts receivable	146,327
Accrued interest	228,075
Inventories	2,339,605
Total current assets	<u>75,110,950</u>
Noncurrent assets:	
Capital assets, net:	
Equipment	140,082
Accumulated depreciation	(44,991)
Total capital assets	<u>95,091</u>
Total assets	<u>75,206,041</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	3,927,682
Accrued salaries and withholdings	1,844
Interfund payable	1,600,000
Unearned revenue	5,120,654
Actuarial claims payable	14,526,587
Total current liabilities	<u>25,176,767</u>
Noncurrent liabilities:	
Actuarial claims payable	11,908,350
Total noncurrent liabilities	<u>11,908,350</u>
Total liabilities	<u>37,085,117</u>
<b>NET ASSETS</b>	
Invested in capital assets, net	95,091
Unrestricted	38,025,833
Total net assets	<u>\$ 38,120,924</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, 2005

**EXHIBIT E-1**

	<b>Governmental Activities Internal Service Funds</b>
	<u>                    </u>
<b>Operating revenues:</b>	
Charges for services	\$ 206,101,479
<b>Operating expenses:</b>	
Salaries and wages	1,731,850
Cost of goods sold	11,235,582
Claims and benefits	171,995,378
Professional consultant services	8,078,961
Other operating expenses	479,696
Depreciation	12,193
Total operating expenses	<u>193,533,660</u>
Operating income	<u>12,567,819</u>
<b>Non-operating revenues:</b>	
Interest revenue	<u>1,040,538</u>
Income before operating transfers	13,608,357
Transfers in	<u>366,245</u>
Change in net assets	13,974,602
Total net assets - July 1, 2004	<u>24,146,322</u>
Total net assets - June 30, 2005	<u>\$ 38,120,924</u>

See accompanying notes to basic financial statements

For the Fiscal Year Ended June 30, 2005

	<b>Governmental Activities Internal Service Funds</b>
	<u>                    </u>
<b>Cash flows from operating activities:</b>	
Receipts from interfund services provided	\$ 206,595,377
Payments to employees	(1,734,189)
Payments to vendors for inventory	(11,132,634)
Payments for claims and health benefits	(174,672,095)
Payments for professional services	(7,912,459)
Payments for other operating expenses	(479,696)
Net cash provided by operating activities	<u>10,664,304</u>
<b>Cash flows from noncapital financing activities:</b>	
Transfers from other funds	366,245
Net cash provided by noncapital financing activities	<u>366,245</u>
<b>Cash flows from capital and related financing activities:</b>	
Purchase of capital assets	(27,111)
Net cash used by capital and related financing activities	<u>(27,111)</u>
<b>Cash flows from investing activities:</b>	
Interest received	863,234
Net cash provided by investing activities	<u>863,234</u>
Net increase in cash and cash equivalents	11,866,672
Cash and cash equivalents, July 1, 2004	60,530,271
<b>Cash and cash equivalents, June 30, 2005</b>	<u><u>\$ 72,396,943</u></u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income	\$ 12,567,819
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation expense	12,193
Increase in accounts receivable	(146,327)
Decrease in inventories	143,292
Increase in accounts payable	526,158
Decrease in accrued salaries and withholding	(2,339)
Decrease in interfund payable	(400,000)
Increase in unearned revenue	640,225
Decrease in actuarial claims payable	(2,676,717)
Total adjustments to operating income	<u>(1,903,515)</u>
Net cash provided by operating activities	<u><u>\$ 10,664,304</u></u>

See accompanying notes to basic financial statements



**STATEMENT OF FIDUCIARY NET ASSETS—  
FIDUCIARY FUNDS**

June 30, 2005

**EXHIBIT F**

	<b>Pension Trust</b>	<b>Student Activity</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 746,836	\$ -
Cash with fiscal agent	271,792	15,683,857
Cash collateral for securities on loan	136,929,359	-
Short-term investments	56,163,769	-
Receivables:		
Accounts	17,709,286	272,257
Accrued interest	3,190,020	-
Investments, at fair value:		
U.S. government obligations	34,585,345	-
Mortgage-backed securities	6,542,518	-
Bonds	74,878,360	-
Stocks	925,784,931	-
Mutual funds	503,964,182	-
Real estate	40,731,685	-
Inventories	-	269,364
Prepaid expenses	26,204	-
Total assets	<u>1,801,524,287</u>	<u>16,225,478</u>
<b>LIABILITIES</b>		
Accounts payable	1,161,192	1,187,497
Payable for purchase of pension investments	15,720,580	-
Liability for collateral received under securities lending agreements	136,929,359	-
Due to student groups	-	15,037,981
Total liabilities	<u>153,811,131</u>	<u>\$ 16,225,478</u>
<b>NET ASSETS</b>		
Held in trust for pension benefits	<u>\$ 1,647,713,156</u>	

See accompanying notes to basic financial statements

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
PENSION TRUST FUND****EXHIBIT F-1**

For the Fiscal Year Ended June 30, 2005

**ADDITIONS**

## Contributions:

Employer	\$ 32,198,596
Plan members	39,818,585
Total contributions	<u>72,017,181</u>

## Investment income:

Net appreciation in fair value of investments	140,553,375
Interest and dividends	33,764,917
Real estate income	174,332
Securities lending	2,638,844
Other	294,698
Total investment income	<u>177,426,166</u>

## Less investment expense:

Investment fees and other	6,667,191
Securities lending	2,279,055
Total investment expense	<u>8,946,246</u>

Net investment income	<u>168,479,920</u>
-----------------------	--------------------

Total additions	<u>240,497,101</u>
-----------------	--------------------

**DEDUCTIONS**

Benefit payments	114,999,379
Refund of contributions	2,794,118
Administrative expenses	3,110,563
Total deductions	<u>120,904,060</u>

Change in net assets	<u>119,593,041</u>
----------------------	--------------------

Net assets - July 1, 2004	<u>1,528,120,115</u>
---------------------------	----------------------

Net assets - June 30, 2005	<u>\$ 1,647,713,156</u>
----------------------------	-------------------------

See accompanying notes to basic financial statements

# Notes to the Financial Statements

Fairfax County Public Schools  
June 30, 2005

## 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 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 all funds, departments and agencies that are not legally separate from FCPS. 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 contributions 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 government-wide 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 net asset balance is an indication of FCPS' ability to cover its cost and continue to provide services in the future. 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 indicates whether the function is self-supporting or relies on general revenue funding sources. The direct expenses are those that are clearly identifiable to particular functions. FCPS allocates costs for accrued leave and the profit/loss from the Internal Service Fund as program expenses to the functional activities. The allocation is based on the proportional share of total fund level non-capital expenditures. 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 contributions from the County, as well as certain other 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. FCPS' General Fund (hereafter referred to as the Operating Fund) and Capital Projects Fund have been deemed to be the major funds; therefore, they are separately reported. All the FCPS special revenue funds are aggregated in the column entitled Nonmajor Governmental Funds. 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 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, in which 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 the Office of Adult and Community Education.

- **Capital Projects Fund:** This fund is used to account for financial resources to be used in the acquisition, construction or renovation 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:** A trust fund is used to account for assets held in a trustee capacity. The 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. These monies are only available to support student programs at the specific school and not for the division as a whole.

## 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 (i.e., land, buildings, improvements, and other capital assets) as well as the long-term liabilities (i.e., capital lease liabilities, compensated absences and actuarial claims payable) 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 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 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 the pension trust fiduciary fund 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. The agency fiduciary fund has

no measurement focus and reports only assets and related liabilities, primarily to student groups within FCPS. 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 use the accrual basis of accounting. The difference in the basis of accounting relates to how revenue is recognized, how unearned revenue is recorded and whether FCPS reports expenses or expenditures.

### REVENUES

In the government-wide financial statements, revenue is recorded when earned. In the governmental funds, revenue is 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 receives value without directly 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 unrestricted contributions from the County and the Commonwealth of Virginia. These are considered general revenue 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. Special purpose revenue (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 revenue is interest income.

#### UNEARNED REVENUE

Unearned revenue results when funds are received before the revenue recognition criteria have been met. FCPS has several types of unearned revenue. The Operating Fund receives annual funding from the County to reduce the unfunded liability related to educational employees' salaries and benefits. The Grants and Self-Supporting Programs Fund records unearned revenue for advance tuition payments for Summer School classes. The unearned revenue in the Adult and Community Education Fund represents student tuition payments that will be used for future Adult Education classes. Unearned 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 the modified accrual basis of 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.

The operating expenses in the proprietary funds are those costs that relate directly to providing goods and services to the other departments, within the school district, on a cost reimbursement basis. The change in the actuarially determined insurance liability from one year to the next is reported as an operating expense. Any costs incurred as a result of financing and investing activities are reported as nonoperating expenses.

#### 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, 2005, 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 in the pension trust fund 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, 2005.

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 2005, interest earned by other FCPS funds assigned directly to the County's General Fund totaled \$4.6 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

FCPS implemented GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, during fiscal year 2005. This new standard modifies existing and requires additional disclosures for deposits and investments. These relate to interest rate risk, credit risk, concentration of credit risk, custodial credit risk and foreign currency risk.

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.

Restricted investments in the Capital Projects Fund are short-term investments which are reported at cost, which approximates fair value. These restricted investments are specifically required to be used for leasehold improvements to the new Central Administration Building and the purchase of furniture. These funds must be liquidated before any unrestricted assets can be used for this purpose.

## 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 Fund, 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 the present value of the minimum lease payments, 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; 20 to 25 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. Any excess vacation hours are converted to sick leave.

All compensated absences and related fringe benefits 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 No. 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, 2005. 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 obligations 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 government 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 reservations of fund balance to indicate they may not be available for other financing purposes.

## N. RECOVERED COSTS

Reimbursements from the City of Fairfax (City) for operating City owned schools and providing educational services to City students are recorded as recovered cost in the governmental funds financial statements. For FY 2005, the reimbursements approximated \$28.5 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

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

## 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 are 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 TO ALL FUNDS

### A. NON-PENSION DEPOSITS AND INVESTMENTS

#### 1. DEPOSIT AND INVESTMENT POLICIES

The County maintains an investment policy, the overall objectives of which are the preservation of capital and the protection of investment principal; maintenance of sufficient liquidity to meet operating requirements; conformance with federal, state, and other legal requirements; diversification to avoid incurring unreasonable risks regarding specific security types or individual financial institutions; and attainment of a market rate of return. Oversight of investment activity is the responsibility of the County's Investment Committee, which is comprised of the County's chief financial officer and certain key County management and investment staff.

It is the County's policy to pool for investing purposes all available funds of the County and its component units that are not otherwise required to be kept separate. The County's investment policy, therefore, applies to the activities of the County's reporting entity, including FCPS, with regard to investing the financial assets of its pooled investment funds. The investments that are required to be kept separate also adhere to the County's investment policy.

The *Code of Virginia* (Code) authorizes the purchase of the following types of investments:

- Commercial paper
- U.S. Treasury and agency securities
- U.S. Treasury strips

- Negotiable certificates of deposits and bank notes
- Money market funds
- Bankers acceptances
- Repurchase agreements
- Medium term corporate notes
- Local government investment pool
- Asset-backed securities
- Hedged debt obligations of sovereign governments
- Securities lending programs
- Obligations of the Asian Development Bank
- Obligations of the African Development Bank
- Obligations of the International Bank for Reconstruction and Development
- Obligations of the Commonwealth of Virginia and its instrumentalities
- Obligations of counties, cities, towns, and other public bodies located within the Commonwealth of Virginia
- Obligations of state and local government units located within other states
- Savings accounts or time deposits in any bank or savings and loan association within the Commonwealth that complies with the Code

However, the County's investment policy precludes the investment of pooled funds in derivative securities, reverse repurchase agreements, or security lending programs.

The Code also authorizes the purchase of other investments for pension trust funds, including common and preferred stocks and corporate bonds that meet the standard of judgment and care set forth in the Code. The ERFC's Board of Trustees' investment policies permit ERFC to lend its securities to broker-dealers and other entities (borrowers) for collateral that will be returned for the same securities in the future.

## 2. INTEREST RATE RISK

The County's policy is to minimize the risk that the market value of securities in its portfolio will fall due to changes in market interest rates. To achieve this minimization of risk, the County structures the pooled investment portfolio so that sufficient securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity. Pooled investments that are purchased to meet liquidity needs shall have a target weighted average maturity of 90 days. All other pooled funds are invested primarily in shorter-term securities, with a maximum maturity of one year.

FCPS' pooled investments as of June 30, 2005, are summarized at fair value below:

Investment Type	Fair Value	Weighted Average Maturity (Days)
Discount GSE securities	\$ 87,684,160	125.67
Commercial paper	71,593,431	77.86
Bankers acceptances	9,051,579	61.01
Money market funds	22,490,473	1.00
Bank notes	27,105,120	138.00
Corporate notes	11,293,800	314.00
GSE bullets	11,293,800	197.00
Total fair value	\$ 240,512,363	
Portfolio weighted average maturity		110.93

### 3. CREDIT RISK

The County's policy is to minimize the risk of loss due to the failure of an issuer or other counterparty to an investment to fulfill its obligations. The County pre-qualifies financial institutions, broker-dealers, intermediaries, and advisers with which the County does business. In addition, the County limits its pooled investments to the safest types of securities and diversifies its pooled investment portfolio so that potential losses on individual securities will be minimized. Also, new investments shall not be made in securities that are listed on Moody's Investors Service, Inc. (Moody's) Watchlist or Standard & Poor's, Inc. (S&P) Credit Watch with a negative rating. County policy specifies the following acceptable credit ratings for specific types of investments in the pooled portfolio:

- U.S. government sponsored enterprise instruments shall be rated by both Moody's and S&P with a minimum rating of Prime 1 and A-1, respectively.
- Prime quality commercial paper shall be rated by at least two of the following:
  - Moody's, with a minimum rating of Prime 1;
  - S&P, with a minimum rating of A-1;
  - Fitch Investor's Services, Inc. (Fitch), with a minimum rating of F-1;
  - or by Duff and Phelps, Inc., with a minimum rating of D-1.
- Mutual funds must have a rating of AA or better by S&P, Moody's, or another nationally recognized rating agency.
- Bank deposit notes must have a rating of at least A-1 by S&P and P-1 by Moody's.
- Banker's acceptances must have rating by Fitch of at least B/C.
- Corporate notes must have a rating of at least Aa by Moody's and a rating of at least AA by S&P.

As of June 30, 2005, the County had investments in the following issuers with credit quality ratings as a percent of total Investments in debt securities as follows:

Investment Type	Credit Quality Rating		
	AAA	AA	A
Discount GSE securities	36.5 %	- %	- %
Commercial paper	14.2	5.6	9.9
Bankers acceptances	-	3.7	-
Money market funds	9.4	-	-
Bank notes	-	4.7	6.6
Corporate notes	-	4.7	-
GSE bullets	4.7	-	-

### 4. CONCENTRATION OF CREDIT RISK

The County's investment policy sets the following limits for the types of securities held in its pooled investment portfolio:

Repurchase agreements and mutual funds	30% maximum
Bank notes and banker's acceptances	40% maximum
Commercial paper	35% maximum
Corporate notes	25% maximum

In addition, not more than 5 percent of the total pooled funds available for investment at the time of purchase may be invested in any one issuing or guaranteeing corporation for commercial paper, banker's acceptances, corporate notes, and bank notes. Also, the maximum amount of funds that may be placed in repurchase agreements with a single dealer is \$125 million.

## 5. CUSTODIAL CREDIT RISK

For deposits, custodial credit risk is the risk that in the event of a failure of a depository financial institution, the County's reporting entity may not recover its deposits. In accordance with the Virginia Security for Public Deposits Act (Act), all of the County reporting entity's deposits are covered by federal depository insurance or collateralized in accordance with the Act, which provides for the pooling of collateral pledged by financial institutions 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 names as security for deposits. 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 is inadequate to cover a loss, additional amounts are assessed on a pro rata basis to the members of the pool. 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 participating financial institutions. A multiple financial institution collateral pool that provides for additional assessments is similar to depository insurance; therefore, funds deposited in accordance with the requirements of the Act are considered to be fully insured.

For investments, custodial credit risk is the risk that, in the event of the failure of a counterparty, the County's reporting entity will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Per County policy, all of the investments purchased with pooled funds are insured or registered or are securities held by the County or its agent in the County's name.

## 6. RISK RELATED TO NON-POOLED INVESTMENTS

FCPS has certain investments made in accordance with bond indentures in the Capital Projects Fund. These investments are held separately from the County's cash and investment pool. The credit rating associated with the money market fund as of June 30, 2005 is AAA. The Federal Home Loan Mortgage Corporation (FHLMC)

discount notes were rated AAA. The FHLMC notes mature on September 30, 2005. All of the investments, which are summarized below at carrying value as of June 30, 2005, are insured, registered or held by a financial institution in the County's name.

Fidelity Institutional Money Market Treasury Class I Fund	\$ 4,849,304
Federal Home Loan Mortgage Corporation discount notes	10,290,503
<b>Total</b>	<b>\$ 15,139,807</b>

## 7. FOREIGN CURRENCY RISK

Per the County policy, pooled investments are limited to U.S. dollar denominated instruments.

## B. PENSION FUND INVESTMENTS

### 1. DEPOSIT AND INVESTMENT POLICIES

The authority to establish pension funds is set forth in Sections 51.1-800 of the Code, which provides for the purchase of investments that meet the standard of judgment and care set forth in Section 51.1-124 of the Code. Investment decisions for the ERFC are made by the Board of Trustees (Board) or the investment advisors selected by the Board.

As permitted by the Code and consistent with its Statement of Investment Policy, the ERFC invests in the following securities:

- Certificates of deposits
- Bankers acceptance
- Commercial paper
- Common stocks
- Preferred stocks
- Corporate bonds
- U.S. Treasury and agency securities

ERFC does not have investments (other than U.S. government and U.S. government guaranteed obligations) in any one organization that represents

5 percent or more of net assets held in trust for pension benefits.

As permitted by the Code, ERFC invests in derivative instruments on a limited basis in accordance with the Board of Trustees' investment policy. Investment in derivatives allows ERFC to increase earnings and/or hedge against potential losses. The risks associated with derivative investments include market risk resulting from fluctuations in interest and currency rates, the credit worthiness of counter parties to any contracts entered into, and the credit worthiness of mortgages related to collateralized mortgage obligations (CMOs). Specific authorization by the Trustees is required should investment managers seek to purchase securities on margin or leverage.

During fiscal year 2005, consistent with standard accounting principle guidelines, ERFC invested in the following derivatives that were not reported on the financial statements as of June 30, 2005:

- Money market futures are used to manage interest rate exposure at the short end of the yield curve. At fiscal June 30, 2005, the notional value and market value of the money market futures was \$29,500,000 and \$28,623,850, respectively. The effective date of this contract was September 29, 2003, with a maturity date of December 31, 2005.
- Government futures are an inexpensive substitute for government securities, which are backed by cash equivalent securities to duplicate government bond positions. The notional value and market value of these futures at June 30, 2005, were \$8,700,000 and \$9,489,12, respectively. The effective dates were April 27, 2004 and June 23, 2004 and mature September 30, 2005.
- Forwards are a means of managing interest rate exposure at the long end of the yield curve. At June 30, 2005 ERFC had a forward contract with a notional value of \$500,000 and a market value of \$707,911. The effective date was June 30, 2005 with a maturity date of February 15, 2021.

- CMOs are high quality investments backed by pools of mortgage loans providing higher yields and income. These investments had a notional value of \$274,420 and a market value of \$274,030 at June 30, 2005. The effective dates of the CMOs were from July 1, 2004 through July 26, 2004. The maturity dates range from October 25, 2020 to September 25, 2030.
- Swaps are a means of managing interest rate exposure and duration. At June 30, 2005, ERFC held swaps with notional values and market values of \$4,300,000 and (\$218,639), respectively. The swaps effective date was June 8, 2005 with a maturity date of December 15, 2025.

The Board policy permits the fund to participate in a securities lending program. The securities lending program is administered by ERFC's custodian. Certain securities are loaned to approved broker/dealers who borrow the securities and provide collateral in the form of cash, U.S. Treasury or Government agency securities, letters of credit and other securities as specified in the securities lending agreement. 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 the borrowed security or failure to pay ERFC for income of the securities on loan. The market value of collateral is monitored daily by the custodian.

Either ERFC or the borrower can terminate all security loans on demand. Cash collateral is invested in a fund maintained by the custodian or its 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, ERFC had no credit risk exposure to borrowers because the amounts ERFC owed the borrowers exceeded the amounts the borrowers owed ERFC.

Cash received as collateral and the related liability of \$136,929,359, as of June 30, 2005, are included in Exhibit F, Statement of Fiduciary Net Assets. The market value of securities on loan at June 30, 2005 was \$131,849,722. Securities received as collateral are not reported as assets since ERFC does not have the capacity to pledge or sell the collateral securities unless the borrower defaults.

## 2. INTEREST RATE RISK

All three of ERFC's fixed income managers use the modified duration method to control interest rate risk.

Regarding maturity, ERFC does not place limits on its fixed income managers. However, it does expect the average duration to be within 25 percent of the portfolio's benchmark.

## 3. CREDIT RISK

ERFC's investment policy on credit quality states that the average credit quality of the portfolio must be at least AA. The policy also permits up to 10 percent of the portfolio to be invested in below investment grade (i.e., Moody's Baa or Standard & Poor's BBB ratings). If a security has a split rating, the lower rating will be considered in meeting the minimum quality standard.

As of June 30, 2005, ERFC had the following fixed income investments:

<b>Investment Category</b>	<b>Amount</b>	<b>* Modified Duration</b>
U.S. treasuries	\$ 126,260,280	4.6
Agencies	15,391,706	4.0
Corporate bonds	81,528,068	5.5
Municipals	4,432,352	9.7
Convertible/preferred bonds	3,677,913	3.8
Mortgages	136,718,426	2.8
Non-U.S.	39,123,191	5.5
Emerging markets	8,984,835	6.2
Cash and cash equivalents	31,262,273	2.5
Other	6,149,916	3.4
<b>Total</b>	<b>\$ 453,528,960</b>	<b>4.3</b>

*\* duration in years*

As of June 30, ERFC had investments in the following issuers with credit quality ratings as a percent of total investments in debt securities as follows:

Investment Type	Credit Quality Rating							
	AAA	AA	A	BBB	BB	B	Below B	Unrated
U.S. Government and GSE securities	23.2 %	0.4 %	- %	- %	- %	- %	- %	- %
Asset-backed securities	23.7	-	0.1	-	0.1	-	0.1	9.8
Money market funds	5.9	0.4	4.0	0.2	-	-	-	2.3
Corporate bonds	1.3	0.6	2.0	4.1	2.9	2.8	1.1	2.5
International bonds	3.2	0.1	-	0.2	2.1	1.5	-	3.6
Other bonds	-	-	-	0.3	0.1	0.3	-	-
Other	0.1	1.0	-	-	-	-	-	-



#### 4. CONCENTRATION OF CREDIT RISK

As of June 30, 2005, ERFC had two active fixed income managers and one passive fixed income manager. ERFC's policy limits the securities of any one issuer to 10 percent at cost and 15 percent at market of each fixed income portfolio. The policy allows an exception for government securities and its agencies. At June 30, 2005, ERFC's two active fixed income managers had portfolio values of \$116.3 million and \$226.9 million. The market value of the highest issuer other than the U.S. government in these portfolios was only 4.9 percent of the portfolio. The passive fixed income portfolio had a value of \$110.3 million. Since it is an index mutual fund, it is excluded from the concentration of credit risk measurement.

#### 5. CUSTODIAL CREDIT RISK

Custodial credit risk is the risk that in the event of a bank failure, ERFC's funds will be lost. However, ERFC's investments and deposits are not exposed to custodial credit risk since they are insured and are held by the agent in ERFC's name. Other investments such as mutual funds, a short-term investment pool and a cash collateral investment pool, which invests cash collateral for securities on loan, are not exposed to custodial risk due to their non-physical form. As such, ERFC does not have a custodial credit risk policy.

A schedule of investments with the custodian as of June 30, 2005, is as follows:

	Underlying Securities	Cash Collateral Investment Value	Securities Collateral Investment Value
<b>Lent for cash collateral:</b>			
U.S. Government and GSE securities	\$ 34,279,693	35,274,682	-
Corporate bonds	6,599,363	6,968,570	-
International bonds	5,966,945	6,137,559	-
Common and preferred stock	45,121,793	46,791,336	-
International stock	39,759,448	41,757,212	-
<b>Lent for securities collateral:</b>			
U.S. Government securities	3,790,894	-	3,908,257
<b>Total securities lent</b>	<b>\$ 135,518,136</b>	<b>136,929,359</b>	<b>3,908,257</b>

## 6. FOREIGN CURRENCY RISK

ERFC's policy states that the highest amount a fixed income manager can invest in non-US. bonds is 25 percent of the manager's portfolio. As of June 30, 2005, EFRC's investment in foreign currency bonds was 6.6 percent of the fixed income portfolio. The following chart summarizes foreign currency risk:

	Cash and Cash Equivalents	Equity	Convertible and Fixed Income	Total U.S. Dollars
Australian dollar	\$ 61,698	7,156,950	-	7,218,648
Brazil real	-	-	622,091	622,091
British pound sterling	(76,195)	34,260,993	-	34,184,798
Canadian dollar	42,797	7,652,965	6,312,247	14,008,009
Danish krone	1,018	739,769	-	740,787
Euro currency unit	53,432	62,077,551	-	62,130,983
Hong Kong dollar	5,507	6,305,527	-	6,311,034
Indonesian rupiah	14,973	612,114	-	627,087
Japanese yen	55,080	30,142,034	-	30,197,114
Malaysian ringgit	-	339,020	-	339,020
Mexican new peso	205,106	2,783,167	2,234,008	5,222,281
New Zealand dollar	8,098	-	5,919,791	5,927,889
Norwegian krone	-	2,114,167	-	2,114,167
Romanian leu	3,383	128,591	-	131,974
South African comm rand	21,011	949,053	-	970,064
Singapore dollar	49,504	2,054,104	6,041,174	8,144,782
Swedish krona	10,167	5,424,921	-	5,435,088
Swiss franc	11,656	10,455,069	-	10,466,725
Thailand baht	20,977	-	1,665,757	1,686,734
<b>Total fair value</b>	<b>\$ 488,212</b>	<b>173,195,995</b>	<b>22,795,068</b>	<b>196,479,275</b>

### C. DUE FROM INTERGOVERNMENTAL UNITS

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 nonmajor governmental 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 and one-eighth cent of every five 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 nonmajor governmental funds 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 2005. At June 30, 2005, the \$1,621,364 receivable from the County represents the remaining unfunded liability, which is offset by corresponding unearned revenue in the fund financial statements. The County has recorded the liability to FCPS as a long-term obligation in its Statement of Net Assets. FCPS will reduce the receivable and related unearned revenue as the payments from the County are received.

Amounts due from other governments at June 30, 2005 were:

	<b>Federal</b>	<b>State</b>	<b>Other Jurisdictions</b>	<b>Total</b>	<b>County</b>
Operating Fund	\$ 10,338,741	13,734,702	127,694	24,201,137	1,621,364
Nonmajor governmental funds	13,615,926	3,392,667	-	17,008,593	202,700
<b>Total</b>	<b>\$ 23,954,667</b>	<b>17,127,369</b>	<b>127,694</b>	<b>41,209,730</b>	<b>1,824,064</b>

#### **D. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

The 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 nonmajor governmental funds 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 purposes for the interfund transfers were:

- Operating Fund transfers of \$16,998,953 to the nonmajor governmental funds represent \$15,798,823 of funds required to cover increased summer school expenditures especially those related to preparation for the Virginia Standards of Learning exams and \$1,200,130 of funds needed to subsidize the English for Speakers of Other Languages (ESOL) programs.
- Operating Fund transfers of \$13,412,549 to the Capital Projects Fund represent funds required for building maintenance, classroom equipment and facility modifications.
- Operating Fund transfers of \$366,245 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.

The composition of interfund receivable and payable balances as of June 30, 2005 is as follows:

Fund	Interfund Receivables	Interfund Payables
Operating	\$ 5,100,000	-
Nonmajor governmental funds	-	3,500,000
Internal Service	-	1,600,000
Total	\$ 5,100,000	5,100,000

The breakdown of interfund transfers as of June 30, 2005 is as follows:

Transfer To (Fund)	Transfer From (Fund) Operating
Nonmajor governmental funds	\$ 16,998,953
Capital Projects	13,412,549
Internal Service	366,245
Total	\$ 30,777,747

#### E. CHANGES IN LONG-TERM OBLIGATIONS

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, installment purchases and actuarial claims payable are generally liquidated from the Operating Fund.

The following is a summary of changes in the long-term obligations of FCPS for the year ended June 30, 2005:

	Balance July 1, 2004	Additions	Deductions	Balance June 30, 2005	Due within One Year
Compensated absences	\$ 24,565,280	17,472,460	16,704,391	25,333,349	17,362,677
Capital leases	36,296,883	79,151,607	15,369,122	100,079,368	15,216,030
Installment purchases	-	16,059,624	1,095,029	14,964,595	1,283,674
Actuarial claims payable	29,111,654	171,995,378	174,672,095	26,434,937	14,526,587
Total	\$ 89,973,817	284,679,069	207,840,637	166,812,249	48,388,968

## F. CAPITAL ASSETS

A summary of capital asset activity for fiscal year 2005 is as follows:

	Balance July 1, 2004	Additions	Deductions	Balance June 30, 2005
Non-depreciable capital assets:				
Land	\$ 46,913,397	6,000,000	(2,137,500)	50,775,897
Construction in progress	248,449,748	124,303,050	(259,167,195)	113,585,603
Total capital assets not depreciated	<u>295,363,145</u>	<u>130,303,050</u>	<u>(261,304,695)</u>	<u>164,361,500</u>
Depreciable capital assets:				
Land improvements	22,891,768	251,400	-	23,143,168
Buildings	802,934,532	159,449,412	-	962,383,944
Building improvements	909,483,732	214,756,499	-	1,124,240,231
Library materials/collections	29,034,740	4,351,012	-	33,385,752
Equipment	153,922,844	17,383,643	(7,229,042)	164,077,445
Total depreciable capital assets	<u>1,918,267,616</u>	<u>396,191,966</u>	<u>(7,229,042)</u>	<u>2,307,230,540</u>
Less accumulated depreciation:				
Land improvements	3,798,174	1,021,320	-	4,819,494
Buildings	314,291,609	18,449,376	-	332,740,985
Building improvements	260,525,752	43,947,522	-	304,473,274
Library materials/collections	16,912,589	3,912,476	-	20,825,065
Equipment	83,689,377	14,397,408	(6,755,610)	91,331,175
Total accumulated depreciation	<u>679,217,501</u>	<u>81,728,102</u>	<u>(6,755,610)</u>	<u>754,189,993</u>
Depreciable capital assets, net	1,239,050,115	314,463,864	(473,432)	1,553,040,547
Total net capital assets	<u>\$ 1,534,413,260</u>	<u>444,766,914</u>	<u>(261,778,127)</u>	<u>1,717,402,047</u>

Depreciation was charged to governmental functions/programs as follows:

<b>Depreciation Expense</b>	
Instruction:	
Regular	\$ 64,864,193
Special	945,521
Professional technical studies	49,406
Adult education	20,032
Other	96,394
Administration, attendance and health	1,850,637
Food operations	548,876
Student transportation	9,728,357
Operations and maintenance	1,591,983
Facilities	2,032,703
Total	<u>\$ 81,728,102</u>

## G. CAPITAL LEASES

FCPS has entered into lease agreements as lessee for school buses, other vehicles, trailers, facility modifications, computers and photocopy equipment. In addition, a new capital lease with the County was initiated during fiscal year 2005 for the acquisition of the new Central Administration Building. 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, with the exception of the building lease, at various times through fiscal year 2009. The building lease, which expires in fiscal year 2035, is the only capital lease that extends beyond 2009.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2005, were as follows:

Fiscal Year	Principal
2006	\$ 19,780,738
2007	17,053,442
2008	12,706,830
2009	7,816,547
2010	3,775,322
2011-2015	18,875,813
2016-2020	18,879,562
2021-2025	18,880,788
2026-2030	18,873,965
2031-2035	18,877,125
Total minimum obligations	155,520,132
Less portion representing interest	55,440,764
Present value of minimum obligations	<u>\$ 100,079,368</u>

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

Asset class	Acquisition Cost	Accumulated Depreciation	Net
Capital assets:			
Buses	\$ 44,561,868	12,380,801	32,181,067
Other vehicles	5,099,612	1,187,591	3,912,021
Parkos/trailers	813,989	49,202	764,787
Personal computers	23,461,497	-	23,461,497 *
Software	2,399,728	-	2,399,728 *
Land	6,000,000		6,000,000
Building	39,868,099		39,868,099
Improvements	14,821,901	-	14,821,901
Total	<u>\$ 137,026,694</u>	<u>13,617,594</u>	<u>123,409,100</u>

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

## H. INSTALLMENT PURCHASE

FCPS contracted to perform a detailed energy audit to determine the energy savings potential from a number of energy savings performance contracts. The audit concluded such contracts would reduce the energy and operating costs of FCPS, while updating or replacing building system equipment.

Due to the number of FCPS facilities, the entire project was subdivided into six smaller projects called "energy bundles" composed of 7 to 20 buildings each. There are currently five bundle contracts in place. Bundles number one and number two were completed in fiscal year 2005.

The financing for these projects was structured as an equipment installment purchase agreement for the first 4 projects; bundle number 5 will be paid from existing cash. The total amount financed was \$16,059,624 of which \$14,964,595 remains outstanding. The future minimum lease obligations and the net present value of these minimum payments as of June 30, 2005, were as follows:

Fiscal Year	Principal
2006	\$ 1,899,029
2007	1,899,029
2008	1,899,029
2009	1,899,029
2010	1,899,029
2011-2015	8,520,263
2016-2020	411,946
<b>Total minimum obligations</b>	<b>18,427,354</b>
Less portion representing interest	3,462,759
<b>Present value of minimum obligations</b>	<b>\$ 14,964,595</b>

## I. 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 2005, the total expenditures for these operating leases approximated \$3.7 million.

At June 30, 2005, annual operating lease commitments are as follows:

Fiscal Year	Real estate	Equipment
2006	\$ 2,077,978	\$ 4,368,103
2007	1,769,575	1,919,162
2008	1,526,795	460,065
2009	1,205,987	-
2010	313,717	-
2011-2016	60,147	-
<b>Total</b>	<b>\$ 6,954,199</b>	<b>\$ 6,747,330</b>

## J. CONSTRUCTION COMMITMENTS

At June 30, 2005 FCPS had contractual commitments of \$84,085,889 in the Capital Projects Fund for construction of various projects.

## IV. OTHER INFORMATION

### A. RELATED PARTIES

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

### B. DEBT SERVICE RESPONSIBILITY

The *Code of Virginia* prohibits FCPS from having borrowing or taxing authority. The County issues and services the general obligation debt to finance the purchase or 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 general obligation debt incurred on FCPS' behalf, the debt is shown in the County's government-wide financial statements.



Changes in the balances of claims liabilities during fiscal years 2004 and 2005 were as follows:

	<b>Insurance</b>	<b>Health Benefits</b>
July 1, 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
Claims and changes in estimates	7,863,437	164,131,941
Claims payments	(6,562,154)	(168,109,941)
June 30, 2005 liability balance	\$ 16,018,937	10,416,000

### C. 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 these 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.

### 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, 2005, management believes that the amount of loss, if any, is not material to the 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 (FCERS) 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 for ERFC members is based upon a fundamental financial objective of having rates of contribution which remain relatively stable from generation to generation of employees. Starting in June 2004, all members are required to contribute four percent of their covered salaries, an increase from two percent in previous years. 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 June 2004, the employer actuarially determined contribution rate decreased from 4.29 to 2.53 percent of annual covered payroll. Starting July 2004, the contribution rate increased from 2.53 to 3.37 percent of annual covered payroll. This change was made to facilitate FCPS' assumption of the 5 percent employee contribution to VRS.

### Annual Pension Cost

For each of the years ended June 30, 2005, 2004, and 2003, FCPS' annual pension cost of \$32,198,596, \$37,331,203 and \$34,506,630, respectively, was equal to its required and actual contributions. The required contribution for FY 2005 was determined as part of the December 31, 2004, 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 December 31, 2004, 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.

## 2. FAIRFAX COUNTY EMPLOYEES' RETIREMENT SYSTEM

#### **Plan Description**

FCERS is a cost-sharing multiple-employer defined benefit pension plan, which covers only employees of the 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 FCERS issues a publicly available annual financial report that includes financial statements and required supplementary information. This report may be obtained by writing to the Fairfax County Employees' Retirement System, 10680 Main Street, Suite 280, Fairfax, VA 22030 or by calling (703) 279-8200.

#### **Funding Policy**

The contribution requirements of FCERS 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 2005 was 8.08 percent of annual covered payroll. This rate was established by the County Board of Supervisors to cover the actuarially-determined normal cost plus administrative expenses of the FCERS. In the event the FCERS'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 FCERS for fiscal year 2005 were \$12,643,198, while contributions for fiscal years 2004 and 2003 were \$9,298,777 and \$8,521,497, respectively, equal to the required contributions for each year.

## 3. VIRGINIA RETIREMENT SYSTEM

#### **Plan Description**

FCPS contributes to the 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. In fiscal year 2005, employees paid two percent and FCPS paid the remaining three percent. Fiscal year 2005 was the first year FCPS assumed a portion of the employees required contribution. If a plan member leaves covered employment, the accumulated employee 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 2005 was 6.03 percent of annual covered payroll. Only the Commonwealth of Virginia Legislature may amend State statute. The combined FCPS' contributions to the VRS for fiscal year 2005 were \$90,556,009, while contributions for fiscal years 2004 and 2003 were \$42,418,186 and \$33,837,799, 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 6,719 participants currently eligible and receiving benefits in the program. For fiscal year 2005, the cost of this program to FCPS was \$6,529,866.

### **G. SALE OF PROPERTY**

The County Board of Supervisors, at its October 18, 2004 meeting, approved the School Board's plan for a 35.5 acre block of land. The School Board on October 21, 2004 declared the 35.5 acre Pohick Road

site as surplus property and approved the sale of the property with the proceeds to be retained by FCPS in the Capital Projects Fund. The proceeds will accelerate the construction of two new elementary schools with a cost savings of approximately \$2 million each and provide funding for 12 school renovation projects planned for the 2004-2008 timeframe.

The property was sold on February 28, 2005 for \$11,700,000. The original cost of the land when purchased in 1989 was \$2,137,500. The proceeds from the sale were \$11,699,825, resulting in a gain of \$9,562,325.

### **H. ACQUISITION OF SOUTH COUNTY SECONDARY SCHOOL**

In June 2003, the County Economic Development Authority (EDA) issued revenue bonds to finance the development and construction of a secondary school in the Laurel Hill area of the southern part of the County. At the same time, the County entered into an Installment Purchase Contract with the EDA. FCPS would construct the school and the County would transfer the asset to FCPS when it was "substantially complete". The school was deemed "substantially complete" on June 30, 2005 and was transferred to FCPS at a cost of \$67,992,467. FCPS had invested \$3,400,196 for preliminary planning costs, architectural fees and engineering fees. The total cost of the school was \$71,392,663.

### **I. PURCHASE OF LAND AND BUILDING FOR NEW ADMINISTRATIVE BUILDING**

On November 16, 2004, the School Board approved a proposal to consolidate the administrative offices of FCPS at a central location in the Merrifield, Virginia area. This proposal entailed the purchase of an existing building at 8115 Gatehouse Road in Falls Church and an adjacent parcel of land (Phase I), which will be used to construct a second building (Phase II). The County Board of Supervisors approved the financing plan on December 6, 2004. The County's EDA issued \$60.7 million of revenue bonds in January 2005. EDA used \$45.8 million of the proceeds to purchase the building and two adjacent parcels of land. EDA and the County then entered into

an Installment Purchase Contract under which EDA sold its interests in Phase I to the County, including the existing building, the land and the remaining proceeds of the revenue bonds. The County used the remaining proceeds and a \$0.4 contribution from the County to invest \$1.8 million to be set aside for the first bond interest payment due in October 2005 and provide FCPS with \$13.5 million to complete interior building improvements and purchase furniture. FCPS entered into a 30-year lease/ purchase agreement with the County to acquire the building, the land and the residual cash to be used for building improvements.

As a result of this transaction, and the use of \$0.2 million to make improvements prior to fiscal year end, FCPS recorded the following as of June 30, 2005:

**Entity-wide financial statements:**

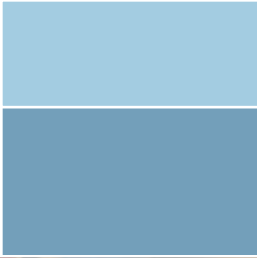
- \$15.1 million of restricted investments
- \$46.0 million of capital assets
- \$60.7 million as a capital lease liability
- \$0.4 million of capital contributions from the County

**Capital projects fund:**

- \$15.1 million of restricted investments
- \$0.4 million of intergovernmental revenue from the County
- \$46.0 million of capital leases and installment purchases expenditures
- \$60.7 million of other financial sources – capital leases and installment purchases
- \$1.8 million of fund balance reserved for future lease payments
- \$13.3 million of fund balance reserved for capital projects

Phase I of the consolidation plan should be completed in early 2006 when approximately 600 employees will begin working in the new building. As such, FCPS expects to have completed the \$13.3 million in building improvements and furniture purchases by that time. Construction on Phase II is scheduled to begin in January 2007 with a projected completion date of January 2009.

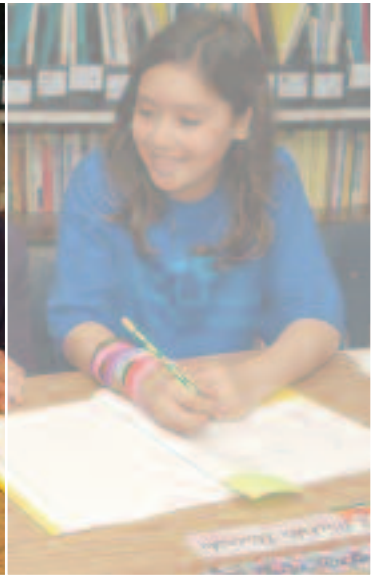




# Required Supplementary Information

(unaudited)

This section includes the budgetary comparison schedule for the **General Fund** which is used to account for all revenues and expenditures of FCPS, which are not required to be accounted for in other funds. It also includes trend data—the schedule of funding progress and the schedule of employer contributions—for the Educational Employees' Supplementary Retirement System. The notes to the required supplementary information are also included in this section.







**GENERAL FUND: BUDGETARY COMPARISON  
SCHEDULE—BUDGET AND ACTUAL****EXHIBIT G**

For the Fiscal Year Ended June 30, 2005

	Budget		Actual	Variance from
	Original	Final	(Budget Basis)	Final Budget - Positive (Negative)
<b>REVENUES</b>				
Intergovernmental:				
Federal government	\$ 41,367,128	45,400,588	41,480,527	(3,920,061)
Commonwealth of Virginia	365,587,540	365,141,834	365,591,151	449,317
County of Fairfax, VA	1,322,374,187	1,322,374,187	1,322,374,187	-
Charges for services:				
Tuition and fees	5,482,976	5,482,976	7,830,103	2,347,127
Revenue from the use of money	-	-	524	524
Recovered costs	29,138,289	28,544,499	28,544,499	-
Other	3,582,900	3,582,900	4,854,211	1,271,311
Total revenues	<u>1,767,533,020</u>	<u>1,770,526,984</u>	<u>1,770,675,202</u>	<u>148,218</u>
<b>EXPENDITURES</b>				
Current				
Instruction:				
Regular	1,049,742,374	1,082,304,003	1,001,282,897	81,021,106
Special	310,528,434	319,185,757	300,996,957	18,188,800
Professional technical studies	31,139,675	31,643,429	38,045,913	(6,402,484)
Adult education	2,231,645	2,236,783	2,713,244	(476,461)
Other	15,362,386	16,849,242	22,809,784	(5,960,542)
Support services:				
Administration, attendance and health	98,786,182	112,537,619	88,159,380	24,378,239
Student transportation	81,006,264	87,072,536	92,856,761	(5,784,225)
Operations and maintenance	164,160,540	174,750,868	171,826,276	2,924,592
Facilities	7,922,460	10,411,240	9,887,086	524,154
Capital outlay	14,490,561	16,140,442	8,084,403	8,056,039
Total expenditures	<u>1,775,370,521</u>	<u>1,853,131,919</u>	<u>1,736,662,701</u>	<u>116,469,218</u>
Excess (deficiency) of revenues over (under) expenditures	(7,837,501)	(82,604,935)	34,012,501	116,617,436
<b>OTHER FINANCING USES</b>				
Transfers out	(30,777,747)	(30,777,747)	(30,777,747)	-
Total other financing uses	<u>(30,777,747)</u>	<u>(30,777,747)</u>	<u>(30,777,747)</u>	<u>-</u>
Net change in fund balance	(38,615,248)	(113,382,682)	3,234,754	116,617,436
Fund balance, July 1, 2004	38,615,248	113,382,682	110,167,309	(3,215,373)
Fund balance, June 30, 2005	<u>\$ -</u>	<u>-</u>	<u>113,402,063</u>	<u>113,402,063</u>

See accompanying notes to required supplementary information and independent auditors' report

<b>Schedule of Funding Progress</b>						
<b>Educational Employees' Supplementary Retirement System</b>						
<b>(in thousands)</b>						
<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets {a}</b>	<b>Actuarial Accrued Liability AAL- Entry Age {b}</b>	<b>(Excess of Assets) Unfunded AAL (UAAL) {b-a}</b>	<b>Funded Ratio {a/b}</b>	<b>Covered Payroll {c}</b>	<b>(Excess of Assets) UAAL as a Percentage of Covered Payroll {b-a}/c}</b>
6/30/1999	\$ 1,365,417	\$ 1,345,659	\$ (19,758)	101.50 %	\$ 626,015	-3.16%
6/30/2000	1,505,231	1,367,371	(137,860)	110.11	678,937	-20.31%
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%
12/31/2004	1,643,020	1,935,582	292,562	84.89	977,817	29.92%

<b>Schedule of Employer Contributions</b>		
<b>Educational Employees' Supplementary Retirement System</b>		
<b>Fiscal Year Ended June 30</b>	<b>Annual Required Contribution</b>	<b>Percentage Contributed</b>
2000	\$ 35,655,898	100 %
2001	29,145,883	100
2002	30,849,067	100
2003	34,506,630	100
2004	37,331,203	100
2005	32,198,596	100

See accompanying notes to required supplementary information and independent auditors' report.

# Notes to Required Supplementary Information

Fairfax County Public Schools  
June 30, 2005

## A. BUDGETARY COMPARISON SCHEDULE

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 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 principles generally accepted in the United States of America, with the following exceptions:

- Transactions for capital leases when initiated are not budgeted as offsetting expenditures and other financing sources;
- Revenue from investments is recognized in the governmental funds for budget purposes only if collected within 60 days of year-end, instead of as earned; and
- The current year's payment from the County for 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 placed at the object level, which is the expenditure category level for each office and school within a fund. Management may amend the approved budget at the administrative control level within the same fund. Amendments, changes or transfers at the legal level require the specific approval of the School Board.

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

	GENERAL FUND
Net Change in fund balance (budget basis)	\$ 3,234,754
Basis difference – expenditures for teachers' liability	1,621,364
Net change in fund balance (GAAP basis)	\$ 4,856,118

## B. PENSION TREND DATA

Six-year historical trend information about the ERFC is presented 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.

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.

Information pertaining to the ERFC retirement system can be found in Note IV. E.1 to the financial statements.

# Other Supplementary Information



This section includes:

- Combining statements for the nonmajor governmental funds
- Budgetary comparison schedules for the special revenue funds
- Combining statements for the internal service funds
- Statement of changes in assets and liabilities for the student activity fund

The nonmajor governmental funds, which are the special revenue funds, are:

- The **Food and Nutrition Services Fund**—used to account for procurement, preparation and serving of student breakfasts, snacks and lunches. The primary source of revenues are receipts derived from food sales and the federal school lunch program.
- The **Grants and Self-Supporting Programs Fund**—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**—used to account for activities resulting from programs provided by Adult and Community Education. These programs include basic skills education, high school completion, English for Speakers of Other Languages, apprenticeship and occupational skills instruction, and various consumer education and special interest courses.

The internal service funds are:

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



	<b>Special Revenue Funds</b>			<b>Total</b>
	<b>Food and Nutrition Services</b>	<b>Grants and Self-Supporting Programs</b>	<b>Adult and Community Education</b>	
<b>ASSETS</b>				
Cash on deposit with County of Fairfax, VA \$	8,712,902	14,616	1,251,511	9,979,029
Receivables:				
Accounts, net	132,927	13,567	-	146,494
Accrued interest	27,897	-	5,602	33,499
Due from intergovernmental units:				
County of Fairfax, VA	202,700	-	-	202,700
Other	1,065,503	15,882,659	60,431	17,008,593
Inventories	1,700,122	-	-	1,700,122
Prepaid items	-	-	45,543	45,543
Total assets	<u>11,842,051</u>	<u>15,910,842</u>	<u>1,363,087</u>	<u>29,115,980</u>
<b>LIABILITIES AND FUND BALANCES:</b>				
Liabilities:				
Accounts payable	192,597	291,405	144,575	628,577
Accrued salaries and withholdings	1,165,002	128,810	33,867	1,327,679
Unearned revenue	-	3,300,071	115,903	3,415,974
Deposits	-	-	70,879	70,879
Interfund payables	-	3,500,000	-	3,500,000
Total liabilities	<u>1,357,599</u>	<u>7,220,286</u>	<u>365,224</u>	<u>8,943,109</u>
Fund balances:				
Reserved for:				
Encumbrances	1,110,422	4,742,658	372,735	6,225,815
Inventories	1,700,122	-	-	1,700,122
Unreserved	7,673,908	3,947,898	625,128	12,246,934
Total fund balances	<u>10,484,452</u>	<u>8,690,556</u>	<u>997,863</u>	<u>20,172,871</u>
Total liabilities and fund balances	<u>\$ 11,842,051</u>	<u>15,910,842</u>	<u>1,363,087</u>	<u>29,115,980</u>

See accompanying independent auditors' report

**COMBINING STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS**

EXHIBIT H-1

For the Fiscal Year Ended June 30, 2005

	Special Revenue Funds			Total
	Food and Nutrition Services	Grants and Self-Supporting Programs	Adult and Community Education	
<b>REVENUES</b>				
Intergovernmental:				
Federal government	\$ 16,822,425	24,176,479	991,857	41,990,761
Commonwealth of Virginia	775,783	8,009,205	988,724	9,773,712
County of Fairfax, VA	2,520,087	6,784,140	-	9,304,227
Charges for services:				
Tuition and fees	-	2,992,700	6,822,451	9,815,151
Food sales	36,865,502	-	-	36,865,502
Revenue from the use of money	155,512	-	32,318	187,830
Other	13,168	1,509,199	18,119	1,540,486
Total revenues	57,152,477	43,471,723	8,853,469	109,477,669
<b>EXPENDITURES</b>				
Current:				
Instruction:				
Regular	-	41,710,948	1,234,380	42,945,328
Special	-	7,686,752	-	7,686,752
Professional technical studies	-	43,455	-	43,455
Adult education	-	-	8,589,877	8,589,877
Other	-	4,455,443	798,783	5,254,226
Support services:				
Administration, attendance and health	-	599,222	-	599,222
Food operations	57,236,917	-	-	57,236,917
Student transportation	-	2,180,436	-	2,180,436
Capital outlay	97,155	668,714	92,844	858,713
Total expenditures	57,334,072	57,344,970	10,715,884	125,394,926
Deficiency of revenues under expenditures	(181,595)	(13,873,247)	(1,862,415)	(15,917,257)
<b>OTHER FINANCING SOURCES</b>				
Transfers in	-	15,798,823	1,200,130	16,998,953
Total other financing sources	-	15,798,823	1,200,130	16,998,953
Net change in fund balances	(181,595)	1,925,576	(662,285)	1,081,696
Fund balances July 1, 2004	10,614,164	6,764,980	1,660,148	19,039,292
Increase in reserve for inventories	51,883	-	-	51,883
Fund balances June 30, 2005	\$ 10,484,452	8,690,556	997,863	20,172,871

See accompanying independent auditors' report



Fairfax County Public Schools  
**FOOD AND NUTRITION SERVICES FUND**  
**BUDGETARY COMPARISON SCHEDULE—**  
**BUDGET AND ACTUAL**

**EXHIBIT H-2**

For the Fiscal Year Ended June 30, 2005

	<u>Budget</u>		<u>Actual</u>	<u>Variance from</u>
	<u>Original</u>	<u>Final</u>	<u>(Budget Basis)</u>	<u>Final Budget - Positive (Negative)</u>
<b>REVENUES</b>				
Intergovernmental:				
Federal government	\$ 14,993,639	16,113,383	16,822,425	709,042
Commonwealth of Virginia	717,873	717,873	775,783	57,910
County of Fairfax, VA	2,592,892	2,592,892	2,520,087	(72,805)
Charges for services:				
Food sales	33,089,250	36,809,414	36,865,502	56,088
Revenue from the use of money	112,593	67,610	155,512	87,902
Other	5,000	5,000	13,168	8,168
Total revenues	<u>51,511,247</u>	<u>56,306,172</u>	<u>57,152,477</u>	<u>846,305</u>
<b>EXPENDITURES</b>				
Current:				
Support services:				
Food operations	51,185,008	66,818,920	57,236,917	9,582,003
Capital outlay	378,621	101,416	97,155	4,261
Total expenditures	<u>51,563,629</u>	<u>66,920,336</u>	<u>57,334,072</u>	<u>9,586,264</u>
Net change in fund balance	<u>(52,382)</u>	<u>(10,614,164)</u>	<u>(181,595)</u>	<u>10,432,569</u>
Fund balance, July 1, 2004	8,837,349	10,614,164	10,614,164	-
Increase in reserve for inventories	-	-	51,883	51,883
Fund balance, June 30, 2005	<u>\$ 8,784,967</u>	<u>-</u>	<u>10,484,452</u>	<u>10,484,452</u>

See accompanying independent auditors' report

**GRANTS AND SELF-SUPPORTING PROGRAMS FUND**  
**BUDGETARY COMPARISON SCHEDULE—**  
**BUDGET AND ACTUAL**

EXHIBIT H-3

For the Fiscal Year Ended June 30, 2005

	Budget		Actual (Budget Basis)	Variance from Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental:				
Federal government	\$ 24,098,963	34,478,391	24,176,479	(10,301,912)
Commonwealth of Virginia	8,885,313	10,636,631	8,009,205	(2,627,426)
County of Fairfax, VA	1,784,140	6,784,140	6,784,140	-
Charges for services:				
Tuition and fees	3,298,577	3,298,577	2,992,700	(305,877)
Other	180,600	1,611,294	1,509,199	(102,095)
Total revenues	<u>38,247,593</u>	<u>56,809,033</u>	<u>43,471,723</u>	<u>(13,337,310)</u>
<b>EXPENDITURES</b>				
Current				
Instruction:				
Regular	44,504,673	59,128,863	41,710,948	17,417,915
Special	6,401,732	6,702,374	7,686,752	(984,378)
Professional technical studies	99,410	122,520	43,455	79,065
Other	3,635,385	4,491,334	4,455,443	35,891
Support services:				
Administration, attendance and health	413,375	5,952,148	599,222	5,352,926
Student transportation	2,000,000	2,792,429	2,180,436	611,993
Operations and maintenance	-	50,891	-	50,891
Capital outlay	34,616	132,277	668,714	(536,437)
Total expenditures	<u>57,089,191</u>	<u>79,372,836</u>	<u>57,344,970</u>	<u>22,027,866</u>
Deficiency of revenues under expenditures	(18,841,598)	(22,563,803)	(13,873,247)	8,690,556
<b>OTHER FINANCING SOURCES</b>				
Transfers in	15,741,598	15,798,823	15,798,823	-
Total other financing sources	<u>15,741,598</u>	<u>15,798,823</u>	<u>15,798,823</u>	<u>-</u>
Net change in fund balance	(3,100,000)	(6,764,980)	1,925,576	8,690,556
Fund balances July 1, 2004	3,100,000	6,764,980	6,764,980	-
Fund balances June 30, 2005	<u>\$ -</u>	<u>-</u>	<u>8,690,556</u>	<u>8,690,556</u>

See accompanying independent auditors' report

**ADULT AND COMMUNITY EDUCATION FUND**  
**BUDGETARY COMPARISON SCHEDULE—**  
**BUDGET AND ACTUAL**

EXHIBIT H-4

For the Fiscal Year Ended June 30, 2005

	Budget		Actual (Budget Basis)	Variance from Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental:				
Federal government	\$ 885,837	1,138,921	991,857	(147,064)
Commonwealth of Virginia	827,139	911,127	988,724	77,597
Charges for services:				
Tuition and fees	7,131,772	7,131,772	6,822,451	(309,321)
Revenue from the use of money	-	-	32,318	32,318
Other	19,224	98,729	18,119	(80,610)
Total revenues	<u>8,863,972</u>	<u>9,280,549</u>	<u>8,853,469</u>	<u>(427,080)</u>
<b>EXPENDITURES</b>				
Current:				
Instruction:				
Regular	1,374,634	1,388,064	1,234,380	153,684
Adult education	8,149,597	8,671,752	8,589,877	81,875
Other	884,316	1,977,492	798,783	1,178,709
Capital outlay	77,500	103,519	92,844	10,675
Total expenditures	<u>10,486,047</u>	<u>12,140,827</u>	<u>10,715,884</u>	<u>1,424,943</u>
Deficiency of revenues under expenditures	(1,622,075)	(2,860,278)	(1,862,415)	997,863
<b>OTHER FINANCING SOURCES:</b>				
Transfers in	1,200,130	1,200,130	1,200,130	-
Total other financing sources	<u>1,200,130</u>	<u>1,200,130</u>	<u>1,200,130</u>	<u>-</u>
Net change in fund balance	(421,945)	(1,660,148)	(662,285)	997,863
Fund balances July 1, 2004	421,945	1,660,148	1,660,148	-
Fund balances June 30, 2005	<u>\$ -</u>	<u>-</u>	<u>997,863</u>	<u>997,863</u>

See accompanying independent auditors' report

**COMBINING STATEMENT OF NET ASSETS  
INTERNAL SERVICE FUNDS****EXHIBIT I**

June 30, 2005

	<b>Central Procurement</b>	<b>Health Benefits</b>	<b>Insurance</b>	<b>Totals</b>
<b>ASSETS</b>				
Current assets:				
Cash on deposit with County of Fairfax, VA	\$ 57,488	54,205,608	18,133,847	72,396,943
Accounts receivable	-	146,327	-	146,327
Accrued interest	-	228,075	-	228,075
Inventories	2,339,605	-	-	2,339,605
Total current assets	<u>2,397,093</u>	<u>54,580,010</u>	<u>18,133,847</u>	<u>75,110,950</u>
Noncurrent assets:				
Capital assets, net:				
Equipment	100,053	-	40,029	140,082
Accumulated depreciation	(39,756)	-	(5,235)	(44,991)
Total capital assets	<u>60,297</u>	<u>-</u>	<u>34,794</u>	<u>95,091</u>
Total assets	<u>2,457,390</u>	<u>54,580,010</u>	<u>18,168,641</u>	<u>75,206,041</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	450,378	3,047,212	430,092	3,927,682
Accrued salaries and withholdings	-	-	1,844	1,844
Interfund payable	1,600,000	-	-	1,600,000
Unearned revenue	-	5,120,654	-	5,120,654
Actuarial claims payable	-	10,416,000	4,110,587	14,526,587
Total current liabilities	<u>2,050,378</u>	<u>18,583,866</u>	<u>4,542,523</u>	<u>25,176,767</u>
Noncurrent liabilities:				
Actuarial claims payable	-	-	11,908,350	11,908,350
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>11,908,350</u>	<u>11,908,350</u>
Total liabilities	<u>2,050,378</u>	<u>18,583,866</u>	<u>16,450,873</u>	<u>37,085,117</u>
<b>NET ASSETS</b>				
Invested in capital assets, net	60,297	-	34,794	95,091
Unrestricted	346,715	35,996,144	1,682,974	38,025,833
Total net assets	<u>\$ 407,012</u>	<u>35,996,144</u>	<u>1,717,768</u>	<u>38,120,924</u>

See accompanying independent auditors' report

**COMBINING STATEMENT OF REVENUE,  
EXPENSES, AND CHANGES IN FUND NET ASSETS  
INTERNAL SERVICE FUNDS**

EXHIBIT I-1

For the Fiscal Year Ended June 30, 2005

	Central Procurement	Health Benefits	Insurance	Totals
<b>Operating revenues:</b>				
Charges for services	\$ 11,303,276	183,398,223	11,399,980	206,101,479
<b>Operating expenses:</b>				
Salaries and wages	89,426	880,269	762,155	1,731,850
Cost of goods sold	11,235,582	-	-	11,235,582
Claims and benefits	-	164,131,941	7,863,437	171,995,378
Professional consultant services	-	7,107,390	971,571	8,078,961
Other operating expenses	39,829	338,252	101,615	479,696
Depreciation	9,380	-	2,813	12,193
Total operating expenses	11,374,217	172,457,852	9,701,591	193,533,660
Operating income (loss)	(70,941)	10,940,371	1,698,389	12,567,819
<b>Non-operating revenues:</b>				
Interest revenue	-	1,040,538	-	1,040,538
Income (loss) before operating transfers	(70,941)	11,980,909	1,698,389	13,608,357
Transfers in	-	366,245	-	366,245
Change in net assets	(70,941)	12,347,154	1,698,389	13,974,602
Total net assets - July 1, 2004	477,953	23,648,990	19,379	24,146,322
Total net assets - June 30, 2005	\$ 407,012	35,996,144	1,717,768	38,120,924

See accompanying independent auditors' report

Fairfax County Public Schools  
**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**

**EXHIBIT I-2**

For the Fiscal Year Ended June 30, 2005

	<b>Central Procurement</b>	<b>Health Benefits</b>	<b>Insurance</b>	<b>Totals</b>
<b>Cash flows from operating activities:</b>				
Receipts from interfund services provided	\$ 11,303,276	183,892,121	11,399,980	206,595,377
Payments to employees	(89,426)	(880,269)	(764,494)	(1,734,189)
Payments to vendors for inventory	(11,132,634)	-	-	(11,132,634)
Payments for claims and health benefits	-	(168,109,941)	(6,562,154)	(174,672,095)
Payments for professional services	-	(6,323,411)	(1,589,048)	(7,912,459)
Payments for other operating expenses	(39,829)	(338,252)	(101,615)	(479,696)
Net cash provided by operating activities	41,387	8,240,248	2,382,669	10,664,304
<b>Cash flows from noncapital financing activities:</b>				
Transfers from other funds	-	366,245	-	366,245
Net cash provided by noncapital financing activities	-	366,245	-	366,245
<b>Cash flows from capital and related financing activities:</b>				
Purchase of capital assets	-	-	(27,111)	(27,111)
Net cash used by capital and related financing activities	-	-	(27,111)	(27,111)
<b>Cash flows from investing activities:</b>				
Interest received	-	863,234	-	863,234
Net cash provided by investing activities	-	863,234	-	863,234
Net increase in cash and cash equivalents	41,387	9,469,727	2,355,558	11,866,672
Cash and cash equivalents July 1, 2004	16,101	44,735,881	15,778,289	60,530,271
<b>Cash and cash equivalents June 30, 2005</b>	<b>57,488</b>	<b>54,205,608</b>	<b>18,133,847</b>	<b>72,396,943</b>

**Reconciliation of operating income (loss) to net cash provided by operating activities:**

Operating income (loss)	\$ (70,941)	10,940,371	1,698,389	12,567,819
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation expense	9,380	-	2,813	12,193
Increase in accounts receivable	-	(146,327)	-	(146,327)
Decrease in inventories	143,292	-	-	143,292
Increase (decrease) in accounts payable	359,656	783,979	(617,477)	526,158
Decrease in accrued salaries and withholding	-	-	(2,339)	(2,339)
Decrease in interfund payable	(400,000)	-	-	(400,000)
Increase in unearned revenue	-	640,225	-	640,225
Increase (decrease) in actuarial claims payable	-	(3,978,000)	1,301,283	(2,676,717)
Total adjustments to operating income	112,328	(2,700,123)	684,280	(1,903,515)
Net cash provided by operating activities	\$ 41,387	8,240,248	2,382,669	10,664,304

See accompanying independent auditors' report

**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**STUDENT ACTIVITY FUND**

EXHIBIT J

For the Fiscal Year Ended June 30, 2005

	<b>Balance</b>			<b>Balance</b>
	<b>July 1, 2004</b>	<b>Additions</b>	<b>Deductions</b>	<b>June 30, 2005</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 14,703,164	40,799,342	39,818,649	15,683,857
Accounts receivable	443,930	125,456	297,129	272,257
Inventories	176,763	118,529	25,928	269,364
Total Assets	<u>15,323,857</u>	<u>41,043,327</u>	<u>40,141,706</u>	<u>16,225,478</u>
<b>LIABILITIES</b>				
Accounts payable	1,093,715	357,071	263,289	1,187,497
Due to student groups	14,230,142	40,686,256	39,878,417	15,037,981
Total Liabilities	<u>\$ 15,323,857</u>	<u>41,043,327</u>	<u>40,141,706</u>	<u>16,225,478</u>

See accompanying independent auditors' report





# Statistical Section

(unaudited)





**GENERAL SCHOOL SYSTEM GOVERNMENT-WIDE  
EXPENSES BY FUNCTION (1)****TABLE 1**

Last Ten Fiscal Years

		Instruction						
		Regular	Special	Professional Technical Studies	Adult Education	Other		
2002	\$	931,145,070	223,400,480	35,314,529	12,285,550	21,731,203		
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		
2005		1,095,009,887	307,681,469	37,898,434	11,251,831	27,983,324		
		Support Services						
		Administration Attendance & Health	Food Operations	Student Transportation	Operation & Maintenance	Facilities	Interest on Long-term Debt	Total
2002	\$	68,640,166	50,894,577	68,638,138	141,023,120	21,462,765	- (2)	1,574,535,598
2003		78,057,408	51,232,850	77,230,692	148,856,714	37,180,938	1,220,954	1,658,519,296
2004		95,153,606	54,841,713	86,189,658	182,988,349	7,602,596	1,049,056	1,786,807,801
2005		96,531,047	57,373,078	93,542,156	182,805,663	30,359,964	1,239,946	1,941,676,799

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

(2) Interest on long-term debt of \$1,084,829 for fiscal year 2002 was incorporated within the functional programs.

Source: Statement of Activities of the basic financial statements

Program Revenues					
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
2002	\$ 78,281,595	100,156,368	145,667,453	(2)	
2003	77,510,685	102,397,834	149,262,768	(2)	
2004	82,363,795	116,532,729	137,947,596		
2005	85,348,029	144,149,695	201,405,585		

General Revenues					
	Grants and Contributions Not Restricted to Specific Programs	Revenue from the use of Money	Other	Insurance Recoveries	Total
2002	\$ 1,359,196,624	613,144	7,497,943	-	1,691,413,127
2003	1,442,192,068	467,350	3,733,049	-	1,775,563,754
2004	1,525,577,975	429,589	2,965,372	2,344,929	1,868,161,985
2005	1,642,037,793	1,272,295	13,085,248	299,945	2,087,598,590

- (1) Fiscal year 2002 was the first year of implementation of GASB 34. There is no comparative data for prior years.  
 (2) In fiscal year 2004, capital grants and contributions were revised to include revenues previously listed under grants and contributions restricted to specific programs.

Source: Statement of Activities of the basic financial statements

**GENERAL SCHOOL SYSTEM GOVERNMENTAL  
EXPENDITURES BY FUNCTION (1)****TABLE 3**

Last Ten Fiscal Years

			Regular Instruction	Special Education	Professional Technical Studies	Adult Education	Other Educational Programs	Administration, Attendance and Health Services
1996	(3)	\$	724,548,014	-	-	6,300,176	14,996,506	45,200,662
1997	(3)		790,190,669	-	-	5,265,374	15,151,974	48,046,787
1998	(3)		856,176,795	-	-	5,812,707	15,391,363	53,065,363
1999	(3)		894,395,168	-	-	6,829,312	21,287,040	59,552,528
2000	(3)		984,694,544	-	-	8,048,725	40,133,005	65,214,329
2001	(3)		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
2005			1,042,606,861	308,683,709	38,089,368	11,303,121	28,064,010	88,758,602

			Food Operations	Student Transportation	Operations and Maintenance	Facilities/ Capital Outlay	Total
1996	(3)	\$	31,581,561	41,914,962	112,167,053	65,157,872	1,041,866,806
1997	(3)		33,625,886	49,475,400	117,792,990	100,597,234	1,160,146,314
1998	(3)		37,591,169	59,433,395	116,666,933	88,762,826	1,232,900,551
1999	(3)		39,211,604	48,740,391	122,127,778	119,931,840	1,312,075,661
2000	(3)		47,276,806	64,458,068	125,654,120	127,105,668 (2)	1,462,585,265
2001	(3)		51,097,564	65,265,826	143,667,275	123,410,973 (2)	1,572,314,350
2002			47,705,926	61,743,040	158,249,284	201,000,455	1,715,082,668
2003			46,826,088	74,491,784	180,142,521	138,700,278	1,737,569,633
2004			54,353,158	85,591,765	183,157,549	134,278,783	1,852,640,626
2005			57,236,917	95,037,197	181,889,657	153,166,014	2,004,835,456

(1) Includes expenditures of all governmental fund types except capital leases and installment purchases.

(2) Includes reimbursement to Fairfax County for bond cost.

(3) Prior to fiscal year 2002, instruction expenditures were not categorized by type.

Source: Statement of Revenues, Expenditures, and Changes in Fund Balances of the basic financial statements.

## Fairfax County Public Schools

**GENERAL SCHOOL SYSTEM GOVERNMENTAL  
REVENUES BY SOURCE (1)****TABLE 4**

Last Ten Fiscal Years

	Fairfax County	Sales Tax Receipts	Other Commonwealth of Virginia	Federal Government	Other	Total
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
2005	1,457,740,245	141,588,156	234,709,707	83,471,288	91,425,858	2,008,935,254

(1) Includes revenue of all governmental fund types.

Source: Statement of Revenues, Expenditures, and Changes in Fund Balances of the basic financial statements.

## Fairfax County Public Schools

**STUDENT ENROLLMENT****TABLE 5**

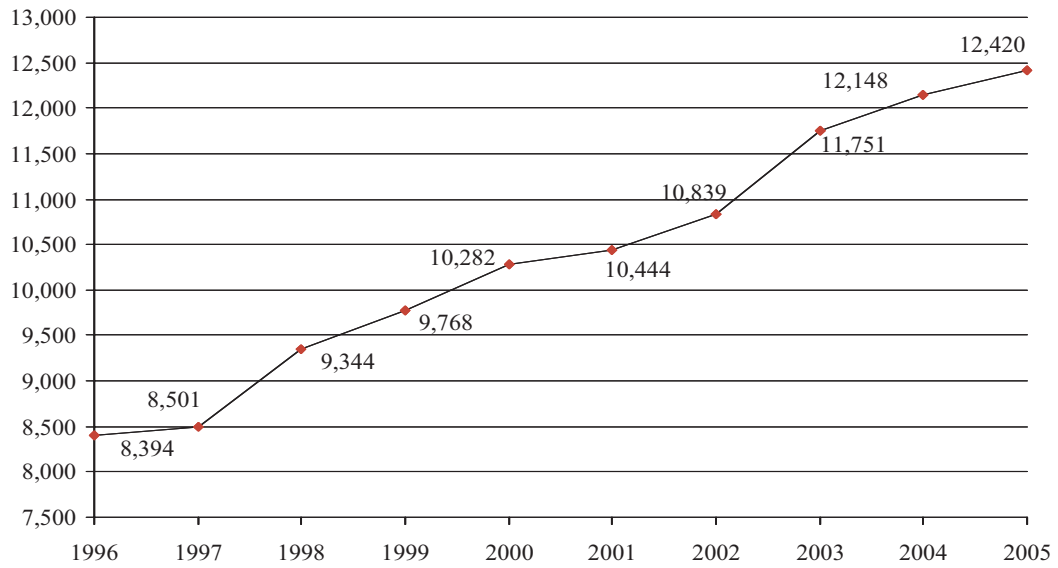
Last Ten Fiscal Years

	Student Enrollment	Special Education Enrollment Level 2	ESOL Enrollment
1996	143,040	8,394	8,579
1997	145,805	8,501	9,300
1998	148,026	9,334	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
2005	164,408	12,420	20,646

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

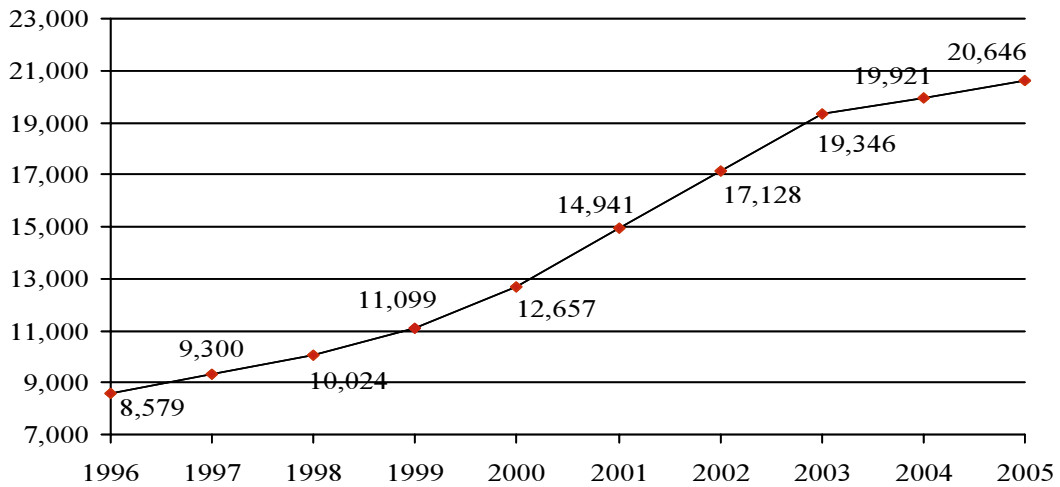
**SPECIAL EDUCATION ENROLLMENT**

**TABLE 5** (continued)



**ESOL ENROLLMENT**

**TABLE 5** (continued)

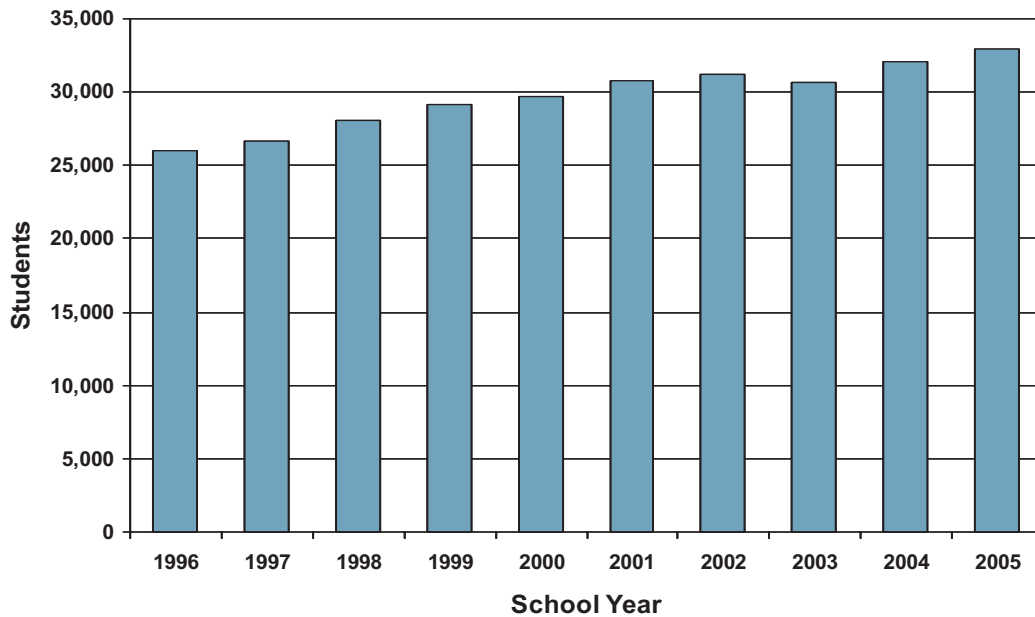


	Number of Lunches Served Daily	Student Lunch Price			Number of Breakfasts Served Daily	Student Breakfast Price	Breakfast Sites	Free and Reduced Eligibility
		Elementary	Middle School	High School				
1996	59,958	1.55	1.65	1.65	7,854	0.80	145	25,995
1997	61,637	1.55	1.65	1.65	8,756	0.80	153	26,691
1998	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
2005	81,672	1.70	1.80	1.80	10,830	1.00	141	32,982

Source: Office of Food and Nutrition Services

**STUDENTS ELIGIBLE FOR FREE AND REDUCED LUNCH**

**TABLE 6 (continued)**





**SCHOLASTIC ASSESSMENT TEST (SAT) SCORES** **TABLE 7**  
**COMPARISON OF FAIRFAX COUNTY, VIRGINIA, AND NATIONAL AVERAGES**

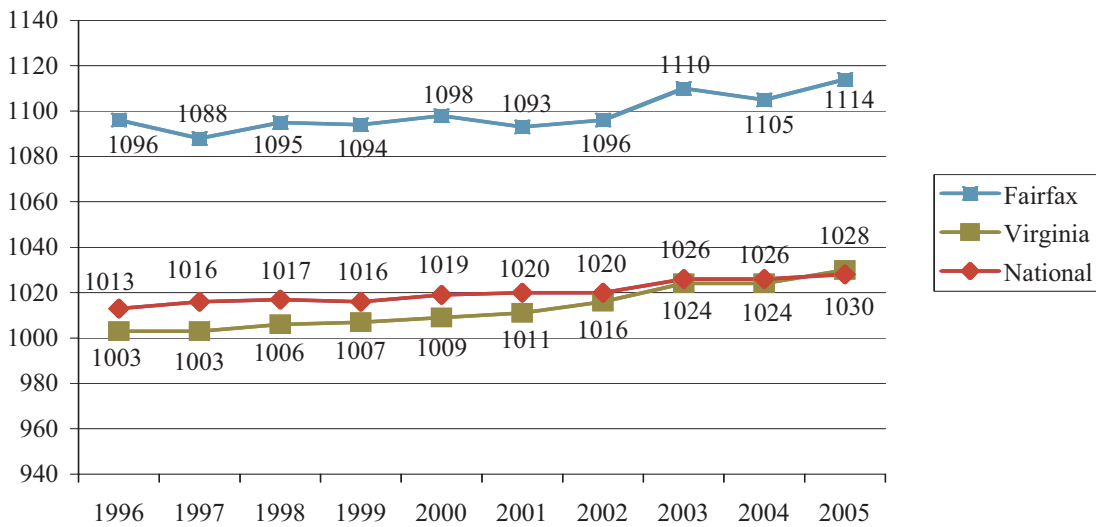
Last Ten Fiscal Years

	Combined SAT Scores - Verbal and Math		
	Fairfax	Virginia	National
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
2005	1114	1030	1028

Source: Office of Planning and Testing

**COMBINED SAT SCORES**

**TABLE 7 (continued)**



County of Fairfax, Virginia

**REAL AND PERSONAL PROPERTY TAX LEVIES  
AND COLLECTIONS (1)**

**TABLE 8**

Last Ten Fiscal Years

	Total Tax Levy (000)	Current Tax Collections (000) (2)	Percent of Levy Collected	Delinquent Tax Collections (000)	Total Tax Collections (000) (4)	Total Collections as a Percent of Current Levy	Outstanding Delinquent Taxes (000) (3)	Outstanding Delinquent Taxes as a Percent of Current Levy
1996	\$ 1,103,903	\$ 1,095,762	99.26 %	11,498	\$ 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
2005	2,098,852	2,090,787	99.62	21,048	2,111,835	100.62	20,069	1.0

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

- (1) General Fund.
- (2) Current tax collections include collection of current tax, penalty, and interest.
- (3) Outstanding delinquent taxes include penalty and interest net of allowances for uncollectibles.
- (4) Tax collections include payments received from the Commonwealth of Virginia under its personal property tax-relief program. See Note C to the financial statements of the County's CAFR.

County of Fairfax, Virginia

**ASSESSED VALUE AND ESTIMATED ACTUAL VALUE  
OF ALL TAXABLE PROPERTY**

**TABLE 9**

Last Ten Fiscal Years

	Assessed Values				Estimated Actual Value (000)
	Real Property (000) (1)	Personal Property (000)	Public Service Corporations (000)	Total (000)	
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	128,228,900	11,739,600	3,256,600	143,225,100	143,225,100
2005	143,682,400	11,542,500	3,037,000	158,261,900	158,261,900

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

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

County of Fairfax, Virginia  
**GENERAL PROPERTY TAX RATES**  
 Last Ten Fiscal Years

**TABLE 10**

	Real Estate (1)	Personal Property (1)		
		Most Vehicles	Machinery, Tools and R&D	Public Service Corporations
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	1.21
2004	1.16	4.57	4.57	1.16
2005	1.13	4.57	4.57	1.13

Source: Fairfax County Department of Tax Administration.

(1) Real estate and personal property tax rates are based on \$100 of assessed value.

County of Fairfax, Virginia  
**REAL PROPERTY TAX RATES AND TAX LEVIES—  
 ALL OVERLAPPING GOVERNMENTS**  
 Last Ten Fiscal Years

**TABLE 11**

	Town of Herndon		Town of Vienna	
	Tax Rates (1)	Tax Levies	Tax Rates (1)	Tax Levies
1996	\$ 0.320	4,054,577	0.300	3,825,959
1997	0.320	4,308,590	0.300	3,947,943
1998	0.320	4,584,304	0.310	4,197,701
1999	0.320	5,219,698	0.310	4,388,785
2000	0.320	5,774,217	0.310	4,465,739
2001	0.320	5,754,853	0.300	4,791,464
2002	0.320	6,666,897	0.300	5,191,734
2003	0.300	6,933,357	0.285	5,821,396
2004	0.280	7,336,469	0.275	6,280,738
2005	0.280	7,802,577	0.265	6,649,128

Source: Town of Herndon and Town of Vienna.

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

Rank	Taxpayer Name	Property Type	2005 Assessed Value (1)	% of Total Assessed Value (1)
1	Tysons Corner Property Holdings LLC	Tysons Corner Regional Shopping Center	\$ 574,159,430	0.32 %
2	Prentiss Properties	Office and Land	496,564,760	0.28
3	West Group Properties LLC	Offices, Retail, and Land	377,562,360	0.21
4	Virginia Electric & Power Company	Public Utility	346,885,714	0.19
5	Company of Fairfax	Fair Oaks Mall	262,191,600	0.15
6	Franconia Two LP	Springfield Mall	238,012,530	0.13
7	EOP Reston Town Center	Office, Shopping Center, and Land	230,431,960	0.13
8	Smith Property Holdings	Various Commercial	206,341,640	0.12
9	Washington Gas Light Co	Public Utility	204,590,008	0.11
10	Gannett Co Inc	Office	194,529,960	0.11
11	Mobil Fairfax Inc	HQ Office and Various Commercial	179,189,630	0.10
12	Springfield Campus LLC	Continuing Care Retirement Community	178,950,710	0.10
13	West Mac Associates	Office and Land	178,945,040	0.10
14	USRP I LLC	Shopping Center	178,419,920	0.10
15	PS Business Parks LP	Industrial Park	176,299,870	0.10
16	Writ LP	Office, Apartments, and Shopping	172,594,900	0.10
17	Campus Point Realty Corp	Office	163,689,230	0.09
18	Mitre Corporation	Office	159,587,240	0.09
19	Capital One Bank	Office	148,466,400	0.08
20	7535 Little River Turnpike LLC	Office	147,167,150	0.08
21	Navy Federal Credit Union	Various Offices and Land	143,269,120	0.08
22	Homart Newco One Inc	Shopping Center	132,802,660	0.07
23	Avalon Properties Inc	Apartments	132,553,600	0.07
24	ISTAR NG LP	Office	131,892,610	0.07
25	Fairfax Square Partners	Office	128,387,350	0.07
			<u>\$ 5,483,485,392</u>	<u>3.05 %</u>

Source Fairfax County Department of Tax Administration.

Note: Total assessed value of all real property is \$178,818,426,150.

(1) Assessed values as of January 1, 2005.

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 (1) 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 (\$158,261,900,000)	\$ 4,747,857,000
Less long-term debt (1)	<u>1,931,008,940</u>
Debt margin	<u><u>\$ 2,816,848,060</u></u>

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

- (1) Excludes self-imposed debt of the Integrated Sewer System, special assessment debt of the Small District 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.

	Estimated Population (1)	Value of Taxable Property (000) (2)	Net Bonded Debt (2) (3)	Percentage of Net Bonded Debt to Property Value (2)	Net Debt Per Capita (2)
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	143,225,100	1,814,517,662	1.27	1,766
2005	1,041,200	158,261,900	1,931,008,940	1.22	1,855

- (1) Source: Fairfax County Department of Systems Management for Human Services.  
 (2) Source: Fairfax County Department of Management and Budget.  
 (3) 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.

**RATIO OF ANNUAL DEBT SERVICE REQUIREMENTS  
FOR GENERAL BONDED DEBT TO GENERAL FUND  
EXPENDITURES AND OPERATING TRANSFERS OUT AND  
TO TOTAL EXPENDITURES REPORTED IN TABLE 1 (4)**

**TABLE 15**

Last Ten Fiscal Years

	Debt Service Requirements (1)	General Fund Expenditures (2) and Transfers Out (3)	Percentage of Debt Service to General Fund Expenditures and Transfers Out	Total Expenditures Reported in Table 1 (4)	Percentage of Debt Service to Total Expenditures Reported in Table 1 (4)
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	3,581,700,873	5.9
2005	224,543,583	2,799,591,368	8.0	4,047,032,871	5.5

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

- (1) Excludes bond issuance and other expenditures recorded in the Debt Service Funds.
- (2) Expenditures exclude donated food and capital leases and installment purchases in the year initiated.
- (3) Includes operating transfers out to component units which, commencing in fiscal year 2002, are reported as functional expenditures.
- (4) Total expenditures reported in County's CAFR Table 1.

**COMPUTATION OF DIRECT AND OVERLAPPING  
AND UNDERLYING DEBT****TABLE 16**

June 30, 2005

	Net Debt Outstanding	Applicable to County	County's Share of Debt
Direct: (1)			
County of Fairfax	\$ 1,931,008,940	100 %	\$ 1,931,008,940
Overlapping: (2)			
Commonwealth of Virginia (3)	76,015,000	47 (4)	35,727,050
Underlying: (2)			
Town of Vienna (5)	12,869,999	100	12,869,999
Town of Herndon (6)	18,425,758	100	18,425,758
Total overlapping and underlying debt			<u>67,022,807</u>
Total direct and overlapping and underlying debt			<u>\$ 1,998,031,747</u>

- (1) Excludes self-imposed debt of the Integrated Sewer System, the HUD Section 108 Loan, and capital lease debt related to equipment acquisitions, which are not general obligations of Fairfax County.
- (2) These overlapping and underlying general obligation bonds are obligations for the respective governmental units and are not general obligations of Fairfax County.
- (3) Virginia Department of Transportation.
- (4) Percentage applicable to the County of 47% is an estimate based on the projected development of Route 28 to the year 2018.
- (5) Source: Town of Vienna.
- (6) Source: Town of Herndon.

County of Fairfax, Virginia

**CONSTRUCTION AND PROPERTY VALUES**

Last Ten Fiscal Years

**TABLE 17**

	New Non-Residential Construction (2)		New Residential Construction (2)		Property Values (000) (1)			
	Permits Issued	Value (000)	Permits Issued	Value (000)	Real Estate	Personal Property	Public Service Corporations (3)	Tax Exempt Real Estate (4)
1996	166	107,445	8,567	646,768	\$ 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	128,228,900	11,739,600	3,256,600	9,780,000
2005	194	320,225	5,706	684,310	143,682,400	11,542,500	3,037,000	10,470,400

- (1) Source: Fairfax County Department of Tax Administration.
- (2) Source: Fairfax County Department of Public Works and Environmental Services. Effective July 1997, the number of building permits issued for new residential construction exclude duplicated permits that result from the master file permit program.
- (3) Consists of \$961,000 real property and \$2,076,000 personal property in 2005 (000).
- (4) Source: Fairfax County Department of Tax Administration. This value is determined on January 1 for the subsequent July 1 to June 30 fiscal year.

County of Fairfax, Virginia

**DEMOGRAPHIC STATISTICS**

Last Ten Fiscal Years

**TABLE 18**

	Estimated Population (1)	Per Capita Income (2)	Median Age (3)	School Enrollment (4)	Bachelor's or Higher Degree and 25 Years of Age or Older (5)	Unemployment Rates (6)
1996	899,700	\$ 38,482	36.0	143,040	56.0	2.7
1997	912,100	40,330	n/a	145,805	n/a	2.1
1998	931,500	43,193	37.0	148,036	n/a	1.5
1999	946,400	47,306	n/a	151,418	n/a	1.5
2000	969,700	50,035	36.0	154,523	54.8	1.6
2001	984,400	51,921	36.4	158,331	56.2	2.5
2002	1,004,400	52,401	37.3	161,385	55.9	3.4
2003	1,012,100	53,984	37.9	163,386	56.3	2.6
2004	1,022,300	n/a	37.6	164,195	57.4	2.7
2005 (projection)	1,041,200	n/a	n/a	164,408	n/a	n/a

- (1) Source: Fairfax County Department of Systems Management for Human Services.
- (2) Source: Bureau of Economic Analysis, U.S. Department of Commerce; includes Fairfax City and Falls Church.
- (3) Source: Fairfax County Department of Systems Management for Human Services, U.S. Census Bureau's American Community Survey.
- (4) Source: Revised figures from Fairfax County Public Schools, Office of Finance.
- (5) Source: Fairfax County Department of Systems Management for Human Services, U.S. Census Bureau's American Community Survey.
- (6) Source: Virginia Employment Commission, Annual Unemployment Statistics (not seasonally adjusted).



**TABLE 19**

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:	3,289
E. Fire protection:	
1. Number of stations owned:	
a. County-operated fire and rescue stations	20
b. Volunteer fire and rescue stations	11
c. County-owned/volunteer participation stations	<u>4</u>
Total fire stations	35
2. Number of authorized positions:	1,315 uniform/125 civilian
F. Police protection:	
1. Number of authorized positions:	1,325 sworn/552 civilian
2. Number of police vehicles:	1,283
3. Number of helicopters:	2
4. Correctional operations (facilities and population):	
a. Number of authorized positions	516 sworn/87 civilian
b. Number of correctional facilities	<u>2</u>
Adult Detention Center (jail) capacity	1,160 beds
Pre-Release Center (community corrections) capacity	<u>100</u> beds
Total capacity	1,260 beds
c. Number of prisoners booked	52,120
G. Recreation:	
1. Number of County parks (including stream valleys):	397
2. Number of regional parks:	10 (1)
3. Number of acres in County parks:	23,517
4. Facilities in County parks:	

	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Athletic fields	295	290	290	274	275	275
Trail miles	190	206	206	207	211	217
Garden plots	825	825	825	790	675	670
Play areas and tot lots	197	201	201	201	205	205
Tennis courts	222	222	222	222	223	225
Multi-use courts	135	143	143	119	118	119
Recreational centers	8	8	8	8	8	9
Golf courses	7	7	7	7	7	7
Historic sites	54	60	60	60	65	65
Nature/visitor centers	7	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	15
e. Alternative high schools	3
2. Number of personnel:	21,564
3. Number of students:	164,408

I.	Number of street lights:				53,555
J.	Number of authorized County positions:				
	1. General fund				9,484
	2. General fund supported				1,249
	3. Other funds				814
	Total				<u>11,547</u>
K.	Population:				
1.	Census population count for last three censuses: (2)				
	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: (2)				
	<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	
	<u>Total</u>	<u>596,901</u>	<u>818,584</u>	<u>969,749</u>	
3.	Median household income last three censuses: (2)				
	a. 2000 census median household income				82,000
	b. 1990 census median household income				57,000
	c. 1980 census median household income				30,000
4.	Per capita income last three censuses: (2)				
	a. 2000 per capita income				50,035
	b. 1990 per capita income				29,857
	c. 1980 per capita income				14,419

(1) Includes Parks of the Northern Virginia Regional Park Authority, the Commonwealth of Virginia, and the U.S. Department of Interior.  
 (2) Source: Bureau of Economic Analysis, U.S. Department of Commerce and U.S. Bureau of Census.