COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the fiscal year ended June 30 **2017**

Fairfax County Public Schools, Virginia

A component unit of the County of Fairfax, Virginia

Fairfax County
PUBLIC SCHOOLS
ENGAGE • INSPIRE • THRIVE

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Fairfax County Public Schools
A component unit of the County of Fairfax, Virginia

Prepared by the Department of Financial Services

Scott S. Brabrand, Superintendent

Steven Lockard, Deputy Superintendent

Susan S. Quinn, Chief Operating Officer

Kristen Michael, Assistant Superintendent, Financial Services

Shakeel Yusuf, Comptroller

This Comprehensive Annual Financial Report (CAFR) was prepared by:

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The Introductory Section contains the letter of transmittal, which provides a profile of Fairfax County Public Schools (FCPS) and an overview of its school membership, accomplishments, major initiatives, financial policies, long-term financial planning, awards, and acknowledgements.

Also included in this section are the following:

- Listing of FCPS' School Board members and administration
- FCPS' organizational chart
- Certificate of Achievement for Excellence in Financial Reporting awarded by the Government Financial Officers Association
- Certificate of Excellence in Financial Reporting awarded by the Association of School Business Officials International

Fairfax County PUBLIC SCHOOLS
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Scott S. Brabrand, Superintendent
8115 Gatehouse Road
Falls Church, Virginia 22042

November 13, 2017

Members of the Board of Supervisors, Members of the School Board, and Residents of Fairfax County

We are pleased to submit to you the Comprehensive Annual Financial Report (CAFR) of Fairfax County Public Schools (FCPS) for the fiscal year ended June 30, 2017. The financial statements included in this report are prepared in conformity with generally accepted accounting principles (GAAP) in the United States of America, as applicable to governmental units. This report consists of management's representations concerning the finances of FCPS. Accordingly, responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with FCPS' management.

To the best of our knowledge and belief, the information included in this report is accurate in all material respects and is reported in a manner designed to fairly present the financial position and results of operations of the various activities and funds of FCPS.

FCPS' financial statements were audited by the independent accounting firm of Cherry Bekaert LLP. The independent audit involved examining, on a test basis, documents supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. Cherry Bekaert LLP issued an unmodified opinion on FCPS' financial statements for the fiscal year ended June 30, 2017. The independent auditors' report is included as the first item in the financial section of this report.

GAAP requires that management of FCPS provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the independent auditors' report.

Profile of the School System

OVERVIEW

The Virginia Department of Education (VDOE) is responsible for apportioning the Commonwealth of Virginia (State) into school divisions based on geographic area and school-age population. The school divisions are charged with promoting the realization of the standards of quality required by Article VIII, Section 2, of the Constitution of Virginia. FCPS, the school division for the County of Fairfax, Virginia (County), is located in the northeastern corner of the State and encompasses an area of 407 square miles, including land and water. The County is part of the Washington, D.C. metropolitan area, which includes part of Northern Virginia, the District of Columbia, and Maryland.

FCPS is the largest educational system in the State and the 10th largest school division in the U.S. based on enrollment. FCPS is the third largest employer in the State, with approximately 27,500 contracted employees, including 24,600 full-time staff positions, more than 92 percent of which are school-based. The FCPS bus fleet is one of the largest bus fleets in the U.S., transporting more than 130,000 students on over 1,600 buses each day. FCPS has more than 26 million square feet of school buildings and office space, including 151 Energy Star certified schools (more than any other school system in the country).

The function of the FCPS School Board is to set general school policy and, within the framework of the VDOE regulations, establish guidelines and rules that will ensure the proper administration of the school system. The School Board comprises 12 members who are elected by citizens of the County and serve four-year terms. There is one member from each of the County's nine magisterial districts and three members at large. A nonvoting 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, chief academic officer, chief operating officer, chief of staff, and assistant superintendents manage the day-to-day operations of the school system.

School and Centers – Fiscal Year 2017

Elementary (K-6)	141
Middle (6-8)	3
Middle (7-8)	20
Secondary (7-12)	3
High (9-12)	22
Alternate High	2
Special Education Centers	7
Total	**198**

FCPS is focused on meeting the needs of 187,484 students from preschool through twelfth grade, while managing 198 schools and centers. The schools and centers are divided into five regions and are supported by six departments that provide a broad range of services including curriculum development, building maintenance, computer services, ordering and delivery of instructional materials, recruitment, hiring, and payment of personnel.

Over 85 percent of the school system's approved operating budget ($2.7 billion for fiscal year 2017) was allocated to instructional programs. In addition to core instructional programs designed to meet the varied needs of the student body and to enhance academic achievement, FCPS offers a variety of other instructional programs. Such programs include Head Start, Foreign Language Immersion, International Baccalaureate (IB), Advanced Placement (AP), Advanced Academics, as well as, extensive programs for students pursuing technical careers. FCPS also provides a broad range of adult education programs offering basic education courses along with vocational and enrichment programs to adults in the community. Thomas Jefferson High School for Science and Technology (TJHSST), a Governor's magnet school, attracts students from throughout Northern Virginia for an intensive program emphasizing sciences, mathematics, and technology.

FCPS is a component unit of the County and is included as an integral part of the County's financial statements. The cost of FCPS governmental activities are funded primarily by the County. For fiscal year 2017, the County provided 71.6 percent of funding and the state and federal governments provided 24.4 percent of FCPS' operating funding. Capital funding for public school facilities is provided primarily by the sale of general obligation bonds issued by the County.

Economic Condition and Outlook

LOCAL ECONOMY

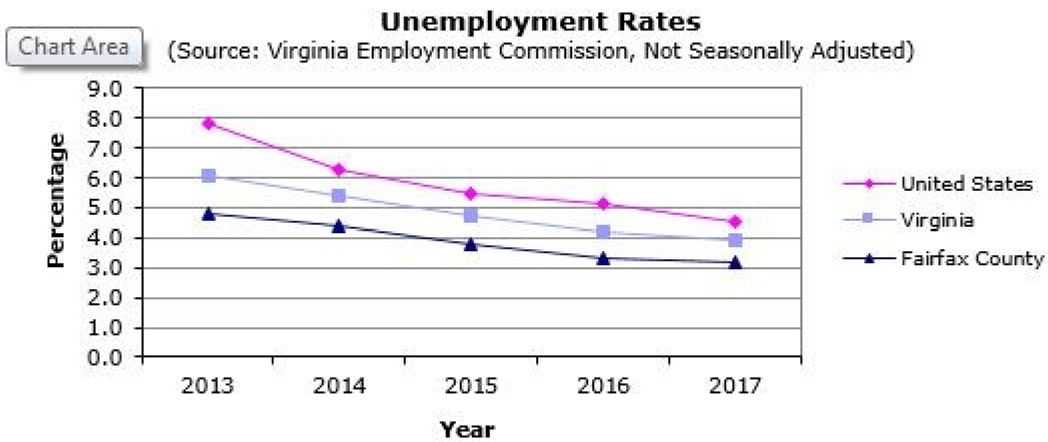
Total employment in the County increased for a second consecutive year in 2016. It should be noted, however, the job growth in the Professional and Business Services sector continued to lag behind its peak level in 2012. Specifically, the 2016 level of employment in this sector was 10,000 jobs less than its peak in 2012. The lower employment in this sector was primarily due to the federal sequestration in 2013 and 2014, which remained flat in 2015.

Federal procurement spending in the County increased 4.8 percent in fiscal year 2016, after decreasing 2.6 percent the previous year. This type of spending has a substantial impact on the local economy, so its increase is a positive sign. Total procurement contract awards were 9.0 percent below the fiscal year 2012 peak level, yet 2016 did report an increase to close the gap relative to the peak level.

Business, Professional, and Occupational License (BPOL) and Sales Taxes are two revenue sources that are good indicators of economic activity in the County. BPOL receipts increased a modest 1.2 percent over the fiscal year 2016 level. Sales Tax receipts were down 1.2 percent for the year primarily as a result of a $2.5 million refund. After adjusting for the refund, fiscal year 2017 collections would have increased 1.5 percent. Additionally, the Transient Occupancy Tax receipts were up a strong 10.1 percent over the fiscal year 2016 level.

For the commercial real estate market, office vacancy rates dropped to their lowest levels since 2014. According to the Fairfax County Economic Development Authority, the direct office vacancy rate in the County decreased from 16.2 percent in 2015 to 15.8 percent as of year-end 2016.

The number of home sales in Fairfax County increased by 6.1 percent in June of 2017, as compared to June of 2016, as stated in the July 2017 Economic Indicators Report published by Fairfax County Department of Management and Budget.



The chart above reflects the unemployment rates as of June 2017. The Fairfax County unemployment rate was 3.2%. The unemployment rates for the state of Virginia and the United States were 3.9% and 4.5% respectively.

School Enrollment

PROJECTED ENROLLMENT

The projected student enrollment for fiscal year 2018 is 189,022 students. Student enrollment projections are based on the County and school trends including: net County migration, size difference of exiting 12th grade and entering kindergarten populations, County birthrates, new school programs, housing development patterns, and economic conditions.

SPECIAL EDUCATION

In fiscal year 2018, an estimated 45,900 special education services at an average cost of $14,025 per service will be provided to 25,779 students (an average of 1.8 services per student). Special education services are determined by each student’s Individualized Education Program (IEP) and are mandated by the Individuals with Disabilities Education Act (IDEA).

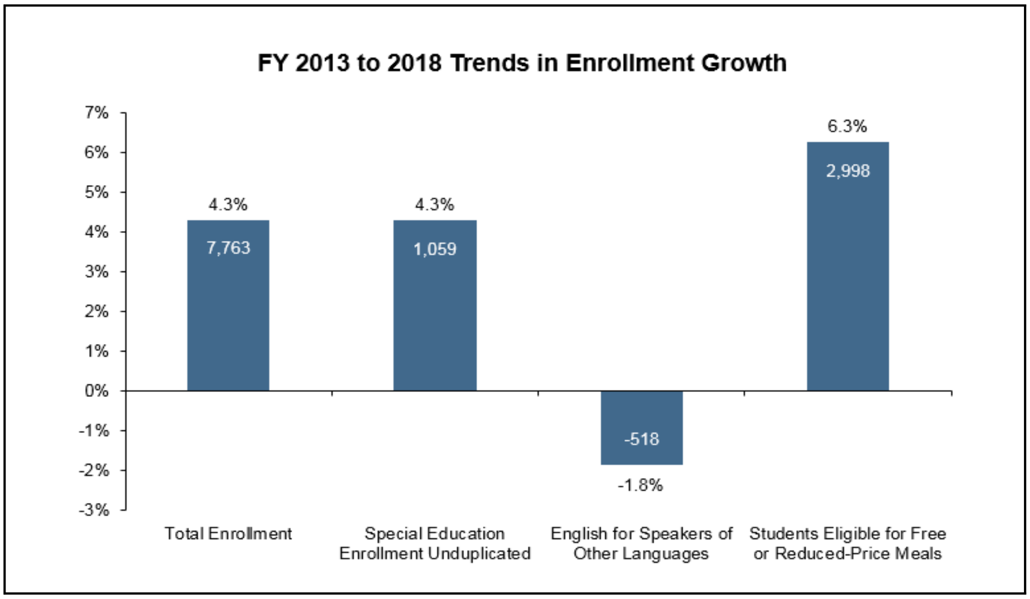
ENGLISH FOR SPEAKERS OF OTHER LANGUAGES (ESOL)

FCPS students come from many countries in the world and speak nearly 200 languages. According to FCPS data as of September 30, 2015, 49.6 percent of FCPS elementary students speak a language other than English at home. In fiscal year 2018, it is projected that 27,572 students will receive ESOL services in grades 1 through 12, a decrease of 518 students from fiscal year 2017. The additional cost of providing services in fiscal year 2018 for each ESOL student is $4,047.

FREE AND REDUCED-PRICE MEALS

The federal free and reduced-price meals program is one of the fastest growing segments of the FCPS student population. Families qualifying for free and reduced-price meals must meet established federal guidelines of income and household size. In fiscal year 2018, it is projected that 50,872 FCPS students will be eligible to participate. This represents a 6.3 percent increase, or 2,998 students since fiscal year 2013.

The chart below represents the changes in FCPS enrollment from fiscal year 2013 through fiscal year 2018 projected student enrollment for the following student populations:



Accomplishments

STUDENT ACHIEVEMENT

Individual students and groups annually earn honors and awards in all academic, extracurricular, and athletic areas in regional, state and national competitions.

- Twenty-two FCPS students from ten high schools were named National Merit Scholarship Corporation winners for 2017.
- For the 2016-2017 school year, FCPS' average overall composite SAT score was 1187, compared to the State average of 1095 and the national average of 1044.
- In the 2017 U.S. News and World Report ranking of America's Best High Schools, TJHSST was ranked as the number six gold medal school in the nation. Additionally, TJHSST was ranked number two for the best STEM school. FCPS received eight gold medal awards, one of which was ranked in the top 100 high schools nationally, two silver medals, and one bronze medal.
- In the 2017 Washington Post rankings of more than 2,300 top U.S. high school measured by participation in AP, IB exams or Advanced International Certificate of Education, all FCPS high schools have again been designated as among the most demanding public schools in the nation. Within the top ten percent of these schools, FCPS has three high schools.
- Two FCPS elementary school teams earned highest honors in the 2016-2017 WordMasters Challenge, a national vocabulary competition involving nearly 150,000 students annually. The third grade team placed fourth nationally in the overall competition, two fifth grade teams finished in sixth and ninth place overall, and the fourth grade team placed tenth in their division.
- Students from one FCPS middle school and two high schools earned gold and silver medals at the Family, Career, and Community Leaders of America (FCCLA) 2017 National Leadership Competition held in Nashville. Gold medals were won in the Entrepreneurship senior level STAR event and the Promote and Publicize senior level STAR event. A silver medal was won in the Nutrition and Wellness senior level STAR event.
- Two FCPS middle schools were among nine schools statewide to earn the 2017 Governor's Award for Educational Excellence, the highest recognition in the Virginia Index of Performance awards for advanced learning and achievement.

- One FCPS high school band received the National Band Association's National Blue Ribbon Award, one of only four high school bands in the nation to earn the award in 2017.
- Two students at TJHSST were named 2017 U.S. Presidential Scholars, a program administered by the U.S. Department of Education.
- Nine FCPS students have won national awards in the 2017 Scholastic Writing Awards Competition.
- A FCPS alumna made history when she was named the first African-American female to serve as first captain of the corps of cadets at the U.S. Military Academy-West Point. She was a 2014 graduate of Fairfax High School.

TEACHER ACHIEVEMENT

FCPS teachers are recognized on regional, national and state levels for their accomplishments.

- A South County High School assistant principal was named one of three finalists for the National Association of Secondary School Principals National Assistant Principal of the Year award.
- A Laurel Ridge Elementary School teacher was named the National 2017 Veterans of Foreign Wars Elementary Teacher of the Year.
- The head librarian at Kilmer Middle School was named the 2016 Virginia State Librarian of the Year by the Virginia Association of School Librarians.
- A Westfield High School teacher was named the 2017 History Teacher of the Year by George Washington's Mount Vernon.

Major Initiatives

STRATEGIC PLAN

The School Board's Strategic Plan, *Ignite*, inspires and empowers students to meet high academic standards; lead healthy, ethical lives; and be responsible and innovative global citizens. The goals of *Ignite* are:

- Goal 1 - Student Success - commitment to reach, challenge and prepare every student for success in school and life
- Goal 2 - Caring Culture - commitment to foster a responsive caring and inclusive culture where all feel valued, supported and hopeful
- Goal 3 - Premier Workforce - commitment to invest in employees, encourage innovation and celebrate success
- Goal 4 - Resource Stewardship - commitment to champion the needs of school communities to be responsible stewards of the public's investment.

During fiscal year 2017, the School Board was provided with updates on the monitoring reports. Examples of initiatives that supported each goal are summarized below:

- Goal 1 - Student Success – significant efforts were made to develop the curriculum to reflect a *Portrait of a Graduate* outcomes in all content areas where students were appropriately challenged. This included developing new standards for writing instruction and revising the curriculum for reading and literacy. In addition a new universal screening and progress monitoring tool, *iReady*, was piloted during the 2016-2017 school year. The universal screener provides an initial view of all students' foundational skills to help teachers identify students who may have challenges in reading or mathematics. The Learning Model was developed to clarify FCPS' beliefs about high quality instruction that leads to *Portrait of a Graduate* outcomes. The Learning Model was introduced to schools at the beginning of the 2016-2017 school year and provides an update to the existing Best Practices for Teaching and Learning framework and website.

- Goal 2 - Caring Culture – to ensure a consistent approach to customer service, standards and strategies were designed to enhance the overall student, staff, parents and community experience. Training programs for all staff on delivering excellent customer service will be implemented in fiscal year 2018. In addition training programs for cultural proficiency, fairness and equity when supporting families, students and employees were implemented in fiscal year 2017.

- Goal 3 - Premier Workforce - FCPS initiated a compensation study, and as a result a new teacher salary scale was developed. When fully implemented, the new scale offers market competitive salary ranges, targets career earnings to be within 95 - 105 percent of market average, maintains pay lanes based on educational attainment, and provides faster career earnings.

- Goal 4 - Resource Stewardship – The fiscal year 2018 Approved Budget focused on two key investments for the Strategic Plan: employee compensation and classroom resources. In 2017, FCPS completed the Return on Investment (ROI) framework and began to develop the Decision-Making Framework (DMF) that incorporates ROI. The DMF identifies and aligns critical resources to current strategic aims (Plan), allocates and monitors the use of funds toward specific aims (Do), monitors and communicates the impact of resources (Study), and adjusts resource allocations for the subsequent years based on impacts (Act). ROI analysis supports decisions made during the Act stage on whether to continue, modify, or end a program, service, project or initiative.

NEW INITIATIVE

FCPS is embarking on a new journey to enhance learning through FCPSOn, a 1-to-1 digital transformation. FCPSOn is intended to extend student learning and ensure that students have equal opportunity to develop *Portrait of a Graduate* attributes by providing them with opportunities to control the time, place, path, and pace of their learning through meaningful learning experiences. 1:1 technology means there will be one device for each student to use for learning. Students will have access to the device at school, and in certain grade levels, students will also be able to take their device home.

The FCPS Strategic Plan *Ignite* includes 1:1 as a component of the Student Success goal. Providing a device to students moves FCPS closer to achieving that goal. The first phase of FCPSOn was launched in the 2016-2017 school year with implementation in all nine schools in the Chantilly High School pyramid and six e-Learning Backpack grant schools.

ENVIRONMENTAL STEWARDSHIP

FCPS places a high priority on protecting the environment and proactively supports responsible environmental stewardship in all aspects of school operations. Through an adopted policy, the School Board supports FCPS' best practices to include carbon reduction, classroom environment, indoor and outdoor air quality, water use and management, recycling, ground and landscaping practices, purchasing, and performance measures to monitor and reduce greenhouse gas emissions.

FCPS earned the U.S. Environmental Protection Agency's Energy Star Certification for 151 buildings, which is the highest number of Energy Star-certified school buildings in the country. FCPS was named a 2017 Energy Star Partner of the Year-Energy Management Award winner.

FCPS established a partnership with the National Wildlife Federation Eco-Schools USA program. Through this program, FCPS' efforts focus on developing student-driven action teams within Eco-Schools across the county. These teams work on a variety of environmental topics (pathways) under the Eco-Schools umbrella. FCPS has 105 registered Eco-Schools, 15 of which earned Green Flag status, Eco-Schools USA's highest honor. Additionally, FCPS was named a 2017 U.S. Department of Education Green Ribbon School District Sustainability Awardee.

STATE MANDATES

VIRGINIA RETIREMENT SYSTEM (VRS)

In fiscal year 2011 and fiscal year 2012, the General Assembly adopted significantly lower than actuarially recommended VRS employer contribution rates to mitigate state budget cuts to localities. This reduced all Virginia school systems' contributions to VRS, but school systems were required to repay the underfunded amounts beginning in fiscal year 2013 through higher contribution rates. The state set specific percentages that employers must contribute as part of these state-mandated, phased-in rate increases: 80 percent in fiscal years 2015 and 2016; 90 percent in fiscal years 2017 and 2018; and 100 percent in fiscal year 2019 and beyond. However, the state accelerated funding the retirement at 100 percent of the actuarially determined rate by one year, from fiscal year 2019 to fiscal year 2018.

CARDIOPULMONARY RESUSCITATION AND AUTOMATED EXTERNAL DEFIBRILLATORS

The 2013 General Assembly adopted legislation requiring school divisions to include specific instruction in emergency first aid, cardiopulmonary resuscitation (CPR), and the use of an automated external defibrillator (AED) in the Standards of Learning for Health. In the 2016-2017 school year, first-time ninth grade students must also receive hands-on training in emergency first aid, CPR, and the use of AEDs as a graduation requirement.

Legislation passed by the 2017 General Assembly specifies that the certification or training in emergency first aid, CPR, and the use of AED that is required of every person seeking initial licensure or renewal of a license as a teacher shall include hands-on practice of the skills necessary to perform CPR.

Financial Policies

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 about the achievement of FCPS' objectives with regard to the reliability of financial reporting, effectiveness and efficiency of operations and compliance with the applicable laws and regulations.

The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived, and the valuation of costs and benefits requires estimates and judgments by management. A sound internal control system should ensure that if any material error or fraud occurs, they would be detected in a timely manner by employees in the normal course of performing their duties.

BUDGET PROCESS AND DEVELOPMENT

The annual budget process is designed to encourage community involvement while providing a structured process reflecting the School Board's priorities and adherence to the student achievement goals. In many cases, changes are made in how programs will be implemented based on input presented to the School Board during budget development. Once approved, the budget provides a framework for monitoring expenditures. Throughout the year, spending is compared to the budget for each program and evaluated for effectiveness.

BUDGET POLICIES

The School Board's policies and practices highlight significant assumptions used to develop the budget and are divided into the following broad categories:

Reserve Policies
School Board reserves are maintained to enable FCPS to address unanticipated needs in a timely manner. These are the grants, food and nutrition services, School Board flexibility, school materials, staffing, fuel and strategic reserves.

Fund Balance Reserve Policies
The School Board establishes fund balance reserves to address future requirements. Fund balance reserves represent funds available for School Board action and may include reserves for budgeted beginning balance, textbook replacement, and VRS.

Position and Salary Policies
There are three policies that include position growth, position reallocation, and salary increase. All position adjustments are subject to School Board approval and are either part of the budget development cycle for the succeeding fiscal year or the quarterly budget review cycle for the current year. Adjustments in enrollment are given the highest priority. For each budget year, schools are staffed based on formulas approved by the School Board. Principals and program managers can reallocate funds available as a result of vacant positions and unanticipated needs provided they maintain certain standards. FCPS maintains three salary scales: teacher scale, classroom instructional support scale, and the unified scale. All salary adjustments are subject to School Board approval.

Assumptions and Costing Guidelines for Other Budget Issues
Assumptions and costing guidelines are maintained for specific categories including building maintenance, building renovation, carryover funding, equipment funds transfer, technology funding, utilities, vehicle and bus replacement, and vehicle services. Assumptions and costing guidelines for each category are outlined in each fiscal years Approved Budget document.

BUDGETARY CONTROLS

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 commitment item group for each office and school within a fund.

FCPS maintains an encumbrance accounting system as a 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 major capital projects, expire at the end of each fiscal year and are required to be reappropriated in the following fiscal year. FCPS ensures that all procurement is in compliance with legal purchasing regulations and all bid awards and contracts are properly approved.

Long-Term Financial Planning

The annual budget reflects FCPS' varied plans by allocating resources to carry out the goals defined through the divisionwide planning processes and incorporates priorities and direction of its strategic plan, *Ignite*.

The fiscal year 2017 budget development process included the Superintendent forming a volunteer Budget Task Force, and provided online applications to engage the community and elicit input. This was an unprecedented level of engaging stakeholders in the budget development process. The fiscal year 2017 budget included an increase in funding from the County of $88.4 million, or 4.8 percent from the fiscal year 2016 transfer. To balance the fiscal year 2017 budget, FCPS identified reductions totaling $32.5 million, including compensation base savings, one-time staffing and transportation radio reserves, substitute pay rate, fuel, central department, and transfers to the School Construction and School Debt funds.

Facing the potential for a significant budget deficit in fiscal year 2018, FCPS proactively took steps to examine the options available for the development of the fiscal year 2018 budget. The referendum to give the County the authority to levy a tax on meals, with 70 percent of that revenue going to FCPS, was not approved by voters on November 8, 2016, resulting in even greater challenges for the 2018 budget year. The Budget Task Force was reconvened to review and reprioritize the original recommendations and identify other recommendations not on the original list.

The Approved Budget for fiscal year 2018 includes a county transfer increase of $53.4 million, or 2.8 percent, over the fiscal year 2017 transfer amount. The Approved Budget provides funding to support the School Board's Strategic Plan's Premier Workforce goal by investing in teacher pay using a multiyear strategy to align salaries with market average and critical classroom resources. Reductions of $51.5 million were required because recurring revenue has not kept pace with FCPS' increase in expenditures. Without future increases of revenue, FCPS will not be able to address employee compensation and sustain the current quality, nor the full academic programming currently offered to students.

In addition to the Strategic Plan and as part of FCP's long term financial plan, the following major planning activities are undertaken:

FCPS' Approved Budget - the approved budget is adopted annually by the School Board and reflects ongoing programs as well as initiatives for the next fiscal year.

Environmental Scans - conducted periodically to identify local, state, and national factors that influence planning. The information drives the creation of the multiyear fiscal forecast.

Technology Plan - outlines the multiyear strategic goals and demonstrates the effective use of technology throughout the school system. The technology plan supports the vision and mission for FCPS to provide a gifted-quality education to every child in an instructional setting appropriate for his or her needs; to educate all students to meet high academic standards; and to prepare all students to be responsible citizens in the 21st century. The technology plan is aligned with the VDOE's Educational Technology Plan.

School Improvement Plans - required by FCPS and the VDOE. Aligned within the school plan are the annual measurable objectives and Standards of Accreditation requirements. Schools are required to review their progress related to student achievement goals and describe how the school will accomplish its objectives.

Capital Improvement Program (CIP) - contains the five-year capital improvement plan, student enrollment projections, and building use analysis. The CIP assesses requirements for new facilities, renovation of existing facilities, infrastructure management, technology upgrades, and other facility-related needs. The list of capital projects resulting from this assessment provides a clear statement of school facility requirements. Actual completion dates for CIP projects depend on cash flow and debt service limitations established by the County Board of Supervisors.

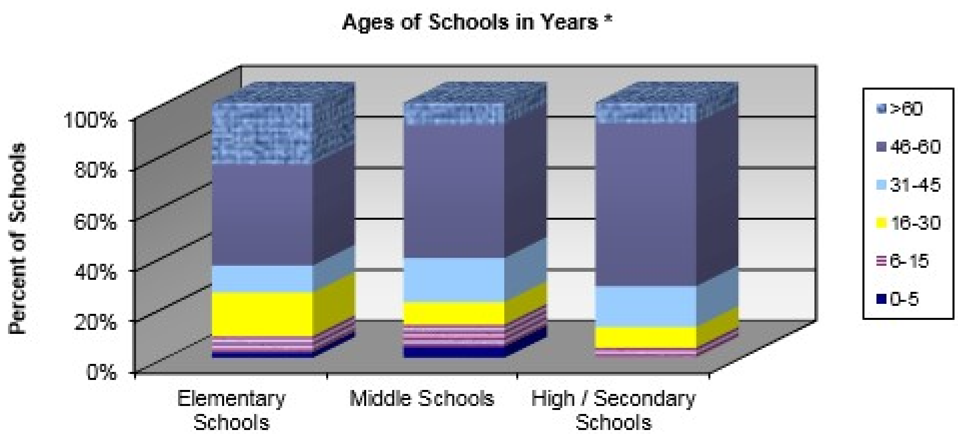
The CIP project list comprise a "statement of need" to address these issues. There are five types of projects in the CIP:

- New School Construction – capacity shortages likely to persist over time
- Capacity Enhancements – permanent methods for accommodating future needs
- Renovation Programs – ensuring all schools provide facilities necessary to support educational programs or restore capacity lost due to low-ratio special program instruction and other new instructional support needs
- Special Program Facilities – capacity enhancements to accommodate special programs
- Site Acquisition – acquire sites for future schools

The fiscal year 2018-2022 CIP totals approximately $824 million, or roughly $164 million per year includes proposals for three new elementary schools and one new high school; renovation of 32 elementary schools, five middle schools, and six high schools; and acquisition of a future high school site.

Traditionally, the County has used the sale of municipal bonds to fund school capital facility expenditures. Every two years in November, school capital facility projects are part of a school bond referendum, which is added to the general election ballot. Funding approved in the 2015 School Bond Referendum and previous referenda will address approximately $385 million of the five year requirement, leaving an unfunded balance of $439 million. A bond referendum is expected in the fall of 2017.

The graph below reflects the ages of FCPS' elementary, middle, and high schools as of June 30, 2017:



*From the year that each school opened through June 30, 2017 (does not reflect renovation dates) Source: FCPS- Office of Design and Construction Services

Awards

FCPS maintains a significant commitment to provide annual financial reports. By preparing and presenting a CAFR, FCPS validates the credibility of the school system's operations and recognizes the commitment of the School Board and staff in being good stewards of financial resources. The financial reporting awards received by FCPS reflect the commitment to communicate financial activity in a comprehensive and clear format.

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 CAFR for the fiscal year ended June 30, 2016. 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 CAFR. The report must also satisfy both GAAP and applicable legal requirements.

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's annual financial reports. The ASBO program is similar to the GFOA Certificate of Achievement for Excellence in Financial Reporting program. FCPS was awarded the ASBO Certificate of Excellence for its CAFR for the fiscal year ended June 30, 2016.

FCPS has received prestigious awards from both GFOA and ASBO for 23 consecutive years. We believe that the current CAFR also conforms to the GFOA and ASBO certificate program requirements therefore; we are submitting it to them to confirm our compliance and to obtain another GFOA and ASBO certificate.

FCPS has won several awards for its budgeting reports, forecasting reports, and a separately issued CAFR for the Educational Employees' Supplementary Retirement System of Fairfax County pension plan. In addition, ASBO and GFOA awarded FCPS with the Meritorious Budget Award and the Distinguished Budget Presentation Award, respectively, for the fiscal year 2017 Approved Budget.

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 CAFR and to our independent auditors, Cherry Bekaert 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,

Scott S. Brabrand, Ed.D.
Superintendent of Schools

Susan S. Quinn
Chief Operating Officer

Kristen Michael
Assistant Superintendent, Financial Services

School Board Members and Administration

As of September 14, 2017

SCHOOL BOARD

Jane Strauss
Chairman
Dranesville District

Karen Corbett Sanders
Vice Chairman
Mount Vernon District

Tamara Derenak Kaufax
Lee District

Sandy Evans
Mason District

Pat Hynes
Hunter Mill District

Karen Keys-Gamarra
Member at Large

Ryan McElveen
Member at Large

Megan McLaughlin
Braddock District

Ilryong Moon
Member at Large

Dalia Palchik
Providence District

Elizabeth Schultz
Springfield District

Thomas Wilson
Sully District

Niharika Vattikonda
Student Representative

ADMINISTRATION

Scott Brabrand
Superintendent

Steven Lockard
Deputy Superintendent

Francisco Duran
Chief Academic Officer

Susan Quinn
Chief Operating Officer

Marty Smith
Chief of Staff

Sloan Presidio
Assistant Superintendent
Instructional Services

Teresa Johnson
Assistant Superintendent
Special Services

Jeffrey Platenberg
Assistant Superintendent
Facilities and Transportation Services

Kristen Michael
Assistant Superintendent
Financial Services

Chace Ramey
Assistant Superintendent
Human Resources

Maribeth Luftglass
Assistant Superintendent
Information Technology

Matt Guilfoyle
Executive Director
Communication and Community Relations

Mark Greenfelder
Executive Director
Office of School Support

Kathleen Walts
Executive Director
Office of Professional Learning and Family Engagement

Christine Donohue
Director of Operations

John Foster
Division Counsel

Douglas Tyson
Assistant Superintendent
Region 1

Fabio Zuluaga
Assistant Superintendent
Region 2

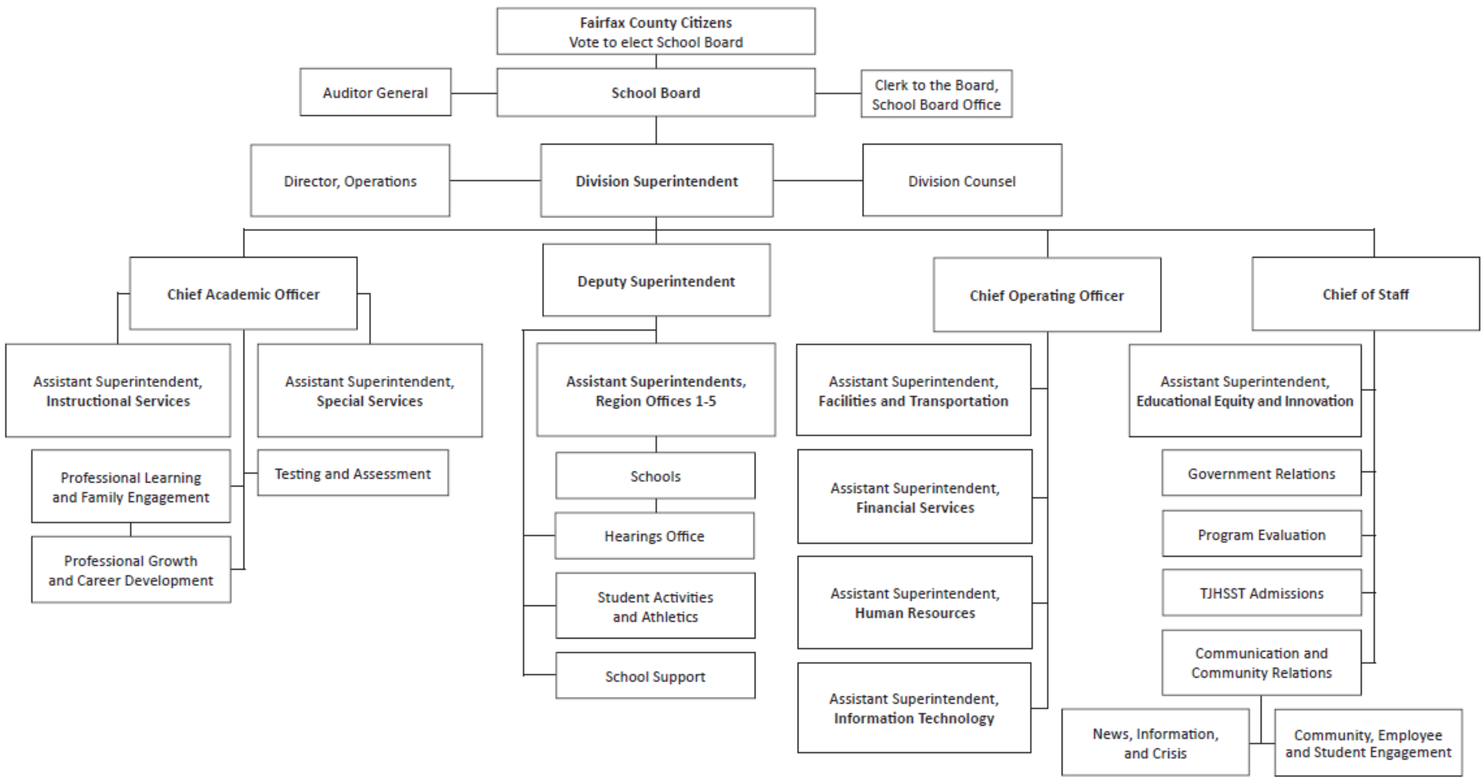
Terry Dade
Assistant Superintendent
Region 3

Angela Atwater
Assistant Superintendent
Region 4

Frances Ivey
Assistant Superintendent
Region 5

Organizational Chart

As of September 14, 2017

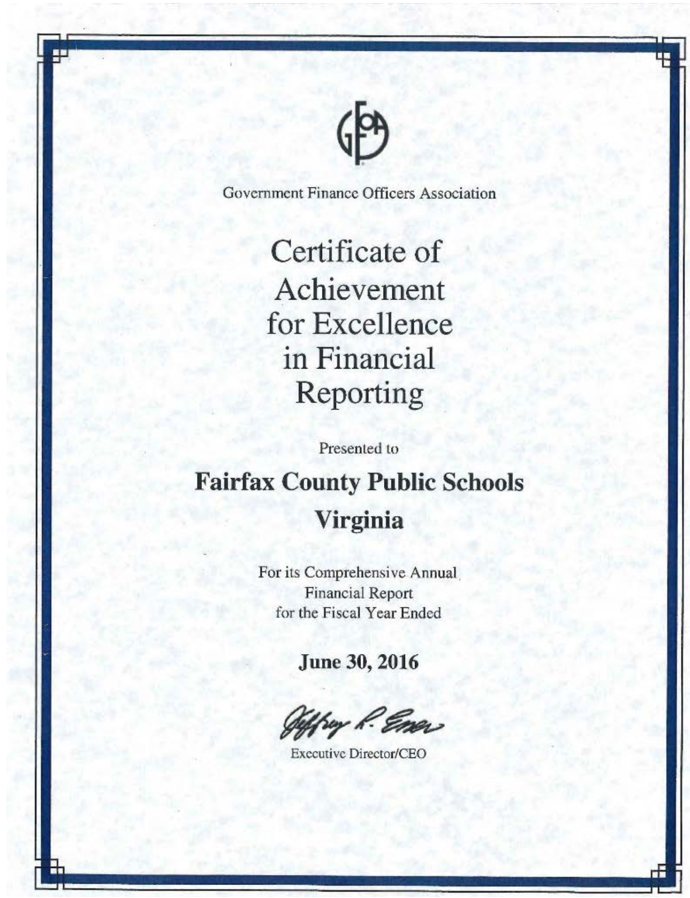


Award for Excellence in Financial Reporting

GOVERNMENT FINANCE OFFICERS ASSOCIATION AWARD

The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to FCPS for its CAFR for the fiscal year ended June 30, 2016. The Certificate of Achievement for Excellence in Financial Reporting is a prestigious, national award, which recognizes conformance with the highest standards for preparation of state and local government CAFRs.

In order to receive a Certificate of Achievement for Excellence in Financial Reporting, a governmental unit must publish a CAFR whose contents conform to program standards of creativity, presentation, understandability, and reader appeal. In addition, this report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements. FCPS has received the Certificate of Achievement for Excellence in Financial Reporting for 23 consecutive years.


Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Fairfax County Public Schools Virginia

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

June 30, 2016

Executive Director/CEO


ASSOCIATION OF SCHOOL BUSINESS OFFICIALS INTERNATIONAL

The Certificate of Excellence in Financial Reporting
is presented to

Fairfax County Public Schools

for its Comprehensive Annual Financial Report (CAFR)
for the Fiscal Year Ended June 30, 2016.

The CAFR has been reviewed and met or exceeded
ASBO International's Certificate of Excellence standards.

CERTIFICATE OF EXCELLENCE IN FINANCIAL REPORTING

Anthony N. Dragona, Ed.D., RSBA
President

John D. Musso, CAE, RSBA
Executive Director

ASSOCIATION OF SCHOOL BUSINESS OFFICIALS AWARD

The Association of School Business Officials International (ASBO) awarded a Certificate of Excellence in Financial Reporting to FCPS for its CAFR for the fiscal year ended June 30, 2016. FCPS has received this award for 23 consecutive years.

This nationally recognized program was established by ASBO to encourage school business officials to achieve a high standard of financial reporting.
The award is the highest recognition for school division financial operations offered by ASBO, and it is only conferred upon school systems that have met or exceeded the standards of the program. More than 500 school systems and educational institutions submit applications each year.

Participation in the Certificate of Excellence in Financial Reporting program validates FCPS' commitment to fiscal and financial integrity and enhances the credibility of FCPS' operations with the School Board and the community. The program reviews the accounting practices and reporting procedures used by FCPS in its CAFR based upon specific standards established by the Governmental Accounting Standards Board.

FINANCIAL SECTION

The Financial Section includes the independent auditors' report, management's discussion and analysis, basic financial statements, including the accompanying notes, required supplementary information, and other supplementary information.

Fairfax County
PUBLIC SCHOOLS
ENGAGE • INSPIRE • THRIVE

Cherry Bekaert LLP
CPAs & Advisors

Report of Independent Auditor

To the Board of Supervisors
County of Fairfax, Virginia

To the Fairfax County School Board
County of Fairfax, Virginia

Report on the Financial Statements

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, 2017, and the related notes to the financial statements, which collectively comprise FCPS's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards and specifications require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of FCPS, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, required supplementary information, and notes to required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise FCPS's basic financial statements. The Introductory Section, Other Supplementary Information, and Statistical Section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Other Supplementary Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Other Supplementary Information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The Introductory and Statistical Sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2017, on our consideration of FCPS's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering FCPS's internal control over financial reporting and compliance.

Cherry Bekaert LLP

Tysons Corner, Virginia
November 13, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited)

The Management's Discussion and Analysis provides a narrative introduction to and overview and analysis of the basic financial statements. It includes a description of the government-wide and fund financial statements, as well as an analysis of Fairfax County Public Schools' financial position and results of operations.

Management's Discussion and Analysis (Unaudited)

This discussion and analysis, a section of the Fairfax County Public Schools' (FCPS) Comprehensive Annual Financial Report (CAFR), provides a narrative overview and analysis of the financial activities of FCPS for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with additional information furnished in our letter of transmittal in the introductory section of this CAFR.

FINANCIAL HIGHLIGHTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements report information about FCPS as a whole using the economic resources measurement focus and accrual basis of accounting.

- Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by $496.6 million (net position) at June 30, 2017. The total net position increased by $30.9 million from June 30, 2016. The negative unrestricted net position of ($2,933.5) million is primarily the result of $3,760.1 million in net pension liabilities.
- Total revenues of $2,968.3 million were generated in fiscal year 2017. Expenses incurred were $2,937.4 million, resulting in an increase in net position of $30.9 million.
- General revenues, including the funds transferred from the County, totaled $2,390.8 million and are available for all purposes. Such revenues were sufficient to fund the $2,359.9 million excess of total operating costs over program-specific revenues. For the fiscal year 2017, program-specific revenues amounted to $577.5 million.

FUND FINANCIAL STATEMENTS

The fund financial statements provide detailed information about FCPS' major funds using the current financial resources measurement focus and modified accrual basis of accounting.

- FCPS' governmental funds reported a combined fund balance of $211.7 million, representing an increase of $1.8 million from the prior fiscal year.
- On June 30, 2017, the General Fund, which accounts for the main operating activities of FCPS, reported an ending fund balance of $146.9 million, an increase of $4.8 million from June 30, 2016. The unassigned portion of the General Fund's fund balance was $3.8 million, which is available for future spending at FCPS' discretion.
- The Capital Projects Fund ended fiscal year 2017 with a fund balance of $31.9 million, a decrease of $10.5 million over prior fiscal year. This is restricted for construction projects in progress or starting in the near future.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of this CAFR comprises five sections: 1) report of independent auditor, 2) management's discussion and analysis, 3) basic financial statements, 4) required supplementary information, and 5) other supplementary information.

FCPS basic financial statements consist of two types of statements, each with a different perspective on FCPS' financial condition. First, the government-wide financial statements provide both long-term and short-term information about overall FCPS finances. On the other hand, the fund financial statements focus on the individual components of FCPS operations, providing more detail than the government-wide financial statements. The basic financial statements also include notes providing additional explanation and detailed information essential for gaining a full understanding of the data presented in the financial statements.

The financial statements and notes are followed by required supplementary information, consisting of the budget and actual comparison schedule for the General Fund and trend data pertaining to the pension and other postemployment benefit trust funds. In addition to these required elements, FCPS provides other supplementary information that includes combining fund statements for the nonmajor governmental funds, budget and actual comparison schedules for the special revenue funds, combining fund statements for the internal service funds, combining fund statements for the pension and other postemployment benefit trust funds, and the statement of changes in assets and liabilities for the agency fund.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements report information about FCPS activities as a whole using accounting methods similar to those used by private-sector businesses. In addition, they report the FCPS net position and financial position changes during the fiscal year.

The Statement of Net Position presents information on all of FCPS' assets, liabilities, and deferred inflows/outflows of resources with the difference as net position. Over time, increases or decreases in net position may serve as a useful indicator of FCPS' ability to cover costs and continue to provide services in the future.

The Statement of Activities presents information on the change in the FCPS net position providing the results of operations during the fiscal year. The statement highlights the extent to which specific programs are able to cover their costs with user fees, grants, and contributions, as opposed to being financed with general revenues. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid. The change in net position from year to year may serve as a gauge of FCPS' financial position performance.

All of FCPS' basic services are reported as governmental activities. These activities are financed primarily by charges for services and intergovernmental grants and contributions. The governmental funds and the internal service funds are included in governmental activities because these services only benefit FCPS.

FUND FINANCIAL STATEMENTS

Fund financial statements provide an additional level of detail about FCPS' major funds. A fund is a grouping of related accounts used to maintain control over resources for specific activities or objectives. FCPS uses fund accounting to track transactions in individual funds, as well as to ensure and demonstrate compliance with finance-related legal requirements. FCPS funds are divided into the following three classifications:

Governmental Funds - Governmental funds account for, in essence, the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on 1) how cash and other financial assets, which can readily be converted to cash, flow in and out of the system and 2) the balances of spendable resources available at the end of the fiscal year.

The governmental funds provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources available for spending in the near future to finance FCPS' programs. Because this information does not encompass the additional long-term focus of the governmental activities in the government-wide financial statements, reconciliations are provided to explain the relationship.

The General Fund is the largest of the governmental funds, which is the main operating activities of FCPS. Information on the General Fund and the Capital Projects Fund, both of which are considered to be major funds, is presented separately in the governmental funds' Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances. All other governmental funds, which include the Food and Nutrition Services, Grants and Self-Supporting Programs, and Adult and Community Education special revenue funds, are collectively referred to as nonmajor governmental funds. Data for the three nonmajor governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in combining statements elsewhere in the CAFR.

Proprietary Funds - Proprietary funds consist of FCPS internal service funds and are used to account for activities financed and operated in a manner similar to private-sector businesses. In other words, costs are recovered primarily through user charges. Proprietary fund financial statements provide both long-term and short-term financial information. The internal service funds are used to account for FCPS' health benefits and insurance activities on a cost reimbursement basis. Both internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for each of these internal service funds is provided in combined statements elsewhere in the CAFR.

Fiduciary Funds - Fiduciary funds are used to account for resources that are held by FCPS for the benefit of outside parties. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support FCPS' programs. FCPS' fiduciary fund types consist of pension and other postemployment benefit trust funds, as well as an agency fund. The pension and other postemployment benefit trust funds are combined into a single, aggregated presentation in the fiduciary fund financial statements and are used to account for assets held in trust by FCPS for the Educational Employees' Supplementary Retirement System of Fairfax County (ERFC) pension plan and to accumulate and invest funds for FCPS' postemployment health benefit subsidies for eligible retirees and their surviving spouses. Individual fund data for the pension and other postemployment benefit trust funds is provided in combining statements elsewhere in the CAFR.

The agency fund is reported separately in the fiduciary fund financial statements and is used to account for monies collected and disbursed in connection with student activities. These monies are only available to support student programs at their respective schools and not for FCPS as a whole.

FINANCIAL ANALYSIS OF GOVERNMENTAL ACTIVITIES

The Statement of Net Position and the Statement of Activities provide the financial status and operating results of FCPS as a whole.

STATEMENT OF NET POSITION

The following table provides a summary of FCPS' net position as of June 30, 2017 and 2016:

SUMMARY OF NET POSITION
As of June 30
(Dollars in Millions)

	Governmental Activities			
	2017	**2016**	**Variance**	**Percent Variance**
ASSETS				
Current and other assets	$ 491.0	$ 465.3	$ 25.7	5.5%
Capital assets, net	2,472.4	2,388.1	84.3	3.5
Total assets	2,963.4	2,853.4	110.0	3.9
DEFERRED OUTFLOWS OF RESOURCES				
Deferred pensions	861.9	468.8	393.1	83.9
Total deferred outflows of resources	861.9	468.8	393.1	83.9
LIABILITIES				
Current liabilities	121.7	112.8	8.9	7.9
Non-current liabilities	3,961.5	3,406.9	554.6	16.3
Total liabilities	4,083.2	3,519.7	563.5	16.0
DEFERRED INFLOWS OF RESOURCES				
Capital lease reduction	4.0	4.3	(0.3)	(7.0)
Deferred pensions	234.7	325.7	(91.0)	(27.9)
Total deferred inflows of resources	238.7	330.0	(91.3)	(27.7)
NET POSITION				
Net investment in capital assets	2,372.7	2,298.4	74.3	3.2
Restricted	64.2	66.3	(2.1)	(3.2)
Unrestricted (deficit)	(2,933.5)	(2,892.2)	(41.3)	1.4
Total net position	$ (496.6)	$ (527.5)	$ 30.9	(5.9)

Net investment in capital assets is $2,372.7 million, which is net of the outstanding debt for capital leases in the amount of $99.7 million.

For fiscal year 2017, FCPS reported deferred outflows of resources of $861.9 million related to pensions. The majority of the deferred outflows of resources reported are comprised of current year contributions to the retirement systems. However, there may be some deferred outflows of resources attributable to the various components that impact pension expense, amortization of changes due to actuarial assumptions, changes in proportionate share of contributions, and differences between expected or actual experience.

For fiscal year 2017, FCPS reported deferred inflows of resources for deferred pension of $234.7 million, which represents a net amount attributable to the various components that impact pension expense, amortization of changes due to actuarial assumptions, changes in proportionate share of contributions, and differences between expected or actual experience. Deferred inflows of resources related to capital lease reduction from revisions to capital lease agreements decreased in fiscal year 2017 to $4.0 million from $4.3 million in fiscal year 2016.

STATEMENT OF ACTIVITIES

The following table provides a summary of the changes in FCPS' net position for the fiscal years ended June 30, 2017 and 2016:

SUMMARY OF CHANGES IN NET POSITION
For the Fiscal Years Ended June 30
(Dollars in Millions)

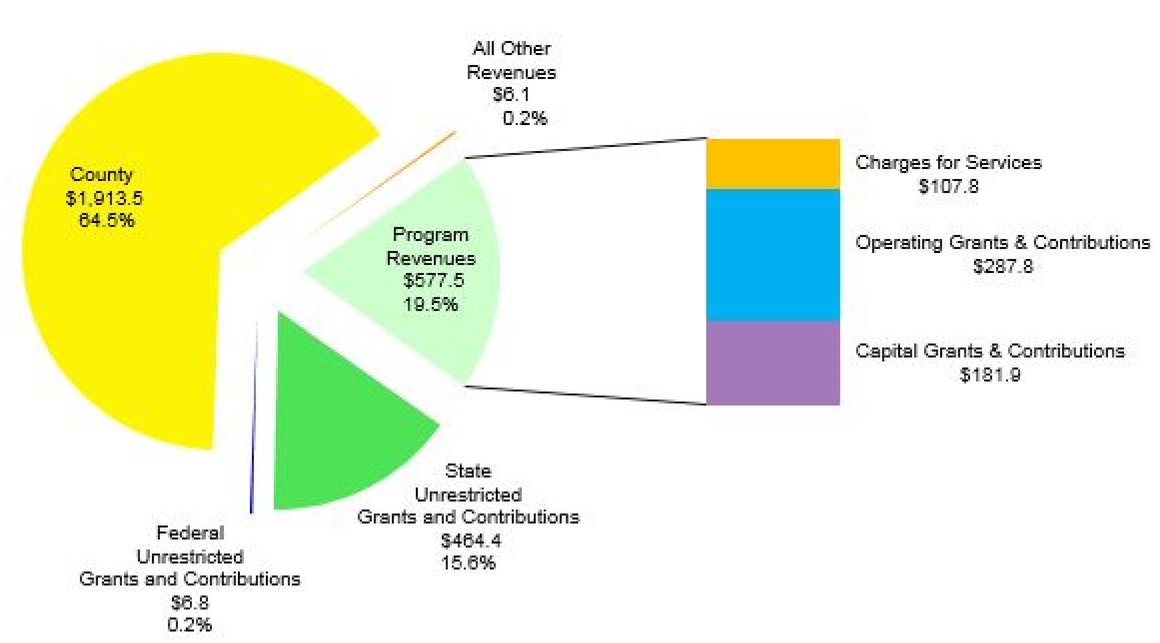
	Governmental Activities			
	2017	**2016**	**Variance**	**Percent Variance**
REVENUES				
Program revenues:				
Charges for services	$ 107.8	$ 104.2	$ 3.6	3.5%
Operating grants and contributions	287.8	268.0	19.8	7.4
Capital grants and contributions	181.9	184.1	(2.2)	(1.2)
General revenues:				
Grants and contributions not restricted to specific purposes	2,384.7	2,284.6	100.1	4.4
Other	6.1	2.0	4.1	205.0
Total revenues	2,968.3	2,842.9	125.4	4.4
EXPENSES				
Instruction	2,471.9	2,256.7	215.2	9.5
Support programs	379.8	361.0	18.8	5.2
Food service	82.9	76.1	6.8	8.9
Interest on long-term debt	2.8	2.9	(0.1)	(3.4)
Total expenses	2,937.4	2,696.7	240.7	8.9
Increase in net position	30.9	146.2	(115.3)	(78.9)
Net position - July 1	(527.5)	(673.7)	146.2	(21.7)
Net position - June 30	$ (496.6)	$ (527.5)	$ 30.9	(5.9)

Total revenues for FCPS' governmental activities were $2,968.3 million in fiscal year 2017, representing an increase of $125.4 million, or a 4.4 percent, over fiscal year 2016. The increase is primarily due to the County funding increase of $88.4 million.

The total expenses of FCPS' programs for fiscal year 2017 were $2,937.4 million, representing an increase of $240.7 million or 8.9 percent over fiscal year 2016. The increase is due to employee compensation of $111.0 million and changes in pension plan actuarial valuations of $130.0 million.

The following chart presents revenues by source for the fiscal year ended June 30, 2017:

GOVERNMENTAL ACTIVITIES - REVENUES BY SOURCE
For the Fiscal Year Ended June 30, 2017
(Dollars in Millions)

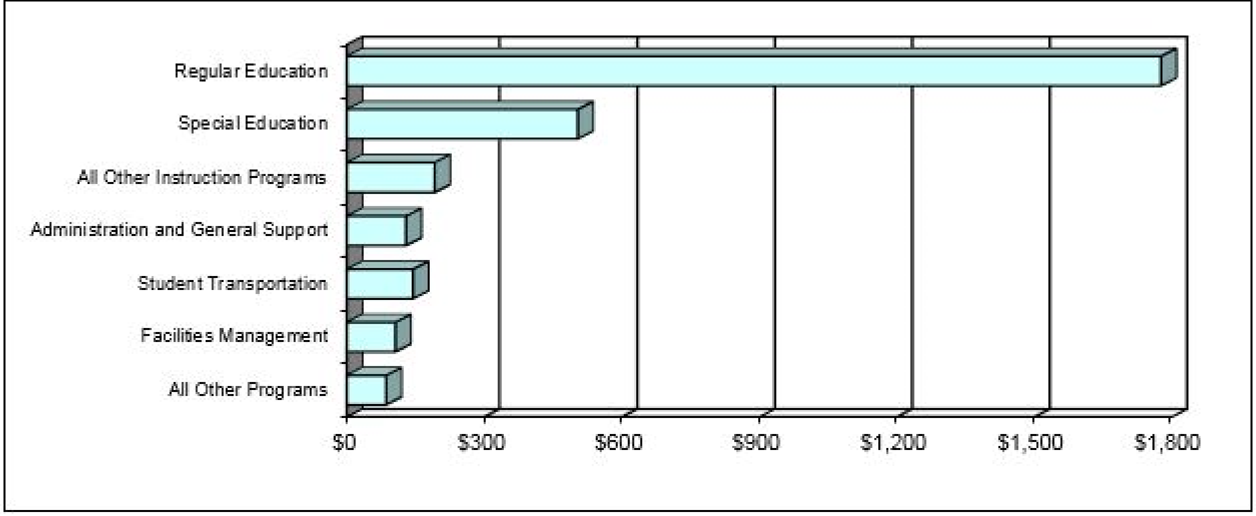


The following items reflect the major increases and decreases in revenues during fiscal year 2017:

- $88.4 million increase funding from the County
- $8.5 million increase in federal grants consisting mainly of $2.9 million for Individuals with Disabilities Education Act, $2.3 million for Title I, and $1.4 million for National School Lunch Program
- $6.2 million increase in Basic Aid
- $5.0 million increase in other revenue sources for proffer-turf funding
- $5.0 million increase in state funding for special education
- $4.6 million decrease in one-time state compensation supplement
- $4.1 million increase in state sales tax
- $4.0 million increase in Standard of Quality fringe benefits (retirement, social security, group life)
- $3.4 million increase in state lottery funds
- $2.0 million increase in school food services revenue
- $1.1 million increase in state technology grants

The following chart compares the total expenses of each of FCPS' programs for the fiscal year ended June 30, 2017:

GOVERNMENTAL ACTIVITIES - SUMMARY OF PROGRAM EXPENSES
For the Fiscal Year Ended June 30, 2017
(Dollars in Millions)



As the chart indicates, regular education is FCPS' largest program. Regular education includes activities and programs conducted during the regular instructional day for students in grades K-12. Special education, FCPS' second largest program, includes activities for students with special needs. Such activities include programs specifically designed to overcome disabilities, alternative education, Head Start, and preschool programs.

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

ALL GOVERNMENTAL FUNDS

As noted earlier, FCPS uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of FCPS' governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing FCPS' short-term financing requirements. Fund balance is reported by purpose within these classifications as appropriate: nonspendable, restricted, committed and assigned and unassigned.

The following table presents a summary of fund balances of governmental funds as of June 30, 2017 and 2016:

FUND BALANCES OF GOVERNMENTAL FUNDS
As of June 30
(Dollars in Millions)

	2017	2016	Variance	Percent Variance
General Fund				
Nonspendable	$ 0.4	$ 0.1	$ 0.3	300.0%
Committed	55.2	50.0	5.2	10.4
Assigned	87.5	92.0	(4.5)	(4.9)
Unassigned	3.8	-	3.8	100.0
Total General Fund	146.9	142.1	4.8	3.4
Capital Projects Fund				
Restricted	31.9	42.4	(10.5)	(24.8)
Total Capital Projects Fund	31.9	42.4	(10.5)	(24.8)
Nonmajor governmental funds				
Nonspendable	1.2	1.5	(0.3)	(20.0)
Restricted	32.2	23.9	8.3	34.7
Unassigned	(0.5)	-	(0.5)	(100.0)
Total nonmajor governmental funds	32.9	25.4	7.5	29.5
All governmental funds				
Nonspendable	1.6	1.6	-	-
Restricted	64.1	66.3	(2.2)	(3.3)
Committed	55.2	50.0	5.2	10.4
Assigned	87.5	92.0	(4.5)	(4.9)
Unassigned	3.3	-	3.3	100.0
Total governmental funds	$ 211.7	$ 209.9	$ 1.8	0.9

As of June 30, 2017, FCPS' governmental funds had a combined fund balance of $211.7 million, compared with $209.9 million at June 30, 2016, resulting in an increase of $1.8 million. The following represents the fiscal year 2017 fund balance classification:

- $1.6 million is nonspendable for prepaid items and inventories
- $64.1 million is restricted for capital construction, grants, food service, and adult and community education
- $55.2 million is committed by the School Board for fiscal year 2018 operating budget requirements
- $87.5 million is assigned for undelivered orders, fiscal year 2018 initiatives, and fiscal year 2019 operating budget requirements
- $3.3 million is unassigned representing resources not associated with a specified purpose

MAJOR GOVERNMENTAL FUNDS

The General Fund is the main operating fund of FCPS. For fiscal year 2017, General Fund revenues, inclusive of other financing sources, totaled $2,668.1 million, which represents an increase of $121.1 million, or 4.8 percent, over the prior year. Expenditures for the General Fund, inclusive of other financing uses, increased by $111.7 million, or 4.4 percent, over fiscal year 2016, totaling $2,663.3 million. This resulted in an increase in fund balance of $4.8 million. The per pupil cost increased $714, from $13,718 in fiscal year 2016 to $14,432 in fiscal year 2017.

The Capital Projects Fund reported a total fund balance of $31.9 million, a decrease of $10.5 million, or 24.8 percent, from fiscal year 2016. Other revenues in this fund for fiscal year 2017 totaled $7.3 million, an increase of 5.4 million from fiscal year 2016. Expenditures increased by $11.7 million, or 6.1 percent, from fiscal year 2016 due to the cyclical nature of construction projects and the timing of completion.

During fiscal year 2017, FCPS received $155.0 million of bond proceeds from the County to fund capital projects. As of June 30, 2017, the unspent portion of this funding totaled $95.3 million, which is represented as restricted cash and investments on the Balance Sheet.

GENERAL FUND BUDGETARY HIGHLIGHTS

The *Code of Virginia* (Code) requires the appointed Superintendent of the school division to submit a budget annually to the governing body, following approval of the advertised budget by the School Board.

The Superintendent presents FCPS' proposed budget to the School Board in early January. The School Board then conducts a series of public hearings and work sessions before adopting the advertised budget. The School Board's advertised budget is then forwarded to the County for inclusion in the County Executive's advertised budget. In early April, the County Board of Supervisors holds public hearings regarding the advertised budget and determines the amount of funding to be transferred to FCPS. The School Board then holds additional public hearings before approving the final budget in late May.

The approved budget governs all of the financial operations of FCPS beginning on July 1 and is modified on a quarterly basis as revenue sources and expenditure priorities change. FCPS' School Board approves all quarterly budget modifications.

The following table presents a summary comparison of the General Fund's original and final budgets with actual performance for the fiscal year ended June 30, 2017:

GENERAL FUND BUDGET AND ACTUAL COMPARISON

For the Fiscal Year Ended June 30, 2017
(Dollars in Millions)

	Budget - Original	**Budget - Final**	**Actual - Budget Basis**	**Variance from Final Budget**
Total revenues	$ 717.5	$ 723.0	$ 725.9	$ 2.9
Total expenditures	2,632.9	2,701.1	2,602.4	(98.7)
Excess of expenditures over revenues	(1,915.4)	(1,978.1)	(1,876.5)	101.6
Total other financing sources, net of uses	1,885.1	1,881.3	1,881.3	-
Net change in fund balances	$ (30.3)	$ (96.8)	$ 4.8	$ 101.6

During fiscal year 2017, the General Fund's final budget for revenues exceeded the original budget for revenues by $5.5 million; final budget for expenditures were $68.2 million, or 2.5 percent, higher than the original budget for expenditures. The final budgeted total for other financing sources was less than the original budget by $3.8 million.

Key factors contributing to the overall increase in revenues from the original budget to the final budget include:

- $9.6 million increase in federal aid
- $0.5 million increase in recovered costs from the City of Fairfax, Virginia

- ($4.6) million decrease in state aid

Final budget for expenditures increased by $68.2 million over the original budget for expenditures due to carryover of undelivered orders, school balance carryover, and flexibility reserve funding from fiscal year 2016.

Actual revenues were higher than final budget for revenues by $2.9 million. Revenues exceeded projections by $4.1 million in Basic Aid, $4.1 million in insurance proceeds, and $2.5 million from various categories. Revenues did not meet projections as a result of $7.8 million in unspent federal grant awards to be carried forward to fiscal year 2018.

Actual expenditures came in under the final budget for expenditures by $98.7 million, or 3.7 percent, primarily due to the following:

- $53.9 million in carryover and other commitments
- $28.2 million in compensation savings as a result of employee turnover and vacant positions
- $7.8 million in unexpended multiyear federal grants
- $2.0 million in the public safety radio system savings
- $1.3 million in fuel savings

CAPITAL ASSETS AND LONG-TERM OBLIGATIONS

CAPITAL ASSETS

As of June 30, 2017, FCPS' investment in capital assets for governmental activities totaled $2,472.4 million, net of accumulated depreciation of $1,933.2 million and amortization of $6.0 million. This represents a net increase in capital assets of $84.3 million, or 3.5 percent, over the prior year.

The following table summarizes capital assets as of June 30, 2017 and 2016:

NET CAPITAL ASSETS
As of June 30
(Dollars in Millions)

	Book Value (net of depreciation)	
Capital Asset Category	**2017**	**2016**
Land	$ 46.8	$ 46.8
Construction in progress	256.2	312.7
Equipment	120.2	108.1
Intangible Assets-Software/Licenses	7.3	7.5
Intangible Assets-Software in Development	-	0.5
Library collections	6.7	7.2
Buildings	664.6	659.3
Building improvements	1,321.1	1,195.2
Land improvements	49.5	50.8
Total	$ 2,472.4	$ 2,388.1

Net additions to capital assets during fiscal year 2017 include the following:

- $73.4 million in multiyear major renovations and additions, including construction of an elementary school
- $18.2 million to acquire 179 buses
- $2.1 million to acquire 184 copiers

- ($8.9) million disposal of equipment, including educational trailers, buses, copiers, computers, and other equipment
- ($0.5) million disposal of library collections and resource materials

Additional detailed information regarding FCPS' capital assets, including the current year's activity, can be found in notes I.H and III.E in the notes to the financial statements.

LONG-TERM OBLIGATIONS

As of June 30, 2017, FCPS reported total long-term obligations in the amount of $3,961.5 million, compared to $3,407.0 million at June 30, 2016. The following table summarizes FCPS' long-term obligations as of June 30, 2017 and 2016:

LONG-TERM OBLIGATIONS
As of June 30
(Dollars in Millions)

	2017	2016
Accrued rent	$ 3.8	$ 0.6
Compensated absences	32.6	32.8
Capital leases	99.7	89.7
Net pension liabilities	3,760.1	3,222.0
Actuarial claims payable	65.3	61.9
Total	$ 3,961.5	$ 3,407.0

Additional detailed information regarding long-term obligations, including the current year's activity, can be found in notes I.I, I.J, and III.F in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The primary source of revenue for FCPS comes from the County, which in turn derives the majority of its revenue from real and personal property taxes. For fiscal year 2018, the County's real estate and personal property tax rates remained unchanged from prior fiscal year.

FISCAL YEAR 2018 BUDGET

The fiscal year 2018 Approved Operating Expenditure Budget totals $2.8 billion, an increase of $89.6 million, or 3.4 percent, from the fiscal year 2017 Approved Budget. For fiscal year 2018, funds are budgeted that will allow FCPS to meet the basic needs of the school system and make continued investments in our teachers and in our classrooms in critical areas.

The following are highlights of the fiscal year 2018 expenditure budget:

- $44.0 million for step increases for all eligible employees
- $41.8 million for retirement and health insurance cost increases, including modifications to the Educational Employees' Supplementary Retirement System for members hired on or after July 1, 2017
- $26.6 million as part of a multi-year investment to enhance teacher salaries
- $12.7 million to address enrollment growth and student demographic changes
- $10.8 million to reduce large elementary class sizes
- $2.0 million to implement new pay scales for classroom instructional support, food service workers and bus drivers

- $1.4 million for an assessment tool to identify remediation and accelerations needs
- ($27.5) million savings due to compensation base savings
- ($15.7) million savings by increasing the staffing ratio formula by .5 students per teacher and raising the elementary staffing formula class size from 17 to 18 students
- ($7.0) million savings due to reducing central office support, reducing instructional materials allocation to schools, redesigning ESOL Transitional High School, reducing travel for professional development and reducing fuel

CONTACTING FCPS MANAGEMENT

This summary is designed to provide a general overview of the financial condition of FCPS. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Assistant Superintendent of Financial Services, Department of Financial Services, 8115 Gatehouse Road, Falls Church, Virginia 22042 or by calling (571) 423-3750.

This CAFR can also be found on FCPS' website at: https://www.fcps.edu/about-fcps/budget/financial-reports

BASIC FINANCIAL STATEMENTS

The Basic Financial Statements subsection includes the government-wide statements, which incorporate the governmental activities of Fairfax County Public Schools in order to provide an overview of the financial position and results of operations for the reporting entity. This subsection also includes the fund financial statements and the accompanying notes to the financial statements.

FAIRFAX COUNTY PUBLIC SCHOOLS
ENGAGE • INSPIRE • THRIVE

FAIRFAX COUNTY PUBLIC SCHOOLS **EXHIBIT A**

Statement of Net Position

June 30, 2017

	Governmental Activities
ASSETS	
Cash on deposit with County of Fairfax, VA	$ 304,208,657
Cash with fiscal agent	90,415
Receivables:	
Accounts	8,339,047
Accrued interest	122,794
Due from intergovernmental units:	
Federal government	27,721,796
Commonwealth of Virginia	23,075,504
County of Fairfax, VA	332,074
Other	178,627
Inventories	1,190,465
Prepaid items	429,036
Restricted cash and investments	95,323,916
Net OPEB asset	29,992,922
Nondepreciable capital assets:	
Land	46,837,095
Construction in progress	256,169,715
Depreciable capital assets:	
Equipment	352,286,228
Library collections	26,396,772
Buildings and improvements	3,716,622,658
Accumulated depreciation	(1,933,230,568)
Intangible capital assets:	
Software and licenses	13,260,834
Accumulated amortization	(5,959,528)
Total assets	2,963,388,459
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	861,879,242
LIABILITIES	
Accounts payable	47,447,217
Accrued salaries and withholdings	41,244,916
Accrued interest payable	804,718
Unearned revenues	17,095,900
Contract retainages	12,381,384
Deposits	2,704,809
Non-current liabilities:	
Due within one year:	
Accrued rent	216,055
Compensated absences	22,844,092
Capital leases	21,498,454
Actuarial claims payable	27,799,853
Due beyond one year:	
Accrued rent	3,635,643
Compensated absences	9,790,325
Capital leases	78,153,738
Net pension liability	3,760,102,728
Actuarial claims payable	37,493,162
Total liabilities	4,083,212,994
DEFERRED INFLOWS OF RESOURCES	
Capital lease reduction	3,999,246
Deferred inflows related to pensions	234,693,471
Total deferred inflows of resources	238,692,717
NET POSITION	
Net investment in capital assets	2,372,731,014
Restricted for:	
Food and Nutrition Services	15,677,437
Grant programs	16,518,907
Capital Projects	31,946,572
Unrestricted (deficit)	(2,933,511,940)
Total net position	$ (496,638,010)

See accompanying notes to the financial statements.

FAIRFAX COUNTY PUBLIC SCHOOLS **EXHIBIT B**
Statement of Activities
For the Fiscal Year Ended June 30, 2017

Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Change in Net Position
Governmental activities:					
Instruction:					
Regular education:					
Elementary school	$ 933,425,965	$ 16,757,756	$ 40,385,030	$ 6,820,606	$ (869,462,573)
Middle school	254,688,922	8,358,639	1,970,465	-	(244,359,818)
High school	588,124,205	14,214,027	23,897,422	-	(550,012,756)
Special education	504,077,486	4,729,403	37,892,247	-	(461,455,836)
Adult and community education	8,670,801	5,595,940	1,371,313	-	(1,703,548)
Instructional support	182,938,101	2,479,318	55,743,796	-	(124,714,987)
Total instruction	2,471,925,480	52,135,083	161,260,273	6,820,606	(2,251,709,518)
Support programs:					
Administration and general support	129,252,016	5,404,710	86,446,645	-	(37,400,661)
Student transportation	144,455,213	2,606,060	-	-	(141,849,153)
Facilities management	106,062,965	6,026,328	-	175,095,800	75,059,163
Total support programs	379,770,194	14,037,098	86,446,645	175,095,800	(104,190,651)
Food service	82,869,263	41,658,550	40,025,932	-	(1,184,781)
Interest on long-term debt	2,831,118	-	-	-	(2,831,118)
Total governmental activities	$ 2,937,396,055	$ 107,830,731	$ 287,732,850	$ 181,916,406	(2,359,916,068)

General revenues:	
Grants and contributions not restricted to specific purposes:	
Federal government	6,776,175
Commonwealth of Virginia	464,403,383
County of Fairfax, VA	1,913,518,902
Revenue from the use of money	117,666
Other	5,986,887
Total general revenues	2,390,803,013
Change in net position	30,886,945
Net position - July 1, 2016	(527,524,955)
Net position - June 30, 2017	$ (496,638,010)

See accompanying notes to the financial statements.

FAIRFAX COUNTY PUBLIC SCHOOLS **EXHIBIT C**
Balance Sheet
Governmental Funds
June 30, 2017

	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash on deposit with County of Fairfax, VA	$ 147,824,752	$ 627	$ 16,841,537	$ 164,666,916
Cash with fiscal agent - Lindjord Trust	90,415	-	-	90,415
Receivables:				
Accounts	37,200	-	227,433	264,633
Accrued interest	56	-	40,101	40,157
Due from intergovernmental units:				
Federal government	7,576,461	988,861	19,156,474	27,721,796
Commonwealth of Virginia	15,818,992	-	7,256,512	23,075,504
County of Fairfax, VA	76,000	-	256,074	332,074
Other	178,627	-	-	178,627
Inventories	-	-	1,190,465	1,190,465
Prepaid items	400,882	-	28,154	429,036
Interfund receivables	33,687,000	-	-	33,687,000
Restricted cash and investments	-	95,323,916	-	95,323,916
Total assets	$ 205,690,385	$ 96,313,404	$ 44,996,750	$ 347,000,539
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 18,641,474	$ 19,826,040	$ 890,631	$ 39,358,145
Accrued salaries and withholdings	39,242,791	8,599	1,993,526	41,244,916
Contract retainages	-	12,381,384	-	12,381,384
Deposits	-	2,704,809	-	2,704,809
Interfund payables	-	29,446,000	4,241,000	33,687,000
Unearned revenues	946,525	-	5,009,870	5,956,395
Total liabilities	58,830,790	64,366,832	12,135,027	135,332,649
Fund balances:				
Nonspendable	400,882	-	1,218,619	1,619,501
Restricted	-	31,946,572	32,196,344	64,142,916
Committed	55,181,843	-	-	55,181,843
Assigned	87,476,483	-	-	87,476,483
Unassigned	3,800,387	-	(553,240)	3,247,147
Total fund balances	146,859,595	31,946,572	32,861,723	211,667,890
Total liabilities and fund balances	$ 205,690,385	$ 96,313,404	$ 44,996,750	$ 347,000,539

See accompanying notes to the financial statements.

FAIRFAX COUNTY PUBLIC SCHOOLS **EXHIBIT C-1**
Reconciliation of the Balance Sheet to the Statement of Net Position
Governmental Funds
June 30, 2017

Fund balances - total governmental funds			$	211,667,890
Amounts reported for governmental activities in the Statement of Net Position are different due to:				
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.				
Nondepreciable capital assets	$	303,006,810		
Depreciable capital assets		4,095,305,658		
Accumulated depreciation		(1,933,230,568)		
Total				2,465,081,900
The net OPEB asset, resulting from contributions for other postemployment benefits in excess of the annual required contribution, is not considered a financial resource and, therefore, is not reported in the governmental funds.				29,992,922
Intangible assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.				
Software and licenses	$	13,260,834		
Accumulated amortization		(5,959,528)		
Total				7,301,306
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 Position.				
Assets:				
Current assets	$	147,698,792		
Capital assets		40,029		
Accumulated depreciation		(40,029)		
Liabilities		(84,707,336)		
Total				62,991,456
Non-current liabilities related to governmental activities are not due and payable in the current period and, therefore, are not reported in the funds.				
Accrued interest on long-term debt	$	(804,718)		
Accrued rent		(3,851,698)		
Compensated absences		(32,448,673)		
Capital leases		(99,652,192)		
Total				(136,757,281)
Revisions of capital lease agreements resulting in a reduction of capital lease obligations are reported as deferred inflows in the Statement of Net Position, but they are not financial resources and therefore, are not reported in the funds.				(3,999,246)
GAAP requires the reporting of net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions in the Statement of Net Position, however, they are not financial resources and, therefore, are not reported in the funds.				
Deferred outflows related to pensions	$	861,879,242		
Net pension liability		(3,760,102,728)		
Deferred inflows related to pensions		(234,693,471)		
Total				(3,132,916,957)
Net position of governmental activities			$	(496,638,010)

See accompanying notes to the financial statements.

FAIRFAX COUNTY PUBLIC SCHOOLS **EXHIBIT D**
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2017

	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Intergovernmental:				
Federal government	$ 44,896,329	$ 6,820,606	$ 77,555,887	$ 129,272,822
Commonwealth of Virginia	609,940,211	-	12,333,850	622,274,061
County of Fairfax, VA	1,914,118,902	169,079,123	3,619,872	2,086,817,897
Charges for services:				
Tuition and fees	9,331,322	-	7,861,534	17,192,856
Food sales	-	-	41,658,550	41,658,550
Revenue from the use of money and property	3,968,942	-	125,740	4,094,682
Recovered costs - City of Fairfax, VA	44,745,048	47,560	-	44,792,608
Other	13,041,826	7,314,788	1,822,909	22,179,523
Total revenues	2,640,042,580	183,262,077	144,978,342	2,968,282,999
EXPENDITURES				
Current:				
Instruction:				
Regular education:				
Elementary school	840,857,241	-	34,547,195	875,404,436
Middle school	237,975,557	-	881,965	238,857,522
High school	543,626,799	-	7,939,750	551,566,549
Special education	467,895,575	-	4,848,578	472,744,153
Adult and community education	43,298	-	8,088,530	8,131,828
Instructional support	153,283,836	-	18,282,877	171,566,713
Support programs:				
Administration and general support	120,153,362	-	1,342,352	121,495,714
Student transportation	133,842,568	-	1,633,345	135,475,913
Facilities management	75,648,912	20,746,893	-	96,395,805
Food service	-	-	77,426,705	77,426,705
Capital outlay	39,683,680	183,914,124	681,260	224,279,064
Debt service:				
Principal	18,131,920	-	25,550	18,157,470
Interest	2,802,173	-	1,306	2,803,479
Total expenditures	2,633,944,921	204,661,017	155,699,413	2,994,305,351
Excess (deficiency) of revenues over (under) expenditures	6,097,659	(21,398,940)	(10,721,071)	(26,022,352)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	10,905,774	18,472,453	29,378,227
Transfers out	(29,378,227)	-	-	(29,378,227)
Capital leases	28,067,115	-	11,621	28,078,736
Total other financing sources (uses), net	(1,311,112)	10,905,774	18,484,074	28,078,736
Net change in fund balances	4,786,547	(10,493,166)	7,763,003	2,056,384
Fund balances - July 1, 2016	142,073,048	42,439,738	25,409,461	209,922,247
Decrease in reserve for inventories	-	-	(310,741)	(310,741)
Fund balances - June 30, 2017	$ 146,859,595	$ 31,946,572	$ 32,861,723	$ 211,667,890

See accompanying notes to the financial statements.

FAIRFAX COUNTY PUBLIC SCHOOLS **EXHIBIT D-1**
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
to the Statement of Activities
Governmental Funds
For the Fiscal Year Ended June 30, 2017

Net change in fund balances - total governmental funds		$ 2,056,384
Amounts reported for governmental activities in the Statement of Activities are different due to:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of these assets is expensed over their estimated useful lives and reported as depreciation expense.		
Capital outlay	$ 224,279,064	
Depreciation expense	(140,292,024)	
Total		83,987,040
Donations of capital assets increase net position in the Statement of Activities, but do not appear in the governmental funds because they are not financial resources.		745,643
Loss on the disposal of capital assets are reported in the Statement of Activities. However, in governmental funds, the proceeds from sales are reported. The difference is the net depreciated value of the disposed capital assets.		(474,140)
Principal payments on capital leases and installment purchases are reported as expenditures in governmental funds. However, the principal payments reduce the liabilities in the Statement of Net Position and do not result in expenses in the Statement of Activities.		18,157,470
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 non-current liabilities in the Statement of Net Position and does not affect the Statement of Activities. This amount represents principal amounts of new capital leases.		(28,078,736)
In the government-wide statements, rent abatement charges impact accrued rent. In the governmental funds, this is not considered a current year expenditure.		(3,278,076)
In the government-wide statements, inventory changes impact net position. Inventory is recorded as an expenditure in the governmental fund statements as purchased. These expenditures are not adjusted for the net change in inventory.		(310,741)
In the Statement of Activities, compensated absences are measured by the amounts earned during the current fiscal year. In the governmental funds, expenditures for these items are measured by the amount of financial resources used. This amount represents the net change in compensated absences.		102,469
Internal Service Funds are used by management to provide certain goods and services to governmental funds. The change in net position of these funds is reported within governmental activities in the Statement of Activities.		11,803,197
Interest on capital leases is reported as expenditures in the governmental funds when it is due. However, in the Statement of Activities, interest is expensed as it accrues. This amount represents the net change in accrued interest on long-term debt.		(27,639)
Contributions for other postemployment benefits are reported as expenditures in the governmental funds. However, contributions made in amounts greater or less than the annual required contribution do not result in an expense in the Statement of Activities.		(68,000)
Capital lease obligations are reported as expenditure in governmental funds when they are due. In the government-wide statements, the effects of deferred inflows relating to capital lease obligations are amortized over the life of each lease and expensed.		296,398
Contributions for pension benefits are reported as expenditure in governmental funds when they are due. In the government-wide statements, the effects of net pension liability, deferred outflows of resources, and deferred inflows of resources relating to pension acccounting are expensed.		(54,024,324)
Change in net position of governmental activities		$ 30,886,945

See accompanying notes to the financial statements.

FAIRFAX COUNTY PUBLIC SCHOOLS **EXHIBIT E**
Statement of Net Position
Proprietary Funds
June 30, 2017

	Governmental Activities - Internal Service Funds
ASSETS	
Current assets:	
Cash on deposit with County of Fairfax, VA	$ 139,541,741
Receivables:	
Accounts	8,074,414
Accrued interest	82,637
Total current assets	147,698,792
Noncurrent assets:	
Capital assets:	
Equipment	40,029
Accumulated depreciation	(40,029)
Total noncurrent assets	-
Total assets	147,698,792
LIABILITIES	
Current liabilities:	
Accounts payable	8,089,072
Unearned revenues	11,139,505
Compensated absences	130,021
Actuarial claims payable	27,799,853
Total current liabilities	47,158,451
Noncurrent liabilities:	
Compensated absences	55,723
Actuarial claims payable	37,493,162
Total noncurrent liabilities	37,548,885
Total liabilities	84,707,336
NET POSITION	
Unrestricted	62,991,456
Total net position	$ 62,991,456

See accompanying notes to the financial statements.

FAIRFAX COUNTY PUBLIC SCHOOLS **EXHIBIT F**
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2017

		Governmental Activities - Internal Service Funds
OPERATING REVENUES		
Charges for services	$	408,132,749
OPERATING EXPENSES		
Salaries and wages		3,553,632
Claims and benefits		379,829,134
Professional consultant services		12,977,283
Other operating expenses		337,559
Total operating expenses		396,697,608
Operating gain		11,435,141
NONOPERATING REVENUES		
Interest revenue		368,056
Change in net position		11,803,197
Total net position - July 1, 2016		51,188,259
Total net position - June 30, 2017	$	62,991,456

See accompanying notes to the financial statements.

FAIRFAX COUNTY PUBLIC SCHOOLS **EXHIBIT G**

Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2017

	Governmental Activities - Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from interfund services provided	$ 418,597,392
Payments to employees	(3,553,632)
Payments for claims and health benefits	(376,466,969)
Payments for professional services	(9,968,712)
Payments for other operating expenses	(337,559)
Net cash provided by operating activities	28,270,520
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	314,965
Net cash provided by investing activities	314,965
Net increase in cash and cash equivalents	28,585,485
Cash and cash equivalents - July 1, 2016	110,956,256
Cash and cash equivalents - June 30, 2017	$ 139,541,741
Reconciliation of operating income to net cash provided by operating activities:	
Operating gain	$ 11,435,141
Adjustments to reconcile operating gain to net cash provided by operating activities:	
Decrease in accounts receivable	9,989,241
Increase in accounts payable	3,008,571
Increase in unearned revenues	475,402
Decrease in compensated absences	(25,875)
Increase in actuarial claims payable	3,388,040
Total adjustments to operating income	16,835,379
Net cash provided by operating activities	$ 28,270,520

See accompanying notes to the financial statements.

FAIRFAX COUNTY PUBLIC SCHOOLS **EXHIBIT H**
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2017

	Pension and Other Postemployment Benefit Trust Funds	Agency Fund - Student Activity
ASSETS		
Cash and cash equivalents	$ 907,452	$ -
Cash with fiscal agent	715,724	22,241,052
Cash collateral for securities on loan	170,713,805	-
Short-term investments	33,852,955	-
Receivables:		
Accounts	-	335,926
Accrued interest	2,963,524	-
Securities sold	6,920,097	-
Investments, at fair value:		
U.S. government obligations	18,415,390	-
Mortgage-backed securities	107,303,732	-
Stocks	720,238,304	-
Real estate	180,237,145	-
Global asset allocation	236,687,821	-
Better beta derivatives	112,371,447	-
Hedge funds	102,147,981	-
Private equity limited partnership	68,818,151	-
Mutual funds	842,455,290	-
Capital assets:		
Equipment	141,687	-
Accumulated depreciation	(88,141)	-
Total assets	2,604,802,364	$ 22,576,978
LIABILITIES		
Capital leases	21,991	-
Accounts payable	2,027,507	741,572
Payable for purchase of investments	9,060,028	-
Liability for collateral received under securities lending agreements	170,713,805	-
Due to student groups	-	21,835,406
Total liabilities	181,823,331	$ 22,576,978
NET POSITION		
Held in trust for pension and other postemployment benefits	$ 2,422,979,033	

See accompanying notes to the financial statements.

FAIRFAX COUNTY PUBLIC SCHOOLS **EXHIBIT I**

Statement of Changes in Fiduciary Net Position
Pension and Other Postemployment Benefit Trust Funds
For the Fiscal Year Ended June 30, 2017

	Pension and Other Postemployment Benefit Trust Funds
ADDITIONS	
Contributions:	
Employer	$ 102,498,538
Plan members	43,062,632
Total contributions	145,561,170
Investment earnings:	
From investing activities:	
Net appreciation on fair value of investments	236,907,299
Interest and dividends	33,416,886
Real estate income	6,580,592
Net gain from investing activities	276,904,777
Less Investment expenses:	
Investment management fees	12,717,015
Investment consulting fees	438,865
Investment custodial fees	189,484
Investment salaries	236,189
Total investment expenses	13,581,553
Net gain from investing activities	263,323,224
From securities lending activities:	
Securities lending income	1,795,875
Securities lending management fees	(932,052)
Net income from securities lending activities	863,823
Net investment gain	264,187,047
Total additions	409,748,217
DEDUCTIONS	
Benefit payments	186,187,718
Refund of contributions	4,601,865
Administrative expenses	4,059,408
Total deductions	194,848,991
Change in net position	214,899,226
Net position - July 1, 2016	2,208,079,807
Net position - June 30, 2017	$ 2,422,979,033

See accompanying notes to the financial statements.

Notes to the Financial Statements

As of and for the year ended June 30, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fairfax County Public Schools (FCPS) is a corporate body operating under the constitution of the Commonwealth of Virginia (State) and the *Code of Virginia* (Code). The twelve voting members of the School Board are elected by the citizens of the County of Fairfax, Virginia (County) to serve four-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 sets the educational policies of FCPS and appoints the Superintendent to implement them. In addition, the Superintendent administers operations, supervises personnel, and advises the School Board on all educational matters with a view toward enhancing students' learning, safety, and well-being.

A. REPORTING ENTITY

The financial reporting entity consists of the Primary Government, organizations for which the Primary Government is financially accountable (component units), and other organizations for which the nature and significance of their relationship with the Primary Government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Blended component units, although legally separate entities are so intertwined with the Primary Government that they are, in substance, the same as the Primary Government and therefore reported as part of the Primary Government.

Discretely presented component units entail reporting financial data in one or more columns separate from the financial data of the Primary Government.

FCPS' Primary Government includes all of its departments, boards, and associated agencies that are not legally separate. In accordance with standards established by accounting principles generally accepted in the United States of America (GAAP), FCPS has identified one component unit required to be included in its financial statements. The Educational Employees' Supplementary Retirement System of Fairfax County (ERFC) is a legally separate entity that provides pension benefits exclusively for former employees of FCPS. The School Board appoints the majority of the trustees and has ultimate ability to impose its will. The School Board, in conjunction with its employees, provides all the funding for ERFC. Therefore, ERFC is considered to be a blended component unit and the results of its operations are reported within a single fund and combined with data from the Primary Government for financial presentation purposes.

FCPS is a component unit of the County since the County issues and services general obligation debt to finance the purchase or construction of school facilities. In addition, the County is FCPS' primary funding source.

B. BASIS OF FINANCIAL STATEMENT PRESENTATION AND FUND ACCOUNTING

FCPS' financial statements are prepared in conformity with GAAP, as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the standard setting body for establishing governmental accounting and financial reporting principles. The basic financial statements consist of the government-wide statements, including the Statement of Net Position and the Statement of Activities; fund financial statements (which provide more detailed financial information); and notes to the financial statements (which provide detailed narrative explanations of the accounting policies used by FCPS). They serve to enhance user understanding of the data presented in the financial statements.

1. GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide statements, the Statement of Net Position and the Statement of Activities, present financial information about FCPS as a whole. These statements include the financial activities of FCPS' Primary Government, except for the fiduciary activities because FCPS cannot use these assets to finance its operations. Activities of the internal service funds are eliminated to avoid duplicate reporting of revenues and expenses; however, interfund services provided and used are not eliminated in the process of consolidation. In accordance with GAAP, activities are reported in these statements as governmental.

The Statement of Net Position presents the overall financial condition of FCPS at June 30, 2017. The net position balance provides evidence of FCPS' ability to cover its costs and continue to provide services in the future.

The Statement of Activities clarifies the extent to which FCPS program revenues are sufficient to cover direct program expenses. Direct expenses are those that are associated with specific programs and, therefore, can be classified by activity. FCPS also reports certain administrative expenses that cannot be specifically associated with a given program. These indirect expenses are allocated to the programs based on a ratio of expenditures by program reported in the governmental fund statements. The net revenue or expense figure demonstrates whether the program is self-supporting or depends on general revenue sources. For the year ended June 30, 2017, most programs were heavily dependent on general revenues. Facilities management was the only program where the revenue sources exceeded program expenses.

Program revenues include: (a) charges for services such as tuition and fees, (b) operating grants and contributions, and (c) capital grants and contributions. Revenues that are not directly related to a program are reported as general revenues. These include funding provided by the County, as well as certain other unrestricted amounts received from the State and the Federal government.

2. FUND FINANCIAL STATEMENTS

FCPS classifies funds as governmental, proprietary, and fiduciary. Separate financial statements are produced for each classification. Major governmental funds are reported in separate columns in the governmental funds' financial statements. All other governmental funds are aggregated in a single column entitled, "Nonmajor Governmental Funds". Internal service funds are aggregated in a single column entitled, "Governmental Activities - Internal Service Funds", in the proprietary fund statements. FCPS' fiduciary funds are reported by type (pension, other postemployment benefit funds and agency fund) in the fiduciary fund statements.

Each fund is considered an independent fiscal activity that operates 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.

FCPS reports the following major governmental fund types:

- General Fund - the primary operating fund, which accounts for all financial resources, except those which are accounted for in another fund.
- Capital Projects Fund - the fund used to track financial transactions involved with acquisition, construction, or renovation of school sites, buildings, and other major capital improvements.

FCPS reports the following nonmajor governmental fund type:

- Special Revenue Funds - used to account for proceeds of specific revenue sources, other than for capital projects, in which expenditures are restricted for a specified purpose. The Food and Nutrition Services Fund accounts for sales proceeds from the school cafeterias. The Grants and Self-Supporting Programs Fund accounts for transactions related to grants and self-supporting programs, including the summer school program, that are not specifically reported in another fund. The Adult and Community Education Fund accounts for transactions arising from the programs and activities provided by the Office of Adult and Community Education.

FCPS reports the following additional fund types:

- Internal Service Funds - these are proprietary funds which account for the financial transactions associated with the provision of goods and services by one department in FCPS to another on a cost reimbursement basis. The Health Benefits Fund presents the results of transactions associated with the comprehensive health benefits self-insurance program. The Insurance Fund reports activities connected with FCPS' casualty liability obligations, including workers' compensation.
- Pension and Other Postemployment Benefit Funds - these are fiduciary funds used to account for assets held in a trustee capacity for the members and beneficiaries of ERFC, a single-employer defined benefit pension plan, and for the School Other Postemployment Benefits (OPEB) Trust Fund, a single-employer defined benefit plan to account for nonpension postemployment benefit commitments made by FCPS to its employees.
- Agency Fund - this is the Student Activity Fund, which accounts for money collected and disbursed at individual schools in connection with student athletic programs, classes, clubs, fund raisers, and private donations. Use of these funds is restricted to support student programs at the specific schools and is not available for FCPS as a whole.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

1. GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. All assets and liabilities are shown in the Statement of Net Position, including non-current assets (such as land, buildings, improvements, and other capital assets) and long-term liabilities (such as obligations for pensions, compensated absences, capital lease commitments, and actuarial claims payable).

Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. The Statement of Activities demonstrates the degree to which program expenses are offset by associated revenues. Program revenues include charges for services, operating grants and contributions, and capital grants and contributions. County, State and Federal grants and contributions, which are not restricted for specific uses, are classified as general revenues. Revenue generated from the use of money is classified as general. The effect of interfund revenue was eliminated from these statements.

2. FUND FINANCIAL STATEMENTS

Governmental funds are accounted for using a current financial resources measurement focus and the modified accrual basis of accounting. Only current assets and current liabilities are included in the Balance Sheet. Revenue is recorded when susceptible to accrual, that is, when measurable and available for funding of current appropriations. FCPS, in general, considers revenues available if it is received within 60 days after fiscal year-end, except for insurance claim reimbursements, which FCPS considers available if it is collected within 90 days after fiscal year-end.

Operating statements for these funds present increases and decreases in current financial resources. Increases result from the receipt of revenues and other financing sources, while decreases result from expenditures and other financing uses. Non-exchange revenues, where FCPS receives value without directly giving equal value in exchange, include grants and donations. These revenues are recognized in the fiscal year when all eligibility requirements have been satisfied and the resources are available. Expenditures are reported in the fiscal year when the related fund liability is incurred, except that certain long-term obligations, such as expenditures related to compensated absences or capital leases, are recorded when payment is due. Depreciation expense, which is an allocation of cost, is not recorded in the governmental funds.

Since the governmental fund statements are prepared on a different measurement focus than government-wide statements, reconciliations are provided to aid the reader in understanding the differences.

Proprietary funds and pension and other postemployment benefit funds are reported using the economic resources measurement focus and the accrual basis of accounting. All assets and liabilities associated with the operation of these funds are included on the Statement of Net Position.

The proprietary funds' operating statement presents increases (revenues) and decreases (expenses) in net position. The operating revenues are charges for services provided to other departments on a cost reimbursement basis, while the costs incurred to deliver these services are reported as operating expenses. Since insurance services typically pertain to multiple fiscal years, the change in the actuarially determined insurance liability from one year to the next is reported as an operating expense. Nonoperating revenues in the proprietary funds are generated from investing activities. The Statement of Cash Flows presents the cash inflows and outflows of the proprietary activities.

For the pension trust fund, both member and employer contributions to the plan are recognized in the period when contributions are due. For the employee benefit trust fund, employer contributions are recognized in the period in which the contributions are paid. For the pension and other postemployment benefit funds, benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

The agency fund has no measurement focus, so it does not present an operating statement to report changes in equity. It uses the accrual basis of accounting to report assets and related liabilities.

D. UNEARNED REVENUES

Unearned revenues are liabilities that do not involve the application of the revenue availability criteria and, therefore, applies equally to both accrual and modified accrual financial statements. FCPS has several types of unearned revenues. Advance tuition and community use payments constitute two sources. These unearned revenues are reported in the General Fund. In the Food and Nutrition Services Fund, the unearned revenues reported represents balances in student accounts for prepaid purchases of school lunches, breakfasts, and snacks as of June 30, which will be used to purchase meals in the subsequent school year. Unearned revenues reported in the Grants and Self-Supporting Programs Fund is primarily attributable to advance tuition payments for summer school. The unearned revenues in the Adult and Community Education Fund stems from tuition payments to be applied to classes offered in the following fiscal year. Unearned revenues in the Health Benefits Fund represents coverage for the months of July and August withheld in advance from employees' paychecks from September through June.

E. CASH AND CASH EQUIVALENTS

Cash on deposit with the County represents the majority of FCPS' available cash. Placing these funds in an investment pool administered by the County enhances investment returns. At June 30, 2017, all of the County's deposits were covered by the Federal Deposit Insurance Corporation (FDIC) or collateralized in accordance with the Virginia Security for Public Deposits Act (Act). The Act establishes a single body of law applicable to the pledge of security as collateral for public funds on deposit in banking institutions. This ensures that the procedure for securing public deposits is uniform throughout the State. Under the Act, banks holding public deposits must pledge certain levels of collateral and make monthly filings with the State Treasury Board.

On a monthly basis, the County allocates interest, less an administrative charge, to some funds based on their respective average balances in pooled cash and investments. In accordance with the County's legally adopted operating budget, interest earned on FCPS' remaining funds is assigned directly to the County's General Fund.

Cash and cash equivalents in the Statement of Cash Flows and the Statement of Fiduciary Net Position represent amounts in the investment pool administered by the County, as such they are considered to be demand deposits under GAAP.

The figure reported for cash with fiscal agent in the Statement of Fiduciary Net Position stems from two sources:

- Receipts from ERFC pension investment sales occurring on the last day of the fiscal year, which could not be invested in the pooled cash fund until July 1, 2017
- Available cash in the Local School Activity Fund accounts, all of which are fully insured through the FDIC or are fully collateralized in accordance with the Act.

F. INVESTMENTS

Cash on deposit with the County is maintained in an investment pool administered by the County. Money market investments that have a remaining maturity of one year or less at the time of purchase are reported at amortized cost, which approximates fair value. Other investments are reported at fair value.

Investments are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy. Investment purchases and sales are recorded as of the trade date. These transactions are not finalized until the settlement date, which is usually the trade date, but could be up to seven business days after the trade date.

G. INVENTORIES AND PREPAID ITEMS

Inventories in the Food and Nutrition Services Fund are valued at cost. The consumption method of accounting for inventory is used in the government-wide statements. Under this method, inventory items are comprised of expendable supplies and are expensed as they are consumed. The purchase method of accounting for inventory is used in the governmental funds. Under this method, inventory items are expended when purchased. Inventory of the Food and Nutrition Services Fund, which consists of food products, are classified as nonspendable fund balance.

Certain payments to vendors reflect costs applicable to future accounting periods. These transactions are recorded as prepaid assets in both the government-wide and fund financial statements using the consumption method. Prepaid items in the governmental funds are classified as nonspendable fund balance.

H. CAPITAL ASSETS

Capital assets are reported in the government-wide financial statements and include land, construction in progress, equipment, library collections, buildings, improvements, and intangible assets. An asset must have a useful life of more than a year to be capitalized. Equipment, buildings, and improvements with a value of $5,000 or more are capitalized. Land, construction in progress, software in development, and library collections are generally capitalized regardless of value. The costs of routine maintenance and repairs that do not add to asset values or materially extend asset lives are not capitalized.

Capital assets are recorded at acquisition cost, or at estimated historical cost, if acquisition cost is not available. Donated assets are recorded at their acquisition value at the time of receipt. Assets acquired through capital leases are recorded at the present value of the minimum lease payments, as stated in the agreements' amortization schedules.

No depreciation is taken in the year of acquisition for library collections. Depreciation on other capital assets commences when the assets are purchased or are substantially complete and ready to be placed into operation.

The straight-line depreciation/amortization method is used over the following array of estimated useful lives:

Capital Assets	**Useful Lives (Years)**
Equipment:	
Buses and other vehicles	5-10
Office and other	3-20
Library collections	5
Buildings	20-50
Improvements	10-25
Software and licenses	5-12

Intangible assets lack physical substance, are nonfinancial in nature, and have an initial useful life greater than one year. The intangible assets recognized by FCPS are software products and licenses. The intangibles are valued at historic cost. No indirect costs are incorporated into the valuations for internally generated software. The cost threshold for individual asset recognition is $100,000.

Preliminary cost of software development (Stage 1) is expensed. Software in the application development stage (Stage 2) is capitalized. Amortization on software under development commences when software is operational. Any subsequent expenses and training costs are expensed (Stage 3).

I. COMPENSATED ABSENCES AND ACCRUED WAGES AND BENEFITS

FCPS employees earn annual leave pay based on a prescribed formula tied to years of service. Employees with less than 10 years of service are allowed to accumulate a maximum of 240 hours as of fiscal year-end and employees with more than 10 years of service may accumulate 320 hours. Any excess hours are converted to the unused sick leave balance.

The accrued wages and benefits liability stems from employees who retired, resigned, or were terminated during the fiscal year, and, as of June 30, had not received payment for their accrued annual leave or severance pay. In addition, a number of FCPS employees are paid on a biweekly schedule that does not align precisely with the fiscal year. Any salaries and fringe benefits that were incurred during the fiscal year, but not paid as of June 30, are accrued as current liabilities in the applicable funds.

J. LONG-TERM OBLIGATIONS

Long-term obligations are reported in the government-wide financial statements and the proprietary fund financial statements. These obligations are segregated between current and long-term components. In the government-wide financial statements, the long-term obligations are further divided between those due within one year and those due beyond a year.

Certain long-term obligations, such as claims and judgments and compensated absences that will be paid from current financial resources, are recorded as liabilities of the governmental funds. Capital lease payments are recorded as they are due and no liability is reported at fiscal year-end in the governmental funds.

K. PENSIONS

In government-wide financial statements, pensions are required to be recognized and disclosed using the accrual basis of accounting (see Note IV.D Pensions and the required supplementary information (RSI) section immediately following the Notes to Financial Statements), regardless of the amount recognized as pension expenditures on the governmental fund statements, which use the modified accrual basis of accounting.

FCPS recognizes a net pension liability, which represents FCPS' proportionate share of the excess of the total pension liability over the fiduciary net position of the pensions reflected in the actuarial reports of FCERS and VRS. For EFRC, FCPS recognizes the entire net pension liability. The net pension liability is measured as of FCPS' prior fiscal year-end. Changes in the net pension liability are recorded, in the period incurred, as pension expense or as deferred inflows of resources or deferred outflows of resources depending on the nature of the changes. The changes in net pension liability that are recorded as deferred inflows of resources or deferred outflows of resources (that arise from changes in actuarial assumptions, changes in proportionate share, or other inputs and differences between expected or actual experience) are amortized over the weighted average remaining service life of all participants in the respective pension plans and are recorded as a component of pension expense beginning with the period in which they are incurred.

For purposes of measuring the net pension liability and deferred outflows of resources and deferred inflows of resources relating to pensions and pension expense, information about the fiduciary net position of FCPS' pension plans and the additions to/deductions from FCPS plans' net fiduciary position have been determined on the same basis as they are reported by the retirement plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefits terms. Investments are reported at fair value.

Projected earnings on pension investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred inflows of resources or deferred outflows of resources and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred. Each subsequent year will incorporate an additional closed basis five-year period of recognition.

L. DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

In accordance with GAAP, FCPS recognizes deferred outflows and inflows of resources.

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. A deferred outflow of resources is defined as a consumption of net position that is applicable to a future reporting period. FCPS has one item which qualifies for reporting in this category, deferred pensions. Refer to Note IV.D for a detailed listing of the deferred outflows of resources related to pensions.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. A deferred inflow of resources is defined as an acquisition of net position that is applicable to a future reporting period. FCPS has two items which qualify for reporting in this category (a) deferred inflow of resources related to pension and (b) capital lease reduction related to revisions of capital lease agreements. Refer to Note IV.D for a detailed listing of the deferred inflows of resources related to pensions.

M. NET POSITION

Net position represents assets and deferred outflows of resources less liabilities and deferred inflows of resources. In the government-wide and proprietary fund financial statements, FCPS' net position is categorized as follows:

- Net investment in capital assets which represents the portion of capital-related assets, net of accumulated depreciation, reduced by the outstanding capital lease obligations to acquire these assets
- Restricted, which represents the amount of net position that is externally restricted for food and nutrition services, grant programs, and capital projects
- Unrestricted deficit, which represents net position, which are neither restricted nor capital-related

In the fiduciary fund financial statements, FCPS' net position is categorized as held in trust for pension and other postemployment benefits, which represent the amount of assets accumulated for the payment of benefits to the members and beneficiaries of the ERFC pension and School OPEB plans.

N. RECOVERED COSTS

Reimbursements from the City of Fairfax, Virginia (City) for operating City owned schools and providing educational services to City students are recorded as recovered costs in the governmental fund financial statements. During fiscal year 2017, reimbursements totaled $44,745,048 for educational services, in addition to $47,560 for construction projects performed on the City's behalf through FCPS Capital Projects Fund.

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 division, and political subdivision of the State, is not subject to Federal, State, or local income taxes. Accordingly, no provision for income taxes was recorded.

Q. RESTRICTED ASSETS

Restricted assets are liquid assets that have third-party limitations on their use. FCPS reports restricted cash and investments in the Capital Projects Fund, which represents unspent amounts from the County's issuance of general obligation bonds. The County issues general obligation debt to finance the construction of school facilities on behalf of FCPS because the Code precludes school divisions issuing debt or levying taxes. When both restricted and unrestricted resources are available for use, FCPS' policy is to use restricted resources first, and then unrestricted resources, as they are needed. As of June 30, 2017, restricted cash and investments reported in the Capital Projects Fund totaled $95,323,916.

R. IMPLEMENTATION OF NEW ACCOUNTING PRONOUNCEMENTS

The following GASB statements have been implemented in fiscal year 2017. The implementation of these new standards did not have a material impact on FCPS' financial statements for fiscal year 2017.

GASB Statement No. 73	"Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB 68, and Amendments to Certain Provisions of GASB Statements 67 and 68"
GASB Statement No. 74	"Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans"
GASB Statement No. 78	"Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans"
GASB Statement No. 79	"*Certain External Investment Pools and Pool Participants*"
GASB Statement No. 80	"*Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*"
GASB Statement No. 82	"Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No 73"

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The following reconciliations accompany the governmental fund statements:

Reconciliation of the Balance Sheet to the Statement of Net Position - this reconciliation explains the differences between total fund balances as reflected on the governmental funds Balance Sheet and net position for governmental activities as shown on the government-wide Statement of Net Position.

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities - this reconciliation explains the differences between the total net change in fund balances as reflected on the governmental funds' Statement of Revenues, Expenditures, and Changes in Fund Balances and the change in net position 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. NONFIDUCIARY DEPOSITS AND INVESTMENTS

1. DEPOSIT AND INVESTMENT POLICIES

The County maintains an investment policy to pursue the following objectives:

- Preserve capital
- Protect investment principal
- Maintain sufficient liquidity to meet operating requirements
- Conform with Federal, State, and other legal requirements
- Diversify as a means to avoid incurring unreasonable risks connected to specific security types or individual financial institutions
- Achieve a rate of return consistent with relevant market benchmarks

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.

The County's policy calls for pooling, for investment purposes, all funds available to it 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, for both pooled and separate funds.

The Code authorizes the purchase of the following types of investments:
- Commercial paper
- US Treasury, agency securities and US Treasury strips
- Certificates of deposit and bank notes
- Insured Deposits
- Demand Deposit Accounts and savings accounts
- 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, the African Development Bank, the International Bank for Reconstruction and Development
- Obligations of the State and its instrumentalities; of counties, cities, towns, and other public bodies located within the State and other state and local government units

The County's investment policy precludes the investment of pooled funds in derivative securities, reverse repurchase agreements, security lending programs, asset-backed securities, hedged debt, obligations of sovereign governments, obligations of the State and its instrumentalities, obligations of counties, cities, towns, and other public bodies located within the State and obligations of state and local government units located within other states.

2. FAIR VALUE MEASUREMENT

The County's pooled investments are reported at fair value, except for money market funds and investments that have a remaining maturity at the time of purchase of one year or less. These are carried at amortized cost, which approximates fair value. The fair value of all investments is determined annually and is based on current market prices.

The County categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the source and type of information used to determine the fair value of the asset. Level 1 information is quoted prices in accessible active markets, Level 2 would utilize information that is observable, either directly or indirectly from a source other than an active market, and Level 3 includes unobservable information to arrive at the valuation. Fair value measurements in their entirety are categorized based on the lowest level of input that is significant to their valuation.

The County and component unit's pooled investments reporting at Net Asset Value:

Investment measured at the (NAV)	Fair Value	Primary Government	Component Unit	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Virginia Investment Pool (VIP) Bond Fund	$ 50,580,688	40,950,227	9,630,461	-	2 weeks	5 days/ 60 if > $5 million

Virginia Investment Pool is invested in high-quality corporate and government securities with average duration of between 1 to 3 years. The net asset value of the Portfolio is determined by calculating the fair market value of all securities and assets held by the Portfolio, including accrued interest and amounts owed to the Portfolio for securities sold or principal and income not collected as of the Portfolio Valuation date, less any liabilities of the Portfolio. The value of each Participant's account is determined by dividing the net asset value of the Portfolio by the total number of shares of beneficial interest, multiplied by the number of shares owned by the Participant. Prices for securities held in the Portfolio shall be valued at the most recent bid price or yield equivalent as obtained from one or more market makers for such securities, except that any securities designated as money market securities may be valued using the amortized cost method based upon the Portfolio's acquisition of the security.

3. 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 or less. All other pooled funds are invested primarily in short-term securities, with a maximum maturity of two years.

As of June 30, 2017, the pooled investments allocated to the County's component units, of which FCPS is designated a majority share, is presented below:

Investment Type		Fair Value	Weighted Average Maturity (Days)
U.S. Treasury Securities and Agencies	$	10,128,882	288
Commercial Paper		107,048,962	122
Corporate Notes		28,931,024	403
Money Market Funds		7,142,891	1
Negotiable Certificates of Deposit		175,978,389	132
VA Investment Pool Bond Fund		9,630,461	14
VA Investment Pool LGIP		18,545,007	1
Total	$	357,405,616	
Portfolio weighted average maturity			143

4. 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 advisors 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 are not placed in securities that have been assigned a negative short-term rating by Moody's Investors Service, Inc. (Moody's) Watchlist or Standard and Poor's, Inc. (S&P) Credit Watch. 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 rating of P-1; S&P, A-1; Fitch Investor's Services, Inc. (Fitch), F-1; or Duff and Phelps, Inc., D-1.
- Mutual funds must have a rating of AAA 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.
- Bankers' acceptances shall be rated by at least two of the following: Moody's, with a rating of P-1; S&P, A-1; Fitch, F-1; or by Duff and Phelps, Inc., D-1.
- 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, 2017, the County had investments in the following issuers with credit quality ratings as a percent of total investments in debt securities:

Credit Quality Rating *									
AA		A-1		AAA-m		Aaf/S1		Unrated	
U.S. Treasury and Agencies**	2.2%	Commercial paper	23.2%	Money Market Funds	1.5%	Virginia Investment Pool	2.1%	Demand Deposit Accounts	7.1%
Corporate Notes	6.2%	Negotiable CD	37.7%	LGIP	4.0%	-	-	Insured CD	-
-	-	-	-	-	-	-	-	Collateralized CDs	16.0%
	8.4%		60.9%		5.5%		2.1%		23.1%

* Credit quality ratings are determined using S&P's short term and long-term ratings, which approximates the greatest degree of risk as of June 30, 2017.

** U.S.Treasury and Agencies AA+

5. CONCENTRATION OF CREDIT RISK

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

U.S. Treasury securities and agencies	100%	maximum
Banker's acceptances	40%	maximum
Negotiable certificates of deposit and bank deposit notes	40%	maximum
Non-negotiable certificates of deposit	40%	maximum
Insured certificates of deposit	40%	maximum
Commercial paper	35%	maximum
Repurchase agreements	30%	maximum
Mutual funds	30%	maximum
Collateralized deposit account	30%	maximum
Insured deposit account	30%	maximum
Corporate notes	25%	maximum
Virginia investment pool	10%	maximum

In addition, not more than five 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, corporate notes, and negotiable certificate of deposits. The County seeks to maintain five percent of the investment portfolio in a combination of mutual funds, demand deposit accounts or open repurchase agreements to meet liquidity requirements.

6. CUSTODIAL CREDIT RISK

For deposits, custodial credit risk is the prospect that in the event that a depository financial institution fails, the County may not recover its deposits. In accordance with the Act, all of the County's deposits are covered by the FDIC 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, so 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 counter party, the County 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, collateralized, or registered or are securities held by the County or its agent in the County's name.

B. FIDUCIARY INVESTMENTS

1. ERFC

Fair Value Measurements

ERFC categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset and give the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

- Level 1 - Unadjusted quoted prices for identical instruments in active markets.
- Level 2 - Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable.
- Level 3 - Valuations derived from valuation techniques in which significant inputs are unobservable.

Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy.

In instances where inputs used to measure fair value fall into different levels in the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. ERFC's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

The following table shows the fair value leveling of the investments for ERFC.

INVESTMENTS MEASURED BY FAIR VALUE HIERARCHY LEVEL				
		Fair Value Measures Using		
		Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs
Investments by fair value level	**6/30/2017**	**Level 1**	**Level 2**	**Level 3**
Short-term securities	$ 33,852,955	$ 6,984,683	$ 26,868,272	$ -
Debt securities				
Asset and mortgage backed	1,990,909	-	1,990,909	-
Corporate bonds	63,390,793	-	63,390,793	-
International bonds	28,471,264	-	28,471,264	-
Convertible securities	8,218,114	357,591	7,860,523	-
US Government Obligations	18,415,390	18,415,390	-	-
Total debt securities	120,486,470	18,772,981	101,713,489	-
Equity investments				
Basic industries	119,548,890	119,548,467	-	423
Consumer services	234,336,533	234,336,533	-	-
Financial industries	127,097,342	127,097,342	-	-
REITS	16,792,787	16,792,787	-	-
Technology	159,178,849	159,178,849	-	-
Utilities	24,166,195	24,166,195	-	-
Preferred securities	5,232,652	5,105,352	127,300	-
Total equity investments	686,353,248	686,225,525	127,300	423
Total investments and short-term securities measured by fair value hierarchy level	$ 840,692,673	$ 711,983,189	$ 128,709,061	$ 423

Short-term securities include investments in money market-type securities reported at cost, which approximates fair value.

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

Debt and equity securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique or a bid evaluation.

Matrix pricing is used to value securities based on the securities relationship to benchmark quoted prices. Bid evaluations may include reported trades, broker/dealer quotes, issuer spreads, two-sided markets, bids, offers, and reference data including market research publications.

Investments measured at fair value and investments measured at net asset value (NAV) are presented in the following table.

INVESTMENTS MEASURED AT NET ASSET VALUE (NAV)

	6/30/2017	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Equity investments				
Commingled large cap equity funds	$ 188,864,262	$ -	Daily	None
Commingled emerging markets equity funds	91,905,819	-	Daily	3 days
Total equity investments measured at the NAV	280,770,081	-		
Fixed income investments				
Commingled domestic fixed income funds	293,686,326	-	Daily	None
Commingled emerging markets debt funds	66,707,120	-	Monthly	30 days
Commingled unconstrained fixed income funds	133,498,877	-	Daily, Semi-monthly	1-30 days
Total fixed income investments measured at the NAV	493,892,323	-		
Private equity - private equity partnerships	68,818,151	76,764,219	Not eligible	N/A
Global asset allocation - commingled GAA funds	236,687,821	-	Daily, monthly	1-30 days
Better beta - commingled better beta funds	112,371,447	-	Monthly	5 days
Real estate - commingled real estate equity funds	180,237,145	-	Daily, quarterly	1-90 days
Absolute return - commingled absolute return funds	90,512,487	-	Monthly	30 days
Total investments measured at the NAV	$ 1,463,289,455	$ 76,764,219		
TOTAL INVESTMENTS AND SHORT-TERM SECURITIES	$ 2,303,982,128			

- Commingled Large Cap Equity Funds - The objective of this index fund is to invest in securities and collective funds that together are designed to track the performance of the Russell 1000®.

- Commingled Emerging Markets Equity Funds - The fund invests in common stocks and other forms of equity investments issued by emerging market companies of all sizes to obtain long-term capital appreciation.

- Commingled Domestic Fixed Income Funds - One fund in this type is an index fund that invests in securities and collective funds that together are designed to track the performance of the Bloomberg Barclays US Aggregate Index. The other fund in this type seeks a high level of current income by investing primarily in a diversified portfolio of high-, medium- and low-grade debt securities.

- Commingled Emerging Markets Debt Funds - This fund invests in fixed income securities of “emerging” or developing countries to achieve high current income and long-term capital growth.

- Commingled Unconstrained Fixed Income Funds - The funds in this type invests in all types of U.S. and non-U.S. fixed income securities in any market (including emerging markets), across a global range of credit, currencies and interest rates to seek positive absolute returns.

- Private Equity Partnerships - This type includes investments in limited partnerships, which generally include the following strategies: buyouts, venture capital, mezzanine, distressed debt, growth equity and special situations. These investments have an approximate life of 10 years and are considered illiquid. Redemptions are restricted over the life of the partnership. During the life of the partnerships, distributions are received as underlying partnership investments are realized. As of June 30, 2017, it is probable that all of the investments in this type will be sold at an amount different from the NAV per share of the plan’s ownership interest in partners’ capital.

- Commingled Global Asset Allocation Funds - This type consists of funds with an unconstrained, non-benchmark oriented investment approach that invest in actively managed mutual funds including developed and emerging bonds and stocks, real estate, commodities, and absolute-return oriented strategies. The objective of this strategy is to provide maximum real return with preservation of capital.

- Commingled Better Beta Funds - This fund invests in a broad mix of asset classes including, but not limited to, currencies, fixed income, inflation linked bonds, equities and commodity markets. The objective is to provide attractive returns in any type of economic environment.

- Commingled Real Estate Equity Funds - One of the funds in this category actively manages a core portfolio of U.S. equity real estate investments to maximize income. The second fund in this category maximizes total return by investing primarily in global, publicly traded companies whose principal business is the ownership, management and/or development of income producing and for-sale real estate properties. The third fund in this category seeks to provide a moderate level of current income and high residual property appreciation by investing in a balanced mix of stabilized value-added properties with appreciation potential. The fourth fund in this category invests primarily in U.S. well-leased retail, warehouse, storage, and residential properties with a focus on income.

- Commingled Absolute Return Funds - The fund in this category invests in actively managed funds which invest in a broad range of securities and alternative investments across global markets. The fund seeks to provide high absolute and risk-adjusted returns.

Deposit and Investment Policies

The authority to establish pension funds is set forth in Sections 51.1-800 of the Code, which provides that the County may purchase investments for pension funds, including common and preferred stocks and corporate bonds, that meet the standard of judgment and care set forth in Section 51.1-124 of the Code. ERFC does not have investments (other than U.S. government and U.S. government guaranteed obligations) in any one organization that represents five percent or more of net position restricted for pensions.

Investment Policy

Investment decisions for ERFC are made by the Board of Trustees (Board), which are based on information and/or recommendations provided by the investment advisors selected by the Board or ERFC staff. The policy may be amended as necessary by the Board and is reviewed at least annually. There were no significant investment policy changes during the fiscal year. ERFC's asset structure is enumerated in the investment policy and reflects a proper balance of ERFC's needs for liquidity, growth of assets and the risk tolerance of the Board.

Rate of Return

For the year ended June 30, 2017, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 12.14 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Derivative Financial Instruments

As permitted by the Code, ERFC invests in derivative instruments on a limited basis in accordance with the Board's investment policy. Derivatives provide a means for ERFC to increase earnings and/or hedge against potential losses. There are a number of risks associated with derivative instruments, including:

- Market risk, resulting from fluctuations in interest and currency rates;
- Credit worthiness of counter parties to any contracts consummated
- Credit worthiness of mortgages related to collateralized mortgage obligations (CMOs).

Investment managers must obtain specific authorization from the Board prior to purchasing securities on margin or leverage.

During the fiscal year, ERFC invested in CMO derivatives. These derivatives are securities created using the underlying cash flows from mortgage-backed securities as collateral. As of June 30, 2017, the fair value of the CMOs was $94,403, which is included in the mortgage-backed securities classification on the fiduciary fund statements. The change in fair value during the fiscal year is reported in the net appreciation in fair value of investments.

In addition, ERFC had indirect investments in derivatives through its ownership interest in the Better Beta fund, one Private Equity manager, two of the Real Estate managers, three of the fixed income managers, and one of the Global Asset Allocation managers. These portfolios are commingled funds in which ERFC has a percentage ownership. Derivatives in these portfolios consisted of interest rate swaps and caps, which reduce the effect of interest rate fluctuations by converting floating rate financing into fixed rate loans for real estate investments. Futures, because they are more liquid than over-the-counter derivatives, have among the lowest transaction costs available, carry minimal counterparty risk and are de facto currency hedged. Non Deliverable Forward's (NDF's) obtain exposure to a currency and its interest rate where the actual purchase of onshore debt is difficult. The interest rate exposure comes through the difference between the spot foreign exchange rate and the forward foreign exchange rate, and through investing the US dollar cash used as collateral in short-dated US bonds. Forward commodity contracts hedge changes in cash flows due to market price fluctuations related to the expected purchase of a commodity. Currency forwards are used for hedging non-USD denominated physical instruments back to the base currency. Options are contracts that give the buyer the right, but not the obligation, to buy or sell an underlying asset at a specific price on or before a certain date. Credit Default Swaps (CDS) are contracts that offer guarantees against the nonpayment of loans. At June 30, 2017, exposure to interest rate swaps was ($20,403,548), exposure to interest rate caps was $1,651,106, exposure to futures contracts was $14,574,221, exposure to NDFs was ($34,717), exposure to forward commodity contracts was ($104,579), exposure to currency forward contracts was $4,607,179, exposure to options was $3,016,753, and exposure to CDS was $805,658.

Securities Lending

The Board's policy permits the fund to participate in a securities lending program. This 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 issued by approved banks, and other securities of a quality specified in the securities lending agreement. Collateral must be provided in the amount of 102 percent of the fair value for domestic securities and 105 percent for international securities. ERFC did not impose any restrictions during the period on the number 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 a failure to pay ERFC for income of the securities while on loan. The fair value of collateral is monitored daily by the custodian.

Cash collateral is invested in a fund maintained by the custodian or its affiliate. The custodian's stated policy is to maintain a weighted-average maturity not to exceed 60 days. Investment income from the securities lending program is shared 75/25 by ERFC and the custodian, respectively. At year-end, ERFC had no overall credit risk exposure to borrowers because the amounts ERFC owed the borrowers exceeded the amounts the borrowers owed ERFC.

Cash received as collateral for securities on loan is shown on the Statement of Fiduciary Net Position. On June 30, 2017, cash received as collateral and the related liability was $170,713,805. As of June 30, 2017, the fair value of securities on loan for cash collateral was $166,688,322. Securities received as collateral are not reported as assets and liabilities since ERFC does not have the ability to pledge or sell the collateral securities absent borrower default.

On June 30, 2017, the array of securities ERFC had on loan for cash and non-cash collateral took this form:

Securities	Fair Value	Cash Collateral
Domestic corporate bonds	$ 27,786,741	$ 28,454,057
International stock	2,358,963	2,539,085
Domestic stock	133,170,035	136,278,512
US Government	3,372,583	3,442,151
Total	$ 166,688,322	$ 170,713,805

Interest Rate Risk

Three of ERFC's five fixed income managers use the modified duration method to control interest rate risk. The other two fixed managers use the effective duration method. Regarding maturity, ERFC does not place limits on these fixed income managers. However, it does expect the average duration to be within 30 percent of the portfolio's benchmark. One of the managers utilizing the effective duration method is expected to be within 50 percent of the Bloomberg Barclays Capital Government/Credit Index.

As of June 30, 2017, ERFC had the following fixed income investments, none of which are highly sensitive to changes in interest rates:

Investment Category	Amount	Effective Duration	Percentage of Fixed
Asset and Mortgage Backed	$ 1,990,909	3.13	1.7%
Convertible Securities	8,218,114	1.93	6.8%
Corporate Bonds	63,390,793	6.26	52.6%
International Bonds	28,471,264	5.93	23.6%
US Government Obligations	18,415,390	4.90	15.3%
Total	$ 120,486,470		100.00%

Weighted duration in years: 5.62

Short-term			
Short-term Investment Funds	$ 19,856,385	0.03	
US Treasury Bills	13,996,570	0.14	
Total Short-Term	$ 33,852,955		

Credit Risk

ERFC's policy on credit quality states that the average credit quality of the portfolio must be at least A. Up to 20 percent of the portfolio may be invested in below investment grade (that is, 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. One of ERFC's fixed income managers may invest up to 35 percent in below investment grade securities. For this manager, if a security has a split rating, the higher rating shall be considered.

The credit quality summary of ERFC's portfolio as of June 30, 2017, is portrayed below:

Investment Type		Amount	Rating	Percent of Fixed
US Government Obligations	$	18,415,390	AAA	15.3%
Asset and Mortgage Backed		94,403	AAA	0.1%
		1,896,506	A	1.6%
Convertible Securities		171,860	A	0.1%
		3,895,867	BBB	3.2%
		2,310,779	BB	1.9%
		1,211,673	B	1.0%
		627,935	D	0.5%
Corporate Bonds		659,689	AA	0.6%
		7,008,287	A	5.8%
		26,702,849	BBB	22.2%
		18,907,051	BB	15.7%
		7,706,276	B	6.4%
		2,406,641	CCC	2.0%
International Bonds		7,608,017	AAA	6.3%
		1,830,273	AA	1.5%
		5,608,448	A	4.7%
		6,593,622	BBB	5.5%
		5,459,641	BB	4.5%
		1,371,263	B	1.1%
Total Fixed Income	$	120,486,470		100.0%
Short-Term:				
Short-term Investment Funds	$	19,856,385	Unrated	
US Treasury Bills		13,996,570	AAA	
Total Short-Term	$	33,852,955		

Concentration of Credit Risk

ERFC's policy limits the securities of any one issuer to 10% at cost and 15% at market of each fixed income portfolio. The policy allows an exception for government securities and its agencies. As of June 30, 2017, ERFC had four active fixed income managers and one passive fixed income manager. The active manager portfolios had values of $90.6 million, $216.3 million, $183.1 million and $66.7 million. The indexed portfolio had a value of $77.4 million. The fair value of the largest issue other than the U.S. Government in the portfolios of the active managers, excluding pooled funds, was only 2.92 percent of that portfolio.

Deposits

At June 30, 2017, short-term investments with the custodial bank totaled $33,852,955. These investments are collateralized with securities held by the agent in ERFC's name or are in a short-term investment pool.

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 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.

The mix of investments held by the custodian on June 30, 2017, was as follows:

Investment Type	Fair Value
Stocks	$ 681,120,596
Bonds and Mortgage Securities	102,071,080
US Government Obligations	18,415,390
Preferred Securities	5,232,652
Real Estate	180,237,145
Global Asset Allocation	236,687,821
Better Beta	112,371,447
Hedge Fund of Funds	90,512,487
Private Equity	68,818,151
Commingled Fixed Income Funds	493,892,323
Commingled Equity Funds	280,770,081
Subtotal investments	2,270,129,173
Cash collateral for securities on loan	170,713,805
Total	$ 2,440,842,978

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. ERFC's currency risk exposures primarily exist in the international equity and active fixed income holdings. At the present time, there are no specific foreign currency guidelines for equities or active fixed income investments, however, equity and fixed income managers are all measured against specific performance standard and risk guidelines identified in ERFC's investment policy.

The following chart provides a summary of ERFC's foreign currency risk as of June 30, 2017:

Currency	Cash & Cash Equivalents	Equity	Fixed Income Securities	Preferred Securities	Grand Total
AUSTRALIAN DOLLAR	$ 113,791	$ 7,083,702	$ 2,936,643	$ -	$ 10,134,136
BRAZILIAN REAL	463	26,693	-	-	27,156
CANADIAN DOLLAR	56,124	22,904,569	771,185	-	23,731,878
CHILEAN PESO	6,329	334,486	-	-	340,815
DANISH KRONE	7,030	4,084,872	-	-	4,091,902
EURO CURRENCY UNIT	411,102	77,873,756	-	4,933,921	83,218,779
HONG KONG DOLLAR	207,175	10,094,181	-	-	10,301,356
INDONESIAN RUPIAH	3,236	149,462	-	-	152,698
ISRAELI SHEKEL	239	362,987	-	-	363,226
JAPANESE YEN	182,318	51,315,937	-	-	51,498,255
MALAYSIAN RINGGIT	33,074	2,300,043	-	-	2,333,117
MEXICAN PESO	15,941	468,887	3,963,874	-	4,448,702
NEW TAIWAN DOLLAR	7,104	5,519,331	-	-	5,526,435
NEW ZEALAND DOLLAR	(1,164,728)	749,472	5,425,234	-	5,009,978
NORWEGIAN KRONE	57,621	3,024,515	270,843	-	3,352,979
PHILIPPINES PESO	1,480	144,427	-	-	145,907
POLISH ZLOTY	4,280	1,293,087	-	-	1,297,367
POUND STERLING	180,891	46,170,813	-	-	46,351,704
QATARI RIYAL	-	125,708	-	-	125,708
SINGAPORE DOLLAR	11,752	2,110,192	-	-	2,121,944
SOUTH AFRICAN RAND	51,658	2,421,411	-	-	2,473,069
SOUTH KOREAN WON	16,216	13,741,559	-	44,920	13,802,695
SWEDISH KRONA	6,431	5,409,046	-	-	5,415,477
SWISS FRANC	222,012	19,232,589	-	-	19,454,601
THAILAND BAHT	-	4,134,932	-	-	4,134,932
TURKISH LIRA	23,235	4,370,573	-	-	4,393,808
Grand Total	$ 454,774	$ 285,447,230	$ 13,367,779	$ 4,978,841	$ 304,248,624

2. SCHOOL OPEB TRUST FUND

Deposit and Investment Policies

The authority to establish a trust fund for the purpose of accumulating and investing other postemployment benefits is set forth in Section 15.2-1544 of the Code, which provides for the purchase of investments that meet the standard of judgment and care set forth in Section 51.1-803 of the Code.

FCPS invests the School OPEB Trust Fund's assets with the Virginia Pooled OPEB Trust Fund (Pooled Trust) sponsored by the Virginia Association of Counties and the Virginia Municipal League (VACo/VML). The Pooled Trust is an investment pooling vehicle created to allow participating local governments, school divisions, and authorities in the State to accumulate and invest assets to fund other postemployment benefits. Funds of participating jurisdictions are pooled and invested in the name of the Pooled Trust. FCPS' respective shares in the Pooled Trust are reported in the School OPEB Trust Fund's financial statements. Investment decisions are made by the Board of Trustees (Trustees) of the Pooled Trust.

The Trustees adopted an investment policy to establish investment objectives, risk tolerance levels, and asset allocation parameters. The investment objective is to maximize the total long-term rate of return with reasonable risk by seeking capital appreciation and, secondarily, principal protection. The Pooled Trust is segregated and managed as two distinct portfolios that are referred to as Portfolio I and Portfolio II. Portfolio I is structured to achieve a compound annualized total expected rate of return over a market cycle, including current income and capital appreciation, of 7.5%. Portfolio II is structured to achieve an expected rate of return of 6.5%. The investment performance of each Portfolio is reviewed quarterly and compared on a rolling three year basis and over other relevant time periods to the following: (a) a composite benchmark comprised of each asset classes' market index benchmarks, weighted by each Portfolio's long-term policy allocations, and (b) a peer group of other similar size fund sponsors.

The Pooled Trust's assets are separately managed by professional investment managers or invested in professionally managed investment vehicles. Each Portfolio is invested in a broadly diversified manner by asset class, style and capitalization, which control volatility levels.

The asset allocation policies for the Portfolios are outlined in the table below:

	Portfolio I		Portfolio II	
	Target Percentages of Total Assets	Allocation Range	Target Percentages of Total Assets	Allocation Range
Total Equity	59%	49% - 69%	32%	22% - 42%
Total Fixed Income	21%	16% - 26%	58%	48% - 68%
Total Real Assets	10%	5% - 15%	5%	0% - 10%
Diversified Hedge Funds	10%	5% - 15%	5%	0% - 10%
Cash	0%	0% - 10%	0%	0% - 10%

The Pooled Trust and each Portfolio is monitored on a continual basis for consistency in investment philosophy, return relative to objectives, and investment risk as measured by asset concentrations, exposure to extreme economic conditions, and market volatility. Each Portfolio is reviewed by the Trustees on a regular basis, but results are evaluated over longer time periods. The Trustees regularly review each manager in order to confirm that the factors underlying the performance expectations remain in place.

The Trustees meet a minimum of four times a year to review quarterly performance and asset allocation. The investment policy is reviewed and updated at least annually.

On June 30, 2017, the School OPEB Trust Fund had the following investments in the Pooled Trust:

Investment Type	Fair Value
Mutual Funds	$ 67,792,886
Stocks	39,117,708
Hedge funds	11,635,494
Receivable from sale of investment	188,491
Total Investment	$ 118,734,579

Concentration of Credit Risk

The Pooled Trust does not have investments (other than U.S. government, agency, and guaranteed obligations) in any one organization that represent five percent or more at market value of net position held in trust for OPEB benefits. The Pooled Trust does not have investments assigned to any single investment manager that represent 25 percent or more at market value of net position, or more than 20 percent of the fund at market value invested in one industry.

More extensive information about the Pooled Trust, including the classification of individual investments and related risks, can be obtained by writing to VACo/VML Finance, 919 East Main Street, Suite 1100, Richmond, Virginia 23219.

C. DUE FROM INTERGOVERNMENTAL UNITS

Amounts due from the Federal government are attributed primarily to the Individuals with Disabilities Education Act (IDEA) grant in the General Fund; Department of Defense (DOD) Ft. Belvoir Elementary School grant in the Capital Projects Fund; and to Title I, Title II, Title III, Medicaid and National School Lunch Program grants in the nonmajor governmental funds. IDEA is designed to ensure that all school-age handicapped children are provided a free, appropriate public education. DOD provided funding to construct a new school to address capacity deficiencies on the Ft. Belvoir military installation. Title I and II programs enhance the instruction for disadvantaged children. Title III program improves education of limited English proficient children. Medicaid program provides medical coverage for children in families of low income. The National School Lunch Program makes lunch available to school children and encourages the consumption of domestic nutritious agricultural commodities.

A significant portion of the receivable from the State in the General Fund is attributed to State sales taxes due to FCPS. The Virginia Retail Sales and Use Tax Act require 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 State in the nonmajor governmental funds represents FCPS' allocation of the Virginia Public School Authority Educational Technology Grants for qualified technology expenditures.

FCPS provides special education services for eligible students, including those who reside outside of FCPS' school boundaries. These services are provided on a fee-based system. The receivables from other jurisdictions are related to outstanding invoices for services provided to other localities within the Washington Metropolitan area as well as those from out-of-state public school systems. The receivable from the County represents funds owed to FCPS for custodial services and school use, reimbursements for the School Age Child Care (SACC) program and lunches served at certain County senior citizen centers.

Amounts due from governments as of June 30, 2017, were as follows:

Fund	Federal Government	Commonwealth of Virginia	County	Other Jurisdictions	Total
General Fund	$ 7,576,461	$ 15,818,992	$ 76,000	$ 178,627	$ 23,650,080
Capital Projects Fund	988,861	-	-	-	988,861
Nonmajor Governmental	19,156,474	7,256,512	256,074	-	26,669,060
Total	$ 27,721,796	$ 23,075,504	$ 332,074	$ 178,627	$ 51,308,001

D. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund transactions occur only at year-end for financial statement presentations. FCPS' General Fund advances money to other funds as needed to offset year-end cash deficits. The deficits occur due to timing differences between payments for expenditures and the receipt of cash to cover them. The $29,446,000 advance to the Capital Projects Fund is a result of the cash shortage in the Construction Non-Bond & Payroll Fund. The $4,241,000 advance to the Nonmajor Governmental Funds is a result from temporary cash shortages in the Grants and Self-Supporting Programs Fund of $3,910,000 and the Adult and Community Education Fund of $331,000.

The composition of interfund receivables and payables balances as of June, 30, 2017, was as follows:

Fund	Interfund Receivables	Interfund Payables
General Fund	$ 33,687,000	$ -
Capital Projects Fund	-	29,446,000
Grants and Self Supporting Fund	-	3,910,000
Adult and Community Education Fund	-	331,000
Total	$ 33,687,000	$ 33,687,000

The primary purpose for interfund transfers is to provide funding for FCPS' operations, and capital projects. The breakdown of interfund transfers for the fiscal year ended June 30, 2017 was as follows:

Fund	Transfers In	Transfers Out
General Fund	$ -	$ 29,378,227
Capital Projects Fund	10,905,774	-
Grants and Self-Supporting Fund	18,237,453	-
Adult and Community Education Fund	235,000	-
Total	$ 29,378,227	$ 29,378,227

E. CAPITAL ASSETS

A summary of capital asset activity for fiscal year 2017 is shown below:

Governmental Activities	Balance June 30, 2016	Increases	Decreases	Balance June 30, 2017
Non-depreciable/non-amortizable capital assets:				
Land	$ 46,837,095	$ -	$ -	$ 46,837,095
Construction in progress	312,650,566	144,329,487	(200,810,338)	256,169,715
Software in development	476,789	-	(476,789)	-
Total non-depreciable/non-amortizable capital assets	359,964,450	144,329,487	(201,287,127)	303,006,810
Depreciable/amortizable capital assets:				
Equipment	332,125,146	38,888,182	(18,727,100)	352,286,228
Library collections	28,610,508	2,153,171	(4,366,907)	26,396,772
Buildings	1,242,537,770	29,726,955	-	1,272,264,725
Building improvements	2,158,756,734	208,685,316	(236,641)	2,367,205,409
Land improvements	74,871,838	2,442,356	(161,670)	77,152,524
Software/licenses	12,668,600	592,234	-	13,260,834
Total depreciable/amortizable capital assets	3,849,570,596	282,488,214	(23,492,318)	4,108,566,492
Accumulated depreciation/amortization:				
Equipment	(224,014,481)	(26,130,469)	18,103,003	(232,041,947)
Library collections	(21,391,242)	(2,667,989)	4,366,907	(19,692,324)
Buildings	(583,228,446)	(24,454,156)	-	(607,682,602)
Building improvements	(963,534,836)	(82,577,776)	-	(1,046,112,612)
Land improvements	(24,049,135)	(3,694,349)	42,401	(27,701,083)
Software/licenses	(5,192,242)	(767,286)	-	(5,959,528)
Total accumulated depreciation/amortization	(1,821,410,382)	(140,292,025)	22,512,311	(1,939,190,096)
Depreciable/amortizable capital assets, net	2,028,160,214	142,196,189	(980,007)	2,169,376,396
Total capital assets, net	$ 2,388,124,664	$ 286,525,676	$ (202,267,134)	$ 2,472,383,206

Depreciation was charged to governmental programs during fiscal year 2017 as shown:

Governmental Activities	Depreciation Expense
Instruction:	
Regular education:	
Elementary school	$ 44,674,188
Middle school	12,189,527
High school	28,147,890
Special education	24,125,376
Adult and community education	414,988
Instructional support	8,755,500
Support programs:	
Administration and general support	6,200,245
Student transportation	6,913,692
Facilities management	4,919,331
Food service	3,951,288
Total	$ 140,292,025

F. LONG-TERM OBLIGATIONS

Internal service funds long-term obligations are included as part of government activities because these funds generally serve the governmental funds. Net pension liability, accrued rent, compensated absences, and capital leases are generally liquidated from the General Fund. Actuarial claims payable are liquidated in the internal service funds.

The County issues general obligation debt for FCPS and carries this debt on their books. However, FCPS is responsible for the outstanding obligations indicated below.

The table below summarizes the changes in the long-term obligations of FCPS for the year ended June 30, 2017:

Governmental Activities	Balance June 30, 2016	Additions	Reductions	Balance June 30, 2017	Due within One Year
Accrued rent	$ 573,623	$ 3,278,075	$ -	$ 3,851,698	$ 216,055
Compensated absences	32,762,761	22,805,588	(22,933,932)	32,634,417	22,844,092
Capital leases	89,730,926	28,078,736	(18,157,470)	99,652,192	21,498,454
Actuarial claims payable	61,904,975	8,533,040	(5,145,000)	65,293,015	27,799,853
Net pension liability	3,221,975,748	849,518,108	(311,391,128)	3,760,102,728	-
Total	$ 3,406,948,033	$ 912,213,547	$ (357,627,530)	$ 3,961,534,050	$ 72,358,454

1. CAPITAL LEASES

FCPS entered into non-cancelable capital lease agreements as lessee for school buses, maintenance vehicles, trailers, computers, copiers, and an administrative building. These capital leases are recorded at the present value of their future minimum lease payments as of the inception date and expire at various times through fiscal year 2022, with the exception of the administrative building lease, which extends until fiscal year 2035.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2017, were as follows:

Fiscal Year	Total
2018	$ 24,539,996
2019	18,967,388
2020	16,552,216
2021	12,617,949
2022	5,250,439
2023-2027	17,340,625
2028-2032	17,343,000
2033-2035	10,405,343
Total Minimum Obligations	123,016,956
Portion representing interest	(23,364,764)
Present value of minimum lease payments	$ 99,652,192

The following schedule lists the capital assets that were acquired under the capital leases that remained outstanding on June 30, 2017:

Asset Class	Acquisition Cost	Accumulated Depreciation	Net
Capital assets:			
Land	$ 6,000,000	$ -	$ 6,000,000
Equipment:			
Buses	50,388,814	(9,199,002)	41,189,812
Computers	12,682,920	(4,057,282)	8,625,638
Copiers	29,184,071	(19,544,002)	9,640,069
Buildings	56,910,185	(129,112)	56,781,073
Total	$ 155,165,990	$ (32,929,398)	$ 122,236,592

2. DEBT SERVICE RESPONSIBILITY

The Code prohibits FCPS from having borrowing or taxing authority. The County issues and services general obligation debt to finance the purchase or construction of school facilities. The debt is not secured by the assets purchased or constructed by FCPS, 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 recorded in the County's government-wide financial statements.

G. OPERATING LEASES

FCPS has obligations under several long-term, non-cancelable lease agreements in connection with real estate and equipment. Most of the real estate leases contain a provision for an annual increase ranging from three to five percent. A long-term operating lease agreement was entered into in fiscal year 2016 that provided for an abatement of the rent for the first 14 months. In accordance with GAAP, the operating lease rent expense recognition is spread on a straight-line basis over the 156 full-time equivalent month lease term. As a result, for fiscal year 2017, $3,278,076 was recognized as accrued rent with respect to this lease. During fiscal year 2017, the total expenditures for real estate operating leases amounted to $2,638,262. In addition, FCPS has equipment leases for copiers. The expenditures on these leases totaled $16,350.

On June 30, 2017, the future minimum operating lease commitments were as follows:

Fiscal Year	**Real Estate**	**Equipment**	**Total**
2018	4,914,838	20,152	4,934,990
2019	5,066,620	18,867	5,085,487
2020	5,217,095	12,934	5,230,029
2021	5,372,049	3,106	5,375,155
2022	5,531,615	-	5,531,615
2023-beyond	5,695,932	-	5,695,932
Total	$ 31,798,149	$ 55,059	$ 31,853,208

H. CONSTRUCTION COMMITMENTS

On June 30, 2017, FCPS had contractual commitments of $139,137,594 in the Capital Projects Fund for the construction of various projects.

I. FUND BALANCE

Governmental fund balances are reported in classifications that comprise a hierarchy based primarily on the extent to which the School Board is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The two major types of fund balances are nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent as they are not expected to be converted to cash or they are legally or contractually required to remain intact. This classification includes prepaid items and inventories.

In addition to nonspendable fund balance, FCPS classifies spendable fund balances based on the following hierarchy of spending constraints:

- Restricted: Fund balances that are constrained by external parties, constitutional provisions or enabling legislation.
- Committed: Fund balances that impose constraints by the action of the School Board.

- Assigned: Fund balances that are resources set aside for particular purposes by FCPS management, but are neither restricted nor committed. It is management's intent to obtain School Board approval in the following fiscal year.

- Unassigned: Fund balance of the General Fund that is not constrained for any particular purpose.

The School Board reviews and amends the budget on a quarterly basis. Commitment of fund balance is established and approved by the School Board at the final fiscal year end quarterly budget review. All subsequent changes to the budget plan to add, reduce, or redirect resources to other purposes are also accomplished by board resolution. As a result, all unrestricted amounts directed toward a purpose are shown as committed. Balances shown as assigned in the General Fund represent encumbrances which would otherwise be unassigned. FCPS considers restricted balances to be expended first in cases where both restricted and unrestricted amounts are available.

When utilizing unrestricted balances, committed balances are applied first, followed by assigned then unassigned balances. FCPS has classified fund balances based on the following hierarchy:

- Nonspendable: The nonspendable fund balance of $1,619,501 includes prepaid items and inventories of $429,036 and $1,190,465, respectively, among all governmental funds.

- Restricted: The restricted fund balance of $64,142,916 includes funds from Food Service, Grants Programs, Summer School and Remediation and Capital Projects.

- Committed: $55,181,843 is committed by the School Board for fiscal years 2018 operating budget requirements. Within the committed fund balance is the School Board flexibility reserve which is committed to meet unforseen circumstances. Any unused portion is carried forward to the next fiscal year with the School Board approval.

- Assigned: The assigned fund balance of $87,476,483 for school operations includes $53,942,663 for outstanding encumbrances and other fiscal year balance carryovers; $9,751,192 for fiscal year 2018 operating budget; and $23,782,628 for fiscal year 2019 operating budget.

- Unassigned: The unassigned fund balance totals $3,247,147, which will be utilized by the School Board during future budget development.

	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
FUND BALANCES:				
Nonspendable:				
Inventories	$ -	$ -	$ 1,190,465	$ 1,190,465
Prepaid Items	400,882	-	28,154	429,036
	400,882	-	1,218,619	1,619,501
Restricted:				
Capital Projects	-	31,946,572	-	31,946,572
Food Service	-	-	15,677,437	15,677,437
Grant Programs, Summer Fund and Remediation	-	-	16,518,907	16,518,907
	-	31,946,572	32,196,344	64,142,916
Committed:				
Set Aside for FY 2018 Budget	33,510,377	-	-	33,510,377
Centralized Textbook Replacement	11,671,466	-	-	11,671,466
School Board Flexibility Reserve	8,000,000	-	-	8,000,000
Fuel Contingency	2,000,000	-	-	2,000,000
	55,181,843	-	-	55,181,843
Assigned:				
Schools/Projects Carryover	24,390,259	-	-	24,390,259
Outstanding Encumbered Obligations	24,230,972	-	-	24,230,972
Set Aside for FY 2019 Budget	24,156,060	-	-	24,156,060
Department Critical Needs Carryover	4,948,000	-	-	4,948,000
Major Maintenance	3,550,970	-	-	3,550,970
Employee Bonus and One-Year Step	3,204,896	-	-	3,204,896
Staffing Contingency	1,659,787	-	-	1,659,787
Transfer to ACE Fund	609,593	-	-	609,593
Recruitment and Retention Incentive	511,338	-	-	511,338
World Languages	214,608	-	-	214,608
	87,476,483	-	-	87,476,483
Unassigned	3,800,387	-	(553,240)	3,247,147
Total Fund Balance	$ 146,859,595	$ 31,946,572	$ 32,861,723	$ 211,667,890

IV. OTHER INFORMATION

A. RELATED PARTIES

With the exception of the County, which funds a large portion of FCPS' budget, and ERFC, a blended component unit of FCPS, which the School Board created and oversees, FCPS did not conduct business with any other related parties in fiscal year 2017.

B. RISK MANAGEMENT

FCPS is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; employee illnesses and injuries; and natural disasters.

FCPS maintains internal service funds for workers' compensation claims, property losses, casualty claims, and health insurance benefits. The School Board believes it is cost effective to manage risks by a combination of self-insurance and the purchase of commercial insurance policies. Liabilities are reported in the internal service 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. Since actual liability claims depend on complex factors such as inflation, changes in governing laws and standards, and court awards, the process used in computing liability claims is reevaluated periodically to take into consideration the history, frequency, 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 and recorded at an undiscounted rate.

In addition to the self-insurance program, FCPS purchases commercial property and liability insurance, surety bonds, fiduciary insurance, and catastrophic accident insurance for Virginia High School League student participants. In the past three fiscal years, there have been no instances where claims settlements exceeded commercial insurance coverage limits. In fiscal year 2017, there were no significant reductions in insurance coverage from the prior year.

Changes in the balances of liability claims during fiscal years 2016 and 2017 are as follows:

	Health Benefits	Insurance	Total
July 1, 2015 - liability balance	$ 22,708,000	$ 37,530,860	$ 60,238,860
Claims and changes in estimates	356,116,702	12,046,548	368,163,250
Claims Payments	(356,410,702)	(10,086,433)	(366,497,135)
June 30, 2016 - liability balance	22,414,000	39,490,975	61,904,975
Claims and changes in estimates	360,672,996	19,182,013	379,855,009
Claims Payments	(363,431,996)	(13,034,973)	(376,466,969)
June 30, 2017 - liability balance	$ 19,655,000	$ 45,638,015	$ 65,293,015

C. CONTINGENT LIABILITIES

FCPS is contingently liable with respect to lawsuits and other claims, which arise in the ordinary course of its operations. Management believes that the amount of loss, if any, is not material to FCPS' financial condition.

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.

D. PENSIONS

FCPS employees participate in ERFC, the Fairfax County Employees' Retirement System (FCERS), and the Virginia Retirement System (VRS) Teacher Retirement Plan. Information about these plans is provided as follows.

1. ERFC

Plan Description

ERFC is a legally separate, single-employer pension plan established under the Code to provide pension benefits to all full-time educational and administrative support employees who are employed by FCPS and who are not covered by another County plan. The plan contains two primary defined benefit structures, ERFC and ERFC 2001. The original structure, ERFC, became effective July 1, 1973, and is coordinated with the benefits that members expect to receive from VRS and Social Security. It remains in effect, however, it is closed to new members employed after June 30, 2001. Effective July 1, 2001, all newly hired full-time educational and administrative support employees are enrolled in ERFC 2001; it was closed to new members employed after June 30, 2017.

On April 27, 2017, the School Board voted to modify the ERFC 2001 Plan effective July 1, 2017. For ERFC members hired on or after July 1, 2017, retirement eligibility was raised, the period for calculating a member's final average salary was increased and the cost-of-living adjustment was changed to be based on the Consumer Price Index. For all members, the annual interest rate credited on member accounts was reduced.

Benefits Provided

Benefit provisions for ERFC and ERFC 2001 are established and may be amended by ERFC's Board of Trustees (ERFC Board) subject to approval by the School Board. All members are vested for benefits after five years of service. The ERFC benefit formula was revised effective July 1, 1988, following changes to VRS, which ERFC has historically supplemented. The benefit structure is designed to supplement VRS and Social Security benefits to provide a level retirement benefit throughout retirement.

ERFC 2001 has a stand-alone structure. Member contributions for ERFC and ERFC 2001 are made through an arrangement that results in a deferral of taxes on the contributions. Further details of member contributions may be found in Article III of the ERFC and ERFC 2001 Plan Documents.

ERFC and ERFC 2001 provide for a variety of benefit payment types. ERFC's payment types include Service Retirement, Reduced Service, Disability, Death-in-Service, and Deferred Retirement. ERFC 2001's payment types include Service Retirement, Death-in-Service, and Deferred Retirement. Minimum eligibility requirements for full service benefits for ERFC is either (a) age 65 with 5 years of service or (b) age 55 with 25 years of service. Minimum eligibility requirements for full service benefits for ERFC 2001 Tier 1 is either (a) age 60 with five years of service or (b) any age with 30 years of service. Minimum eligibility requirements for full service benefits from ERFC 2001 Tier 2 is either (a) age and service equal 90 (the rule of 90) or (b) full Social Security age with five years of service. Annual post-retirement cost-of-living (COLA) increases are effective each March 31. Participants in their first full year of retirement from ERFC 2001 Tier 1 receive a 1.49 percent increase. Participants who retire on or after January 1 receive no COLA increase that first March. Under ERFC 2001 Tier 2, the first COLA will equal approximately half of the full COLA amount. Thereafter, the full COLA will equal 100 percent of the Consumer Price Index for all Urban Consumers (CPI-U) for the Washington, D.C., metropolitan area for the period ending in November of each year, capped at 4%. Additional detail regarding all benefit payment types can be found in the actuarial valuation and/or plan documents.

At December 31, 2016, the date of the most recent actuarial valuation, ERFC's membership was composed of:

Retirees and beneficiaries currently receiving benefits	11,367
Terminated employees entitled to benefits but not yet receiving them	4,446
Active plan members	21,748
Total	37,561

Contributions

The contribution requirements for ERFC and ERFC 2001 members and the employer are established and may be amended by the ERFC Board with the approval of the School Board. The requirements are based upon a fundamental financial objective of having rates of contribution that remain relatively level from generation to generation of employees. To determine the appropriate employer contribution rates and to assess the extent to which the fundamental financial objective is being achieved, ERFC has actuarial valuations prepared annually. Members are required to contribute 3 percent of annual salary. The employer is required to contribute at an actuarially determined rate which presently is 5.6 percent. Employer contributions to the pension plan were $80,145,997 and $76,599,695 for the years ended June 30, 2017 and June 30, 2016 respectively.

The actuarial valuations as of odd numbered years are used to set the employer contribution rate for the two-year period beginning 18 months after the valuation date. As such, the December 31, 2013 valuation recommended that the contribution rate for the two-year period beginning July 1, 2015 to June 30, 2017 remain at 5.6 percent. Restructuring of the VRS employee contribution rate caused the School Board to decrease the ERFC member contribution rate to 3 percent beginning in fiscal year 2013.

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

At June 30, 2017, ERFC's net pension liability was $829,513,057 and was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015 and rolled forward to June 30, 2016 measurement date. For the year ended June 30, 2017, FCPS recognized pension expense of $114,086,412 and reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 31,385,961
Changes in assumptions	38,819,644	-
Net difference between projected and actual earnings on pension plan investments	220,388,356	64,000,434
FCPS contributions subsequent to the measurement date	80,145,997	-
Total	$ 339,353,997	$ 95,386,395

A total of $80,145,997 reported as deferred outflows of resources related to pensions resulting from FCPS contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2018	$ 29,349,660
2019	29,349,660
2020	61,349,880
2021	36,540,363
2022	4,075,276
Thereafter	3,156,766
	$ 163,821,605

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of December 31, 2015, using the entry age actuarial cost method and rolled forward to the measurement date of June 30, 2016. Significant actuarial assumptions used in the valuation include:

Actuarial Assumptions	
Inflation	2.75%
Salary increases, including inflation	3.25% to 7.55%
Investment rate of return	7.25%

Mortality rates were based on 1994 Group Annuity Morality Table set back 3 years for both males and females.

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined in conjunction with a formal study of experience during the period January 1, 2010 to December 31, 2014. Based on the analysis of expected investment return, asset allocation and relevant Actuarial Standards of Practice, the rate was lowered to 7.25%. The investment consultant's inflation expectation is 2.75 percent. The Global Asset Allocation category is a blend of Global Equity, Global Fixed Income, and Inflation Sensitive Assets (commodities).

Best estimates of arithmetic real rates of return as of the measurement date are summarized in the table below:

Asset Class	Long Term Expected Real Rate of Return
Domestic Large Cap Equity	5.92%
Domestic Small Cap Equity	6.71%
International Equity	6.71%
Emerging Market Equity	9.70%
Real Estate	5.15%
Core Fixed Income	1.38%
Diversified Fixed Income	2.83%
Absolute Return Fixed Income	1.79%
Emerging Market Debt (Local)	4.62%
Global Asset Allocation	4.91%
Absolute Return	3.95%
Private Equity	8.73%
Risk Parity	4.47%

Discount Rate

A single discount rate of 7.25 percent was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.25 percent. The projection of cash flows used to determine this single discount rate assumed that ERFC member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, ERFC's fiduciary net position was projected to be available to make all projected future benefit payments of current ERFC members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability

	Increases (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at June 30, 2015	$ 2,789,227,428	$ 2,179,724,057	$ 609,503,371
Changes for the year:			
Service cost	77,760,915	-	77,760,915
Interest	205,720,047	-	205,720,047
Differences between expect and actual experience	(11,011,883)	-	(11,011,883)
Changes of assumption	45,752,095	-	45,752,095
Contributions - employer	-	76,599,695	(76,599,695)
Contributions - employee	-	41,383,642	(41,383,642)
Net investment income	-	(15,766,967)	15,766,967
Benefit payments, including refunds of employee contributions	(170,347,847)	(170,347,847)	-
Administrative expense	-	(4,004,882)	4,004,882
Net changes	147,873,327	(72,136,359)	220,009,686
Balances at June 30, 2016	$ 2,937,100,755	$ 2,107,587,698	$ 829,513,057

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

Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following table presents ERFC's net pension liability, calculated using a single discount rate of 7.25 percent as well as what ERFC's net pension liability would be if it were calculated using a single discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease 6.25%	**Current Discount Rate 7.25%**	**1% Increase 8.25%**
FCPS' ERFC net pension liability	$ 1,195,408,799	$ 829,513,057	$ 525,669,023

Pension Plan Fiduciary Net Position

ERFC is considered a part of FCPS' reporting entity and ERFC's financial statements are included in FCPS' basic financial statements as a trust fund.

Information concerning ERFC as a whole, including pension plan's fiduciary net position, is available in FCPS' CAFR for the fiscal year ended June 30, 2017. Additionally, ERFC issues a publicly available annual financial report that includes financial statements and required supplementary information, which may be obtained by writing to the Educational Employee's Supplementary Retirement System of Fairfax County, 8001 Forbes Place, Suite 300, Springfield, VA 22151 or the report is also available online ERFC's website at www.fcps.edu/erfc/erfc-retirement-forms-publications-and-resources.

2. FCERS

Plan Description

FCERS is a single-employer defined benefit pension plan, which covers only employees of the County and component units of the County. The plan covers full-time and certain part-time FCPS employees who are not covered by ERFC or VRS.

Benefits Provided

Benefit provisions are established and may be amended by County ordinances. All benefits vest at five years of creditable service. Members who were hired before January 1, 2013 may elect to join Plan A or Plan B, and members who were hired on or after January 1, 2013 may elect to join Plan C or Plan D. To be eligible for normal retirement, an individual must meet the following criteria: (a) attain the age of 65 with five years of service, (b) for Plans A and B, attain the age of 50 with age plus years of service being greater than or equal to 80, or (c) for Plans C and D, attain the age of 55 with age plus years of service being greater than or equal to 85. 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. 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. Those who commenced employment on or after January 1, 2013, may not use more than 2,080 hours of accrued sick leave toward service credit for retirement or entry into the Deferred Retirement Option Program (DROP). The benefit for early retirement is actuarially reduced and payable at early termination.

Effective July 1, 2005, DROP was established for eligible members of the FCERS. Members who are eligible for normal service retirement are eligible to participate in this program. DROP provides the ability for an employee to retire for purposes of the pension plan, while continuing to work and receive a salary for a period of three years. During the DROP period, the pension plan accumulates the accrued monthly benefit into an account balance identified as belonging to the member. The account balance is credited with interest in the amount of 5.0 percent per annum, compounded monthly. The monthly benefit is calculated using service and final compensation as of the date of entry in DROP, with increases equal to the annual COLA adjustment provided for retirees.

Contributions

The contribution requirements of FCERS members are established and may be amended by County ordinances including member contribution rate. Plan A and Plan C require member contributions of 4.0 percent of compensation up to the maximum Social Security wage base and 5.33 percent of compensation in excess of the wage base. Plan B and Plan D require member contributions of 5.33 percent of compensation.

FCPS is required to contribute at an actuarially determined rate, which for the year ended June 30, 2017, was 22.9 percent of annual covered payroll. In the event the FCERS's funded ratio (the ratio of the actuarial value of assets to the actuarial accrued liability) falls below 90 percent, the contribution rate will be adjusted to bring the funded ratio back within these parameters. Employer contributions to the pension plan were $45,419,892 and $43,370,176 for the years ended June 30, 2017 and June 30, 2016, respectively.

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

At June 30, 2017, FCPS reported a liability of $415,142,671 for its proportionate share of the net pension liability. The net pension liability was determined based on an actuarial valuation as of June 30, 2016 using the December 31, 2015 data rolled forward to June 30, 2016. At June 30, 2016, FCPS's proportion was 27.19 percent, a decrease of 0.84 from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, FCPS recognized pension expense of $53,561,666. At June 30, 2017, FCPS reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 25,037,358
Changes of assumptions	15,542,533	-
Net difference between projected and actual earning on pension plan investments	77,834,731	-
Change in proportion applicable to FCPS	970,353	9,820,718
FCPS contributions subsequent to the measurement date	45,419,892	-
Total	$ 139,767,509	$ 34,858,076

A total of $45,419,892 reported as deferred outflows of resources related to pensions resulting from FCPS contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2018	$ 12,723,664
2019	12,723,663
2020	25,376,861
2021	11,985,077
2022	(3,319,724)
	$ 59,489,541

Actuarial Assumptions

The total pension liability for the year ended June 30, 2016 was determined as part of the December 31, 2015, actuarial valuation using the entry age actuarial cost method and rolled forward to the measurement date of June 30, 2016. Significant actuarial assumptions used in the valuation include:

Actuarial Assumptions	
Inflation	3.00%
Salary increases, including inflation	3.00% + merit
Investment rate of return, net of plan investment expenses	7.50%
Municipal bond rate	N/A
Mortality	Sex Distinct RP-2000 Combined Mortality projected to 2015 using Scale AA

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2015.

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the FCERS' target asset allocation as of June 30, 2017, are summarized below:

Asset Class	**Long Term Expected Real Rate of Return**	**Target Allocation***
U.S. Equities	4.65%	20.0%
International Equities	4.50%	10.0%
Core Fixed Income	2.40%	42.5%
High Yield	4.20%	-
Absolute Return	9.85%	20.0%
Real Estate	4.65%	8.5%
Risk Parity	6.00%	15.0%
Commodity	4.65%	4.0%

*Target totals may exceed 100% due to futures and other derivatives

Discount Rate

The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made according to FCERS' stated policy. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of FCPS' Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents FCPS' proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, as well as what FCPS' share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
FCPS' proportionate share of the FCERS net pension liability	$ 595,278,776	$ 415,142,671	$ 283,078,037

Pension Plan Fiduciary Net Position

FCERS is considered a part of the County's reporting entity and FCERS' financial statements are included in the County's basic financial statements as a pension trust fund.

Information concerning FCERS as a whole, including pension plan's fiduciary net position, is available in the County CAFR for the fiscal year ended June 30, 2017. Additionally, FCERS issues a publicly available annual financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Employees' Retirement System, 12015 Lee Jackson Memorial Highway, Suite 350, Fairfax, Virginia 22030, by calling (703) 279-8200, or by accessing the information at http://www.fairfaxcounty.gov/retirement/retired_employees/publications.htm.

3. VRS

Plan Description

VRS is a cost-sharing, multiple-employer retirement system, which administers two defined benefit plans and a hybrid plan that combines the features of a defined benefit plan and a defined contribution plan. These plans are administered by the State and provide coverage for State employees, public school board employees, employees of participating political subdivisions, and other qualifying employees. All full-time, salaried, permanent employees of VRS-participating employers are automatically covered under VRS. All employees hired after January 1, 2014 are automatically enrolled in the Hybrid Plan. Contributions made by members and participating VRS employers are invested to provide future retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. FCPS contributes to VRS on behalf of its covered professional employees.

Benefits Provided

Benefit provisions are established and governed by Section 51.1 of the Code. Changes to the Code can be made only by an act of the Virginia General Assembly. All benefits vest at five years of creditable service. Benefits under the Defined Contribution component of the Hybrid Plan are always 100% vested. To be eligible for unreduced retirement benefits, an individual must meet the following criteria: (a) attain the age of 65 with five years of service or age 50 with 30 years of service for Plan 1, (b) for Plan 2 and the Defined Benefit component of the Hybrid Plan, attain normal social security retirement age with five years of service or combination of age and service equals 90 or (c) for the Defined Contribution component of the Hybrid Plan, terminate employment.

To be eligible for reduced retirement benefits, an individual must meet the following criteria: (a) attain the age of 55 with five years of service or age 50 with 10 years of service for Plan 1, (b) for Plan 2 and the Defined Benefit component of the Hybrid Plan, attain the age of 60 with five years of service or (c) for the Defined Contribution component of the Hybrid Plan, terminate employment.

Annual retirement benefits are payable monthly for life in an amount equal to (a) 1.7 percent of eligible members' average final compensation for each year of credited service under Plan 1, (b) 1.65 percent of eligible members' average final compensation for each year of creditable service on or after January 1, 2013 and 1.7 percent on creditable service before January 1, 2013 for Plan 2, or (c) 1.0 percent of eligible members' average final compensation for each year of creditable service for the Defined Benefit component of the Hybrid Plan.

A health insurance credit provides retirees who have 15 or more years of creditable service with reimbursement to assist with the cost of health insurance premiums. The credit is a dollar amount set by the General Assembly for each year of service.

Contributions

The contribution requirement for active employees is governed by Section 51.1-145 of the Code, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Employees are required to contribute 5.0 percent of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.0 percent member contribution may have been assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5.0 percent member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.0 percent member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. Each school division's contractually required contribution rate for the year ended June 30, 2017 was 14.66 percent of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarial rate for the Teacher Retirement Plan was 16.32 percent. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Based on the provisions of Section 51.1-145 of the Code, as amended, the contributions were funded at 89.84 percent of the actuarial rate for the year ended June 30, 2017. Employer contributions to the pension plan were $209,938,736 and $192,421,257 for the years ended June 30, 2017 and June 30, 2016, respectively.

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

At June 30, 2017, FCPS reported a liability of $2,515,447,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015 rolled forward to the measurement date of June 30, 2016. FCPS' proportion of the net pension liability was based on FCPS' actuarially determined employer contributions to the pension plan for the year ended June 30, 2016 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2016, FCPS' proportion was 17.95 percent as compared to 17.89 percent at June 30, 2015.

For the year ended June 30, 2017, FCPS recognized pension expense of $219,147,000. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between actual employer contributions and the proportionate share of employer contributions.

At June 30, 2017, FCPS reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 81,516,000
Net difference between projected and actual earnings on pension plan investments	143,690,000	-
Changes in proportion and differences between FCPS contributions and proportionate share of contributions	29,129,000	22,933,000
FCPS' contributions subsequent to the measurement date	209,938,736	-
Total	$ 382,757,736	$ 104,449,000

A total of $209,938,736 reported as deferred outflows of resources related to pensions resulting from FCPS' contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2018	$ (13,984,000)
2019	(13,984,000)
2020	62,254,000
2021	38,917,000
2022	(4,833,000)
	$ 68,370,000

Actuarial Assumptions

The total pension liability for VRS was based on an actuarial valuation as of June 30, 2015, using the entry age normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

Actuarial Assumptions	
Inflation	2.5%
Salary increases, including inflation	3.5% to 5.95%
Investment rate of return, net of pension plan investment expense, including inflation (a)	7.0%

(a) Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GAAP purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality Rates	Pre-Retirement	Post-Retirement	Post-Disablement
	RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 3 years and females are set back 5 years	RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females were set back 3 years	RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 1 year and no provision for future mortality improvement

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

- Update mortality table
- Adjustments to the rates of service retirement
- Decrease in rates of withdrawals for 3 through 9 years of service
- Decrease in rates of disability
- Reduce rates of salary increase by 0.25 percent per year

Long-term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
U.S. Equity	19.50 %	6.46 %	1.26 %
Developed Non U.S. Equity	16.50	6.28	1.04
Emerging Market Equity	6.00	10.00	0.60
Fixed Income	15.00	0.09	0.01
Emerging Debt	3.00	3.51	0.11
Rate Sensitive Credit	4.50	3.51	0.16
Non Rate Sensitive Credit	4.50	5.00	0.23
Convertibles	3.00	4.81	0.14
Public Real Estate	2.25	6.12	0.14
Private Real Estate	12.75	7.10	0.91
Private Equity	12.00	10.41	1.25
Cash	1.00	(1.50)	(0.02)
Total	100.00 %		5.83 %
		Inflation	2.50
		Expected arithmetic nominal return (a)	8.33 %

(a) Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total pension liability was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by FCPS for VRS will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, school divisions are assumed to contribute 100.0 percent of the actuarially determined contribution rates. Based on those assumptions, VRS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of FCPS' Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents FCPS' proportionate share of the net pension liability using the discount rate of 7.0 percent, as well as what FCPS' proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0) percent or 1-percentage-point higher (8.0) percent than the current rate:

	1% Decrease 6.0%	Current Discount Rate 7.0%	1% Increase 8.0%
FCPS' proportionate share of the VRS net pension liability	$ 3,585,772,000	$ 2,515,447,000	$ 1,633,755,000

Pension Plan Fiduciary Net Position

Detailed information about the VRS net position is available in the separately issued VRS 2015 Comprehensive Annual Financial Report (CAFR), which may be obtained from the VRS website at www.varetire.org, or by writing to the VRS Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

The following table presents a summary of pension amounts by each defined benefit plan as of June 30, 2016 to the Statement of Net Position:

	ERFC	FCERS	VRS	Total
Deferred Outflows of Resources:				
Employer contributions made in FY 2017	$ 80,145,997	$ 45,419,892	$ 209,938,736	$ 335,504,625
Changes in assumptions	38,819,644	15,542,533	-	54,362,177
Net difference between projected and actual earnings on plan investments	220,388,356	77,834,731	143,690,000	441,913,087
Changes in proportionate share of contributions	-	970,353	29,129,000	30,099,353
Deferred Outflows of Resources	339,353,997	139,767,509	382,757,736	861,879,242
Deferred Inflows of Resources:				
Differences between expected and actual experience	31,385,961	25,037,358	81,516,000	137,939,319
Changes in proportionate share of contributions	-	9,820,718	22,933,000	32,753,718
Net difference between projected and actual earnings on plan investments	64,000,434	-	-	64,000,434
Deferred Inflows of Resources	95,386,395	34,858,076	104,449,000	234,693,471
Net pension liability as of June 30, 2017	$ (829,513,057)	$ (415,142,671)	$ (2,515,447,000)	$ (3,760,102,728)

E. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description

The School OPEB Trust Fund is a single-employer defined benefit plan administered by FCPS. The plan provides health benefits and life insurance to eligible retirees and their spouses. FCPS records plan net position and reports funding progress and employer contributions for postemployment benefit plans. Contributions and payments of other postemployment benefit plan for currently active participants in the health care plans occur on a current basis; therefore, FCPS does not record these plan assets and is not required to report their funding progress and employer contributions.

In order to participate, retirees must have reached the age of 55 or be on service-connected disability retirement and must have benefit coverage in a health insurance plan administered by FCPS. In addition, if the retirement date was on or after July 1, 2007, the retiree must 1) have terminated FCPS employment at a time when eligible for normal or early retirement, 2) have elected immediate commencement of pension benefits and health/dental coverage, and 3) have participated in the same health coverage as an active employee for at least 60 consecutive months prior to termination of FCPS employment. A retiree and/or spouse who is at least 55 of years of age and participates in an FCPS-administered health insurance plan will receive an explicit subsidy ranging from $15 to $175 per month, based on years of service and the retirement plan in which the retiree is covered. In addition, FCPS provides an implicit subsidy by allowing retirees to participate in the health insurance plans at the group premium rates calculated on the entire universe of active and retired employees. This subsidy occurs because, on an actuarial basis, the current and future claims of the retiree participants are expected to result in higher per person costs to the insurance plans than will be the experience for active employees. The subsidies are accounted for in the School OPEB Trust Fund.

As of July 1, 2015, the date of the most recent actuarial valuation, plan membership consisted of:

Retirees and beneficiaries currently receiving benefits	9,485
Active plan members	19,834
Total	29,319

Funding Policy

Contributions to the School OPEB Trust Fund are determined and may be amended by the School Board. The contributions are set at a minimum to satisfy the current year's projected pay-as-you-go benefits costs. The School Board may provide additional amounts to prefund future costs. During fiscal year 2017, FCPS contributed $22,404,000 to the School OPEB Trust Fund, which included $17,404,000 for current fiscal year costs and an additional $5,000,000 to prefund benefits. The costs of administrating the plan are paid for by the School OPEB Trust Fund through the use of investment income and employer contributions.

Annual OPEB Cost

FCPS' annual OPEB cost is calculated based on the Annual Required Contribution (ARC), an amount actuarially determined in accordance with GAAP. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities or funding excess over a period not to exceed 30 years. GAAP requires recognition of the current expense of the program based on the ARC, but it does not require funding of the related liability.

FCPS' annual OPEB cost for the School OPEB Trust, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2017 and the two preceding fiscal years are below:

Fiscal Year Ended June 30	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation (Asset)
2015	$ 17,119,000	152.4%	$ (31,151,922)
2016	22,780,000	95.2%	(30,060,922)
2017	22,472,000	99.7%	(29,992,922)

The changes in the net OPEB obligation during the year ended June 30, 2017, were as follows:

		School OPEB Trust Fund
Annual required contribution	$	23,088,000
Interest on net OPEB asset from prior year		(2,382,000)
Adjustment to annual required contribution		1,766,000
Annual OPEB cost		22,472,000
Contributions made		(22,404,000)
Decrease in net OPEB asset		68,000
Net OPEB asset - July 1, 2016		(30,060,922)
Net OPEB asset - June 30, 2017	$	(29,992,922)

Funded Status and Funding Progress

As of July 1, 2015, the most recent actuarial valuation date, the projected fiscal year 2017 Actuarial Accrued Liability (AAL) for benefits was $392.1 million and the projected Actuarial Value of Assets (AVA) was $126.5 million, resulting in an Unfunded Actuarial Accrued Liability (UAAL) of $265.6 million. The covered payroll of active participating employees was $1,515.2 million and the ratio of the UAAL to covered payroll was 17.5 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the ARC of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements at Exhibit K presents multi-year trend information that shows whether the AVA is increasing or decreasing over time relative to the AAL for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by FCPS and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between FCPS and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in the AAL and the AVA, consistent with the long-term perspective of the calculations.

In the July 1, 2015, actuarial valuation, the entry age normal actuarial cost method was used to estimate the UAAL as of June 30, 2017, as well as the fiscal year 2017 ARC. The actuarial assumptions included a 7.5 percent investment rate of return (net of administrative expenses) and certain annual health care cost trends. These rates incorporate a 4.0 percent payroll inflation assumption. The plan's UAAL is being amortized as a level percentage of projected pay over an open period of 30 years.

Financial Reports

The School OPEB Trust Fund does not issue a stand-alone financial report and is not included in the report of another entity.

Basis of Accounting

The School OPEB Trust Fund is accounted for using the accrual basis of accounting in accordance with GAAP. Employer contributions are recognized in the period in which the contributions were paid to the School OPEB Trust Fund. Benefits payments are recognized when due and payable in accordance with the terms of the plan.

Investment Valuation

Investments are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy. Investment purchases and sales are recorded as of the trade date. These transactions are not finalized until the settlement date. Until finalized, these investment purchases and sales are recorded as payables and receivables, respectively.

Plan assets are usually in the form of stocks, bonds, and other classes of investments, that have been segregated and restricted in a trust, in which (a) contributions to the plan are irrevocable, (b) assets are dedicated to providing benefits to retirees and beneficiaries, and (c) assets are legally protected from creditors of the employer or plan administrator. The assets are dedicated to the payment of benefits in accordance with the terms of the plan. Further information can be obtained by writing to VML/VACo Finance, 919 East Main Street, Suite 1100, Richmond, VA 23219.

GASB 74 REPORTING

The following disclosures are added as a result of the implementation of GASB Statement 74. The OPEB disclosures presented above correspond to the pre-implementation guidance to support the presentation of OPEB information as shown on the face of FCPS's financial statements until the implementation of GASB Statement 75 in fiscal year 2018.

FAIRFAX COUNTY PUBLIC SCHOOLS **Statement of Fiduciary Net Position** **Other Postemployment Benefit Trust Fund**	**Fiscal Year Ending June 30, 2017**
ASSETS	
Receivables, securities sold	$ 188,491
Total Receivables	188,491
Investments:	
Domestic equities	49,073,003
International equities	24,257,474
Fixed income	22,466,066
Hedge funds	11,576,621
Private equity	653,040
Commodities	2,208,463
Real estate	8,311,421
Total Investments	118,546,088
Total Assets	118,734,579
LIABILITIES	
Accounts payable	37,200
Total Liabilities	37,200
Net position restricted for postemployment benefits other than pensions	$ 118,697,379

FAIRFAX COUNTY PUBLIC SCHOOLS Statement of Changes in Fiduciary Net Position Other Postemployment Benefit Trust Fund	Fiscal Year Ending June 30, 2017
ADDITIONS	
Contributions:	
Employer	$ 22,404,000
Total Contributions	22,404,000
Investment Income	
Net increase in fair value of investments	13,288,807
Total Investment Income	13,288,807
Total Additions	35,692,807
DEDUCTIONS	
Benefits payments/refunds	17,404,000
Administrative expenses	83,537
Total Deductions	17,487,537
Change in net position	18,205,270
Net position - July 1, 2016	100,492,109
Net position - June 30, 2017	$ 118,697,379

1. Plan Description

The School OPEB Trust Fund is a single-employer defined benefit plan administered by FCPS. The plan provides the opportunity to continue participation in medical/dental, vision, and life insurance benefits for eligible retirees and their spouses. The plan benefits correspond with benefits available to active employees. Benefit provisions are established and may be amended by the School Board. Fiduciary oversight is provided by the members of the Local Finance Board for OPEB.

In order to participate in the plan, an employee must meet retirement criteria for either VRS, ERFC, or FCERS. Employees are eligible to continue health insurance coverage after retirement, provided that retiring employees have health coverage in effect for at least 60 months when they stop working. Upon retirement FCPS no longer contributes to the premium payments and the participant becomes responsible for 100% of premiums less any applicable subsidies.

A retiree and/or spouse who is at least 55 of years of age and participates in an FCPS-administered health insurance plan will receive an explicit subsidy ranging from $15 to $175 per month, based on years of service and the retirement plan in which the retiree is covered. In addition, FCPS provides an implicit subsidy by allowing retirees to participate in the health insurance plans at the group premium rates calculated on the entire universe of active and retired employees. This subsidy occurs because, on an actuarial basis, the current and future claims of the retiree participants are expected to result in higher per person costs to the insurance plans than will be the experience for active employees.

The actuarial valuation was based on personnel information from FCPS records as of July 1, 2015. Participation is as follows:

	July 1, 2015 Medical
Actives	
Count	19,834
Average age	45.5
Average service	10.7
Retirees and spouses	
Count	9,485
Average age	70.7

Contributions to the School OPEB Trust Fund are determined and may be amended by the School Board. The contributions are set at a minimum to satisfy the current year's projected pay-as-you-go benefits costs. The School Board may provide additional amounts to prefund future costs. During fiscal year 2017, FCPS contributed $22,404,000 to the Plan, which included $17,404,000 for current fiscal year costs and an additional $5,000,000 to prefund benefits. The costs of administrating the plan are paid for by the Plan through the use of investment income and employer contributions.

2. Plan Investments

FCPS invests the School OPEB Trust Fund's assets with the Virginia Pooled OPEB Trust Fund (Pooled Trust) sponsored by the Virginia Association of Counties and the Virginia Municipal League (VACo/VML). The Pooled Trust is an investment pooling vehicle created to allow participating local governments, school divisions, and authorities in the State to accumulate and invest assets to fund other postemployment benefits. Funds of participating jurisdictions are pooled and invested in the name of the Pooled Trust. FCPS' respective shares in the Pooled Trust are reported in the School OPEB Trust Fund's financial statements. Investment decisions are made by the Board of Trustees (Trustees) of the Pooled Trust.

The Trustees adopted an investment policy to establish investment objectives, risk tolerance levels, and asset allocation parameters. The investment objective is to maximize the total long-term rate of return with reasonable risk by seeking capital appreciation and, secondarily, principal protection. The Pooled Trust is segregated and managed as two distinct portfolios that are referred to as Portfolio I and Portfolio II. Portfolio I is structured to achieve a compound annualized total expected rate of return over a market cycle, including current income and capital appreciation, of 7.5%. Portfolio II is structured to achieve an expected rate of return of 6.5%. The investment performance of each Portfolio is reviewed quarterly and compared on a rolling three year basis and over other relevant time periods to the following: (a) a composite benchmark comprised of each asset classes' market index benchmarks, weighted by each Portfolio's long-term policy allocations, and (b) a peer group of other similar size fund sponsors.

The Pooled Trust's assets are separately managed by professional investment managers or invested in professionally managed investment vehicles. Each Portfolio is invested in a broadly diversified manner by asset class, style and capitalization, which control volatility levels.

The expected rates of return for asset classes and target allocations are as follows:

Asset Class	Long Term Expected Real Rate of Return	Target Allocation
Domestic Equity (Large Cap)	6.50%	26.0%
Domestic Equity (Samll Cap)	7.00%	10.0%
International Equity	7.30%	13.0%
Emerging Markets Equity	7.80%	5.0%
Core US FIxed Income	3.50%	7.0%
Corporate Fixed Income	4.20%	14.0%
Hedge Funds	4.20%	10.0%
Real Estate	5.50%	7.0%
Private Equity	9.00%	5.0%
Commodities	5.30%	3.0%

There are no concentrations in any one organization that represent five percent or more of the fiduciary net position in the plan. For the year ended June 30, 2017, the annual money-weighted rate of return on investments, net of investment expense was 12.86 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing actual invested

Futher information about the Pooled Trust, including financial statements, can be obtained by writing to VACo/VML Finance, 919 East Main Street, Suite 1100, Richmond, Virginia 23219.

3. Net OPEB Liability

The components of the net OPEB liability as of June 30, 2017 were as follows:

Total OPEB liability	$	407,753,000
Plan fiduciary net position (market value of assets)		(118,734,579)
Net OPEB liability	$	289,018,421
Plan fiduciary net position as a percentage of the OPEB liability		29.12%

The total OPEB liability for the year ended June 30, 2017 was determined as part of the July 1, 2015, actuarial valuation rolled forward to the measurement date of June 30, 2016. Significant actuarial assumptions used in the valuation include:

Methods and Assumptions Used to Determine Contribution Rates	
Actuarial cost method	Entry age normal
Asset valuation method	Market value of assets
IRS limit increases	2.50%
Salary increases	4.00%
Investment rate of return, net of OPEB plan investment expense, including inflation	7.50%
Retirement age	Varies by age and pension plan, same as GASB 75
Mortality	Healthy mortality RP-2014 Mortality Table
	Disabled mortality RP-2014 Disabled Mortality Table
	Fully generational projected MP-2014

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

The following represents the net OPEB liability calculated using the discount rate of 7.5 percent, as well as what the liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
Total OPEB liability	$ 464,736,000	$ 407,753,000	$ 361,521,000
Plan fiduciary net position	(118,734,579)	(118,734,579)	(118,734,579)
Net OPEB liability	$ 346,001,421	$ 289,018,421	$ 242,786,421
Plan fiduciary net position as a percentage of total OPEB liability	25.55%	29.12%	32.84%

5. Sensitivity of the Net Pension Liability to Changes in the Healthcare Cost Trend Rates

The following represents the net OPEB liability calculated using the stated healthcare trend rates (7.61/8.32 percentages decreasing to 5.00 percent), as well as what the liability would be if it were calculated using a healthcare trend rates that is 1-percentage-point lower (6.61/7.32 percentages decreasing to 4.00 percent) or 1-percentage-point higher (8.61/9.32 percentages decreasing to 6.00 percent) than the current healthcare trend rates:

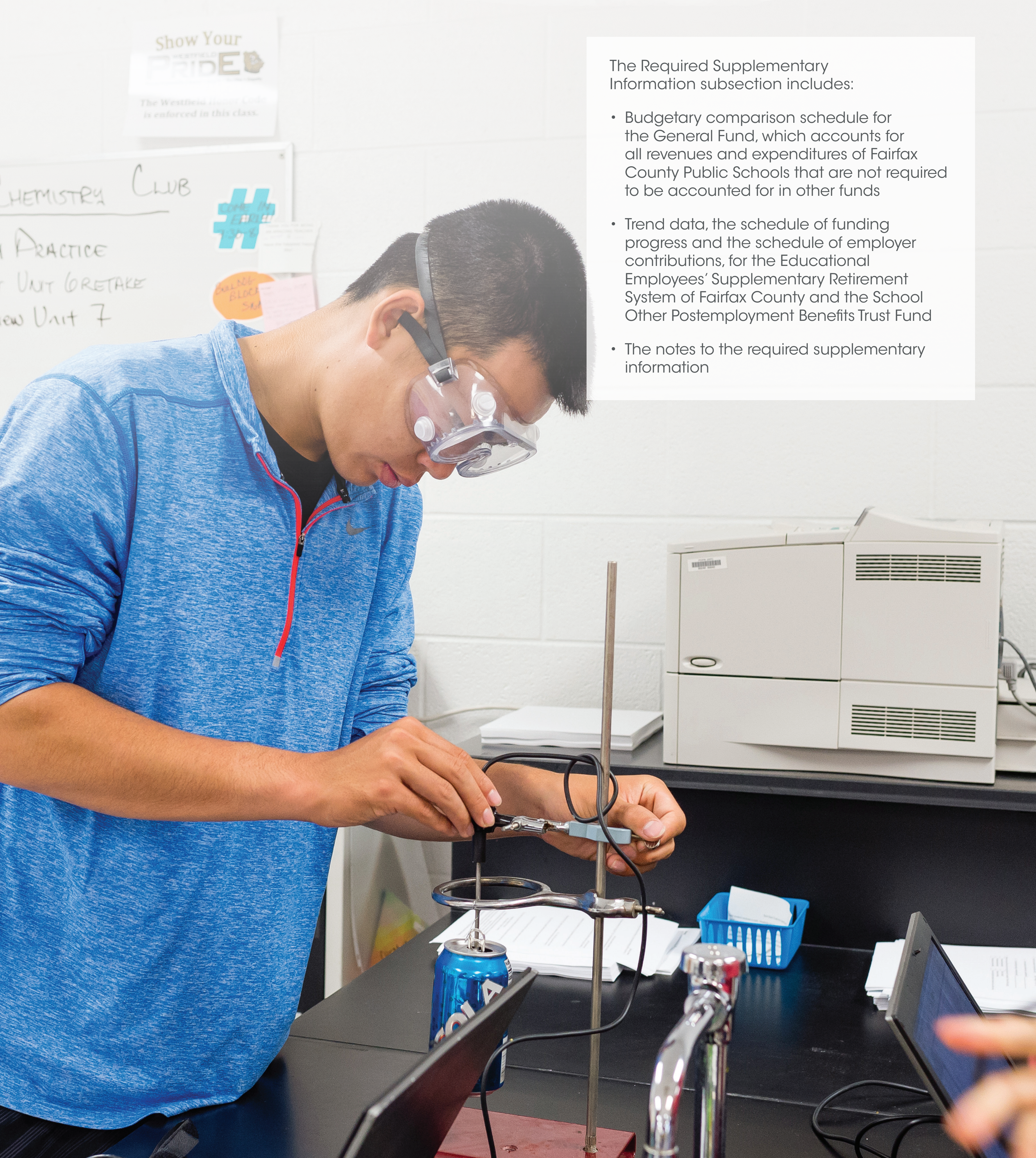
	1% Decrease (Varied decreasing to 4.0%)	Current Trend Rate (Varied decreasing to 5.0%)	1% Increase (Varied decreasing to 6.0%)
Total OPEB liability	$ 365,856,000	$ 407,753,000	$ 460,949,000
Plan fiduciary net position	(118,734,579)	(118,734,579)	(118,734,579)
Net OPEB liability	$ 247,121,421	$ 289,018,421	$ 342,214,421
Plan fiduciary net position as a percentage of total OPEB liability	32.45%	29.12%	25.76%

F. TERMINATION BENEFITS

Public Health Service Act

FCPS provides health care benefits as required by Federal law under the Public Health Service Act (PHSA). This benefit was previously required by the Consolidated Omnibus Budget Reconciliation Act (COBRA). PHSA requires employers that sponsor group health plans to provide a continuation of group coverage to terminated employees and their dependents in qualifying circumstances where coverage would normally end. FCPS provides 18 to 36 months of optional postemployment healthcare to employees and their dependents that elect to continue healthcare coverage. The election to be covered is at the request of the employees. The employees are required to pay 102 percent of the premium costs for themselves and their dependents, which include a two percent administrative fee. The premium costs to the employees and their dependents are the established premium equivalent rates for each respective plan year; accordingly, no liability is recorded for PHAS benefits. On June 30, 2017, there were 106 participants receiving benefits under PHSA.

REQUIRED SUPPLEMENTARY INFORMATION (unaudited)



The Required Supplementary Information subsection includes:

- Budgetary comparison schedule for the General Fund, which accounts for all revenues and expenditures of Fairfax County Public Schools that are not required to be accounted for in other funds
- Trend data, the schedule of funding progress and the schedule of employer contributions, for the Educational Employees' Supplementary Retirement System of Fairfax County and the School Other Postemployment Benefits Trust Fund
- The notes to the required supplementary information

FAIRFAX COUNTY PUBLIC SCHOOLS **EXHIBIT J**

Budgetary Comparison Schedule - Budget and Actual (Budgetary Basis)

General Fund

For the Fiscal Year Ended June 30, 2017

	Budget - Original	Budget - Final	Actual - Budget Basis	Variance from Final Budget Positive (Negative)
REVENUES				
Intergovernmental:				
Federal government	$ 42,219,310	$ 51,852,234	$ 44,896,329	$ (6,955,905)
Commonwealth of Virginia	610,463,632	605,863,561	609,940,211	4,076,650
Charges for services:				
Tuition and fees	8,823,095	8,823,095	9,331,322	508,227
Revenue from the use of money and property	3,346,259	3,346,259	3,968,942	622,683
Recovered costs	44,655,699	45,125,891	44,745,048	(380,843)
Other	7,997,160	7,997,160	13,041,826	5,044,666
Total revenues	717,505,155	723,008,200	725,923,678	2,915,478
EXPENDITURES				
Current:				
Instruction:				
Regular education:				
Elementary school	854,343,913	856,541,381	846,044,286	10,497,095
Middle school	245,278,844	247,172,027	238,932,385	8,239,642
High school	546,385,605	565,263,160	546,926,753	18,336,407
Special education	484,813,800	494,785,137	468,046,425	26,738,712
Adult and community education	226,107	126,432	43,298	83,134
Instructional support	148,450,206	155,718,384	156,106,476	(388,092)
Support programs:				
Administration and general support	120,974,283	134,104,085	124,855,049	9,249,036
Student transportation	151,426,750	158,987,869	145,112,046	13,875,823
Facilities management	81,050,764	88,447,578	76,344,363	12,103,215
Total expenditures	2,632,950,272	2,701,146,053	2,602,411,081	98,734,972
Excess (deficiency) of revenues over (under) expenditures	(1,915,445,117)	(1,978,137,853)	(1,876,487,403)	101,650,450
OTHER FINANCING SOURCES (USES)				
Transfers in from County of Fairfax, VA	1,914,118,902	1,914,118,902	1,914,118,902	-
Transfers out to other governmental funds	(25,521,483)	(29,378,227)	(29,378,227)	-
Transfers out to County of Fairfax, VA	(3,466,725)	(3,466,725)	(3,466,725)	-
Total other financing sources, net	1,885,130,694	1,881,273,950	1,881,273,950	-
Net change in fund balances	$ (30,314,423)	$ (96,863,903)	$ 4,786,547	$ 101,650,450

See accompanying notes to the required supplementary information.

FAIRFAX COUNTY PUBLIC SCHOOLS **EXHIBIT K**
Schedule of Funding Progress
Other Postemployment Benefit Trust Fund (1)
(Dollars in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets {a}	Actuarial Accrued Liability (AAL) - Entry Age {b}	(Excess of Assets) Unfunded AAL (UAAL) {b-a}	Funded Ratio {a/b}	Covered Payroll {c}	(Excess of Assets) UAAL as a Percentage of Covered Payroll {{b-a}/c}
7/1/2016	$ 126,500	$ 392,100	$ 265,600	32.3 %	$ 1,515,200	17.5 %
7/1/2015	95,900	377,300	281,400	25.4	1,456,900	19.3
7/1/2014	71,192	283,690	212,498	25.1	1,153,000	18.4
7/1/2013	64,925	273,983	209,058	23.7	1,109,000	18.9
7/1/2012	53,423	448,849	395,426	11.9	1,045,000	37.8
7/1/2011	40,051	431,303	391,252	9.3	1,005,000	38.9
7/1/2010	19,563	491,180	471,617	4.0	1,432,000	32.9
7/1/2009	17,520	466,324	448,804	3.8	1,377,000	32.6
7/1/2008	7,996	458,067	450,071	1.7	1,352,321	33.3
7/1/2007	-	299,668	299,668	-	1,302,665	23.0

(1) School Other Postemployment Benefits Trust Fund was established during fiscal year 2008.

See accompanying notes to the required supplementary information

FAIRFAX COUNTY PUBLIC SCHOOLS **EXHIBIT K-1**
Schedule of Employer Contributions
Other Postemployment Benefit Trust Fund (1)

Fiscal Year Ended June 30	Annual Required Contributions	Percentage Contributed
2017	$ 23,088,000	97.0 %
2016	23,384,000	92.8
2015	17,384,000	150.1
2014	17,003,000	150.1
2013	31,142,000	110.7
2012	30,630,000	138.5
2011	38,163,000	119.2
2010	35,954,000	75.5
2009	37,522,000	97.7
2008	25,302,000	103.2

(1) Other Postemployment Benefits Trust Fund was established during fiscal year 2008.

See accompanying notes to the required supplementary information.

FAIRFAX COUNTY PUBLIC SCHOOLS **EXHIBIT K-2**

Schedule of Changes in Net Pension Liability and Related Ratios
Other Postemployment Benefit Trust Fund
Last Ten Fiscal Years (1)

	Fiscal Year Ending June 30 2017
Total OPEB liability	
Service Cost	N/A
Interest on the Total OPEB Liability	N/A
Changes of benefit terms	N/A
Difference between expected and actual experience of the	N/A
Total OPEB Liability	N/A
Changes of assumptions	N/A
Benefits payments, including refunds of employee	N/A
contributions	N/A
Net Change in Total OPEB Liability	N/A
Total OPEB liability - Beginning	N/A
Total OPEB liability - Ending (a)	$ 407,753,000
Plan Fiduciary Net Position	
Contributions - Employer	$ 22,404,000
Contributions - Employee	-
Net Investment Income	13,288,807
Benefits payments, including refunds of employee	
contributions	(17,404,000)
Administrative Expense	(83,537)
Other	-
Net Change in Plan Fiduciary Net Position	18,205,270
Plan Fiduciary Net Position - Beginning	100,529,309
Plan Fiduciary Net Position - Ending (b)	$ 118,734,579
Net OPEB Liability - Ending (a) - (b)	$ 289,018,421
Net position as a percentage of OPEB Liability	29.12%
Covered Employee Payroll	Not Available
Net OPEB Liability as a Percentage of Payroll	Not Available

(1) The schedule is intended to show information for 10 years. Fiscal year 2017 is first year implemented, additional years will be displayed as they become available.

See accompanying notes to the required supplementary information.

FAIRFAX COUNTY PUBLIC SCHOOLS **EXHIBIT K-3**
Schedule of Contributions
Other Postemployment Benefit Trust Fund
Last Ten Fiscal Years (1)

	Fiscal Year Ending June 30 2017
Actuarially determined contribution (2)	N/A
Contributions made in relation to the actuarially determined contribution	$ 5,000,000
Contribution deficiency (excess)	N/A
Covered employee payroll	Not Available
Contributions as a percentage of payroll	Not Available

(1) The schedule is intended to show information for 10 years. Fiscal year 2017 is first year implemented, additional years will be displayed as they become available.

(2) Fiscal year 2017 was based on actuarially required contribution calculation.

See accompanying notes to the required supplementary information.

FAIRFAX COUNTY PUBLIC SCHOOLS **EXHIBIT K-4**
Schedule of Investment Returns
Other Postemployment Benefit Trust Fund
Last Ten Fiscal Years (1)

	Fiscal Year Ending June 30 2017
Annual money-weighted rate of return, net of investment expense	12.86%

(1) The schedule is intended to show information for 10 years. Fiscal year 2017 is first year implemented, additional years will be displayed as they become available.

See accompanying notes to the required supplementary information.

FAIRFAX COUNTY PUBLIC SCHOOLS **EXHIBIT L**

Schedule of Changes in Net Pension Liability and Related Ratios

ERFC Pension Plan

Last Ten Fiscal Years (1)

	CAFR Reporting Year Measurement Date June 30 of prior year		
	2017	**2016 (2)**	**2015 (2)**
Total pension liability			
Service Cost	$ 77,760,915	$ 77,493,999	$ 75,787,752
Interest on the Total Pension Liability	205,720,047	198,938,575	192,723,577
Difference between expected and actual experience of the Total Pension Liability	(11,011,883)	(17,051,192)	(19,051,630)
Changes of assumptions	45,752,095	-	-
Benefits payments, including refunds of employee contributions	(170,347,847)	(167,842,576)	(167,049,790)
Net Change in Total Pension Liability	$ 147,873,327	$ 91,538,806	$ 82,409,909
Total pension liability - Beginning	2,789,227,428	2,697,688,622	2,615,278,713
Total pension liability - Ending (a)	$ 2,937,100,755	$ 2,789,227,428	$ 2,697,688,622
Plan Fiduciary Net Position			
Contributions - Employer	$ 76,599,695	$ 74,324,396	$ 74,174,082
Contributions - Employee	41,383,642	39,982,963	40,018,590
Net Investment Income	(15,766,967)	32,083,908	304,640,803
Benefits payments, including refunds of employee contributions	(170,347,847)	(167,842,576)	(167,049,790)
Pension Plan Administrative Expense	(4,004,882)	(3,751,825)	(3,629,320)
Net Change in Plan Fiduciary Net Position	(72,136,359)	(25,203,134)	248,154,365
Plan Fiduciary Net Position - Beginning	2,179,724,057	2,204,927,191	1,956,772,826
Plan Fiduciary Net Position - Ending (b)	$ 2,107,587,698	$ 2,179,724,057	$ 2,204,927,191
Net Pension Liability - Ending (a) - (b)	829,513,057	609,503,371	492,761,431
Plan fiduciary net position as a percentage of Total Pension Liability	71.76%	78.15%	81.73%
Covered Employee Payroll	$ 1,374,735,094	$ 1,366,029,848	$ 1,324,537,175
Net Pension Liability as a Percentage of Covered Employee Payroll	60.34%	44.62%	37.20%

(1) The schedule is intended to show information for 10 years. Fiscal year 2015 is first year implemented, additional years wil be displayed as they become available.

(2) Restated from prior year to reflect measurement date presentation

See accompanying notes to the required supplementary information

FAIRFAX COUNTY PUBLIC SCHOOLS **EXHIBIT L-1**
Schedule of Contributions
ERFC Pension Plan
Last Ten Fiscal Years (1)

	Actuarial Determined Contributions	Actual Contribution	Contributions Deficiency (Excess)	Covered Payroll		Actual Contribution as a % of Covered Payroll	
2017	$ 80,305,269	$ 80,145,997	$ 159,272	$ 1,430,259,607		5.6 %	
2016	76,069,503	76,599,695	(530,192)	1,374,735,094		5.6	
2015	74,791,177	74,324,396	466,781	1,328,419,881	(2)	5.6	(2)

The amounts presented for each fiscal year were determined as of June 30 of the fiscal year shown.

(1) The schedule is intended to show information for 10 years. Fiscal year 2015 is first year implemented, additional years will be displayed as they become available.

(2) Restated from prior year in accordance with the updated definition of covered-employee payroll in GASB No. 82.

See accompanying notes to the required supplementary information.

FAIRFAX COUNTY PUBLIC SCHOOLS **EXHIBIT L-2**
Schedule of FCPS' Proportionate Share of Net Pension Liability and Related Ratios
FCERS Pension Plan
Last Ten Fiscal Years (1)

	CAFR Reporting Year Measurement Date June 30 of prior year		
	2017	**2016**	**2015**
FCPS' proportion of net pension liability	27.20%	28.03%	28.21%
FCPS' proportion share of net pension liability	$ 415,142,671	$ 360,555,377	$ 293,867,011
FCPS' covered employee payroll	$ 192,679,291	$ 197,271,499	$ 192,655,643
FCPS' proportionate share of net pension liability as a percentage of covered employee payroll	215.46%	182.77%	152.53%
Plan fiduciary net position as a percentage of the total pension liability	70.20%	74.20%	78.33%

(1) The schedule is intended to show information for 10 years. Fiscal year 2015 is first year implmented, additional years will be displayed as they become available.

See accompanying notes to the required supplementary information.

FAIRFAX COUNTY PUBLIC SCHOOLS **EXHIBIT L-3**

Schedule of Contributions

FCERS Pension Plan

Last Ten Fiscal Years (1)

		Actuarial Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	FCPS' Covered Payroll	Contributions as a Percentage of Covered Payroll
2017		$ 45,419,892	$ 45,419,892	$ -	$ 198,339,509	22.9 %
2016		43,370,176	43,370,176	-	197,271,499	22.0
2015	(2)	38,820,112	38,820,112	-	192,655,643	20.1

The amounts presented for each fiscal year were determined as of June 30 of the fiscal year shown.

(1) The schedule is intended to show information for 10 years. Fiscal year 2015 is first year implemented, additional years will be displayed as they become available.

(2) Restated from prior year to reflect fiscal year presentation.

See accompanying notes to the required supplementary information.

FAIRFAX COUNTY PUBLIC SCHOOLS **EXHIBIT L-4**

Schedule of FCPS' Proportionate Share of Net Pension Liability and Related Ratios

VRS Pension Plan

Last Ten Fiscal Years (1)

	CAFR Reporting Year Measurement Date June 30 of prior year		
	2017	**2016**	**2015**
FCPS' proportion of the net pension liability	17.95%	17.89%	18.15%
FCPS' proportion share of the net pension liability	$ 2,515,447,000	$ 2,251,917,000	$ 2,193,660,000
FCPS' covered employee payroll	$ 1,368,572,241	$ 1,330,241,479 (2)	$ 1,327,488,219 (2)
FCPS' proportionate share of net pension liability as a percentage of covered employee payroll	183.80%	169.29%	165.25%
Plan fiduciary net position as a percentage of the total pension liability	68.28%	70.68%	70.88%

(1) The schedule is intended to show information for 10 years. Fiscal year 2015 is first year implemented, additional years will be displayed as they become available.

(2) Restated from prior year to reflect measurement date presentation.

See accompanying notes to the required supplementary information.

FAIRFAX COUNTY PUBLIC SCHOOLS **EXHIBIT L-5**

Schedule of Contributions

VRS Pension Plan

Last Ten Fiscal Years (1)

		Actuarial Determined Contributions	Actual Contribution	Contributions Deficiency (Excess)	FCPS' Covered Payroll	Contributions as a Percentage of Covered Payroll
2017		$ 233,710,789	$ 209,938,736	$ 23,772,053	$ 1,432,051,405	14.7 %
2016		192,421,257	192,421,257	-	1,368,572,241	14.1
2015	(2)	192,885,015	192,885,015	-	1,330,241,479	14.5

The amounts presented for each fiscal year were determined as of June 30 of the fiscal year shown.

(1) The schedule is intended to show information for 10 years. Fiscal year 2015 is first year implemented, additional years will be displayed as they become available.

(2) Restated from prior year to reflect fiscal year presentation.

See accompanying notes to the required supplementary information.

Notes to the Required Supplementary Information

Fairfax County Public Schools
June 30, 2017

I. BUDGETARY COMPARISON SCHEDULE

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

The preparation of FCPS' budget begins with the Superintendent soliciting input from parents and community leaders on the School Board's budget priorities. In January, the Superintendent releases the proposed budget and meets with the community, County, and employee groups to discuss it. The School Board reviews the proposed budget and holds work sessions and public hearings.

February through April, the School Board adopts the advertised budget. The Superintendent forwards the FCPS advertised budget to the County for funding consideration. The County Executive releases the County's advertised budget including a proposed transfer to FCPS. The Virginia General Assembly adopts the state budget. The School Board presents its budget to the BOS. The County adopts its budget and determines the transfer to FCPS.

In May, the School Board holds public hearings and work sessions and makes final funding decisions based on the most current information. The School Board adopts is approved budget. The approved budget governs the financial operations of the school system beginning on July 1.

The County legally adopts annual budgets for all FCPS appropriated governmental funds, except for the Capital Projects Fund in which budgetary control is achieved 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; and
- Transactions between FCPS and the County are budgeted as other financing sources (uses).

All annual appropriations 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 and administrative levels. The legal controls are placed at the individual fund level and the administrative controls are placed at the object level, which is at the expenditure category for each office and school within a fund. Management may amend the approved budget at the administrative 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 General Fund amounts on the Statement of Revenues, Expenditures, and Changes in Fund Balances, Exhibit D, to the amounts on the Budgetary Comparison Schedule—Budget and Actual (Budgetary Basis), Exhibit J for the fiscal year ended June 30, 2017:

		Basis Differences		
General Fund	**Actual - GAAP Basis (Exhibit D)**	**Capital Leases**	**Transactions between FCPS and the County**	**Actual - Budget Basis (Exhibit J)**
Total revenues	$ 2,640,042,580	$ -	$ (1,914,118,902)	$ 725,923,678
Total expenditures	(2,633,944,921)	28,067,115	3,466,725	(2,602,411,081)
Total other financing sources	(1,311,112)	(28,067,115)	1,910,652,177	1,881,273,950
Net change in fund balances	$ 4,786,547	$ -	$ -	$ 4,786,547

II. OPEB AND PENSIONS

OPEB

Ten years of trend information is presented about the Schools' Other Postemployment Benefits (OPEB) Trust Fund (fiscal year 2008 was the first year of implementation). This information is intended to help users assess the funding status on a going concern basis, progress made in accumulating assets to pay benefits when due, and make comparisons with other public employee retirement systems or OPEB plans.

Analysis of the dollar amounts of plan net position, actuarial accrued liability (AAL), and unfunded actuarial accrued liability (UAAL), in isolation, can be misleading. Expressing plan net position as a percentage of the AAL provides one indication of the funding status. Analysis of this percentage over time indicates whether the plan is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the plan is. Trends in the UAAL and annual covered payroll are both affected by inflation. Expressing the UAAL as a percentage of annual covered payroll approximates for the effects of inflation and aids in the analysis of the plans' progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the plan is.

Beginning in fiscal year 2017, information provided in relation to the GASB 74 requirements include information related to the total and net OPEB liability, information associated with the actuarially determined contribution, and investment returns.

Information pertaining to the School OPEB Trust Fund can be found in Notes III.B.2 and IV.E to the financial statements. Disclosures associated with the GASB 74 requirements are found in Note IV.E to the financial statements.

PENSIONS

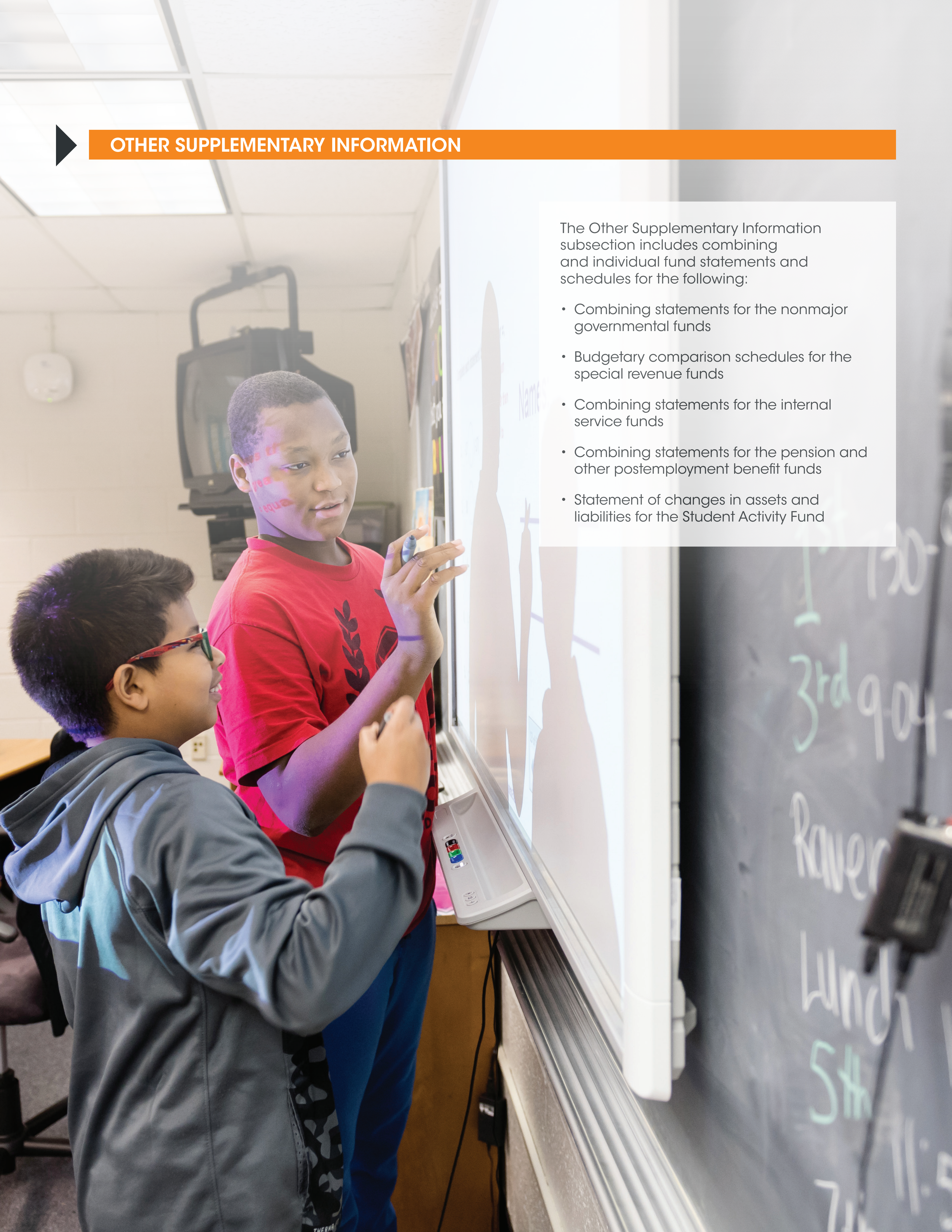
Ten-year historical trend information for FCPS' retirement systems is presented as required supplementary information. This information is intended to help users assess each system's financial health status on a going concern basis, assess progress made in accumulating assets to pay benefits when due, and make comparisons with other public employee retirement systems.

Analysis of the dollar amounts of plan fiduciary net position, total pension liability, and net pension liability in isolation can be misleading. Expressing plan net position as a percentage of the total pension liability provides one indication of each system's financial health. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage is, the stronger the system. Trends in the net pension liability and covered employee payroll are both affected by inflation. Expressing the net pension liability as a percentage of covered employee payroll approximately adjusts for the effects of inflation and aids in the analysis of the system's progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller the percentage is, the stronger the system.

The Schedule of Changes in Net Pension Liability and Related Ratios illustrates whether each plan's net position is increasing or decreasing over time relative to the total pension liability and the net pension liability as it relates to covered employee payroll.

The Schedule of Employer Contributions provides historical context for the amount of contributions in the current period. The actuarially determined contribution rates are calculated as of June 30, one year prior to the beginning of the fiscal year in which contributions are reported.

Information pertaining to FCPS retirement systems can be found in Note IV.D to the financial statements.



OTHER SUPPLEMENTARY INFORMATION

The Other Supplementary Information subsection includes combining and individual fund statements and schedules for the following:

- Combining statements for the nonmajor governmental funds
- Budgetary comparison schedules for the special revenue funds
- Combining statements for the internal service funds
- Combining statements for the pension and other postemployment benefit funds
- Statement of changes in assets and liabilities for the Student Activity Fund

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds are used to account for the proceeds of specific revenue sources (except for major capital projects) that are restricted to expenditures for specific purposes.

- Food and Nutrition Services Fund—used to account for the procurement, preparation, and serving of student breakfasts, snacks, and lunches. The primary revenue sources are receipts derived from food sales and the Federal school lunch program.
- 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.
- Adult and Community Education Fund—used to account for activities resulting from programs provided by the Office of 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 main revenue source is tuition charged to the participants.

FAIRFAX COUNTY PUBLIC SCHOOLS **EXHIBIT M**

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2017

	Special Revenue Funds			
	Food and Nutrition Services	Grants and Self-Supporting Programs	Adult and Community Education	Total Nonmajor Governmental Funds
ASSETS				
Cash on deposit with County of Fairfax, VA	$ 16,839,787	$ 1,648	$ 102	$ 16,841,537
Receivables:				
Accounts	41,833	-	185,600	227,433
Accrued interest	22,433	8,761	8,907	40,101
Due from intergovernmental units:				
Federal government	2,823,190	16,303,737	29,547	19,156,474
Commonwealth of Virginia	-	7,256,512	-	7,256,512
County of Fairfax, VA	246,617	9,457	-	256,074
Inventories	1,190,465	-	-	1,190,465
Prepaid items	28,154	-	-	28,154
Total assets	$ 21,192,479	$ 23,580,115	$ 224,156	$ 44,996,750
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 441,265	$ 441,198	$ 8,168	$ 890,631
Accrued salaries and withholdings	1,486,613	159,247	347,666	1,993,526
Interfund payables	-	3,910,000	331,000	4,241,000
Unearned revenue	2,368,545	2,550,763	90,562	5,009,870
Total liabilities	4,296,423	7,061,208	777,396	12,135,027
Fund balances:				
Nonspendable	1,218,619	-	-	1,218,619
Restricted	15,677,437	16,518,907	-	32,196,344
Unassigned	-	-	(553,240)	(553,240)
Total fund balances	16,896,056	16,518,907	(553,240)	32,861,723
Total liabilities and fund balances	$ 21,192,479	$ 23,580,115	$ 224,156	$ 44,996,750

FAIRFAX COUNTY PUBLIC SCHOOLS **EXHIBIT N**

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Nonmajor Governmental Funds

For the Fiscal Year Ended June 30, 2017

	Special Revenue Funds			
	Food and Nutrition Services	**Grants and Self-Supporting Programs**	**Adult and Community Education**	**Total Nonmajor Governmental Funds**
REVENUES				
Intergovernmental:				
Federal government	$ 37,909,699	$ 38,785,039	$ 861,149	$ 77,555,887
Commonwealth of Virginia	1,173,999	10,407,147	752,704	12,333,850
County of Fairfax, VA	-	3,619,872	-	3,619,872
Charges for services:				
Tuition and fees	-	2,395,018	5,466,516	7,861,534
Food sales	41,658,550	-	-	41,658,550
Revenue from the use of money and property	70,389	26,129	29,222	125,740
Other	711,072	819,746	292,091	1,822,909
Total revenues	81,523,709	56,052,951	7,401,682	144,978,342
EXPENDITURES				
Current:				
Instruction:				
Regular education:				
Elementary school	-	34,547,195	-	34,547,195
Middle school	-	881,965	-	881,965
High school	-	7,813,817	125,933	7,939,750
Special education	-	4,848,578	-	4,848,578
Adult and community education	-	-	8,088,530	8,088,530
Instructional support	-	18,282,877	-	18,282,877
Support programs:				
Administration and general support	-	1,342,352	-	1,342,352
Student transportation	-	1,633,345	-	1,633,345
Food service	77,426,705	-	-	77,426,705
Capital outlay	329,532	351,728	-	681,260
Debt service:				
Principal	19,099	2,628	3,823	25,550
Interest	539	640	127	1,306
Total expenditures	77,775,875	69,705,125	8,218,413	155,699,413
Excess (deficiency) of revenues over (under) expenditures	3,747,834	(13,652,174)	(816,731)	(10,721,071)
OTHER FINANCING SOURCES				
Transfers in	-	18,237,453	235,000	18,472,453
Capital leases	-	11,621	-	11,621
Total other financing sources	-	18,249,074	235,000	18,484,074
Net change in fund balances	3,747,834	4,596,900	(581,731)	7,763,003
Fund balances - July 1, 2016	13,458,963	11,922,007	28,491	25,409,461
Decrease in reserve for inventories	(310,741)	-	-	(310,741)
Fund balances - June 30, 2017	$ 16,896,056	$ 16,518,907	$ (553,240)	$ 32,861,723

FAIRFAX COUNTY PUBLIC SCHOOLS **EXHIBIT O**

Budgetary Comparison Schedule - Budget and Actual

Food and Nutrition Services Fund

For the Fiscal Year Ended June 30, 2017

	Budget - Original	Budget - Final	Actual - Budget Basis	Variance from Final Budget Positive (Negative)
REVENUES				
Intergovernmental:				
Federal government	$ 36,075,261	$ 36,075,261	$ 37,909,699	$ 1,834,438
Commonwealth of Virginia	1,153,857	1,153,857	1,173,999	20,142
Charges for services:				
Food sales	43,956,209	43,956,209	41,658,550	(2,297,659)
Revenue from the use of money and property	17,207	17,207	70,389	53,182
Other	-	111,072	711,072	600,000
Total revenues	81,202,534	81,313,606	81,523,709	210,103
EXPENDITURES				
Current:				
Food service	90,235,620	94,772,568	77,775,875	16,996,693
Total expenditures	90,235,620	94,772,568	77,775,875	16,996,693
Net change in fund balances	$ (9,033,086)	$ (13,458,962)	$ 3,747,834	$ 17,206,796

FAIRFAX COUNTY PUBLIC SCHOOLS **EXHIBIT P**

Budgetary Comparison Schedule - Budget and Actual
Grants and Self-Supporting Programs Fund
For the Fiscal Year Ended June 30, 2017

	Budget - Original	Budget - Final	Actual - Budget Basis	Variance from Final Budget Positive (Negative)
REVENUES				
Intergovernmental:				
Federal government	$ 35,489,711	$ 50,828,796	$ 38,785,039	$ (12,043,757)
Commonwealth of Virginia	11,053,173	13,179,306	10,407,147	(2,772,159)
Charges for services:				
Tuition and fees	2,406,205	2,406,205	2,395,018	(11,187)
Revenue from the use of money and property	-	-	26,129	26,129
Other	380,107	1,248,211	819,746	(428,465)
Total revenues	49,329,196	67,662,518	52,433,079	(15,229,439)
EXPENDITURES				
Current:				
Instruction:				
Regular education:				
Elementary school	33,881,677	41,709,321	34,578,055	7,131,266
Middle school	1,271,017	2,104,558	881,965	1,222,593
High school	5,997,230	9,792,278	7,822,152	1,970,126
Special education	9,685,050	11,451,624	10,742,366	709,257
Instructional support	14,009,589	24,423,385	12,577,593	11,845,792
Support programs:				
Administration and general support	6,460,151	9,527,908	1,458,028	8,069,880
Student transportation	2,432,775	2,432,775	1,633,345	799,431
Total expenditures	73,737,489	101,441,849	69,693,504	31,748,345
Excess (deficiency) of revenues over (under) expenditures	(24,408,293)	(33,779,331)	(17,260,425)	16,518,906
OTHER FINANCING SOURCES				
Transfers in from other governmental funds	18,237,453	18,237,453	18,237,453	-
Transfers in from County of Fairfax, VA	3,619,872	3,619,872	3,619,872	-
Total other financing sources	21,857,325	21,857,325	21,857,325	-
Net change in fund balances	$ (2,550,968)	$ (11,922,006)	$ 4,596,900	$ 16,518,906

FAIRFAX COUNTY PUBLIC SCHOOLS **EXHIBIT Q**
Budgetary Comparison Schedule - Budget and Actual
Adult and Community Education Fund
For the Fiscal Year Ended June 30, 2017

	Budget - Original	Budget - Final	Actual - Budget Basis	Variance from Final Budget Positive (Negative)
REVENUES				
Intergovernmental:				
Federal government	$ 1,653,719	$ 1,742,378	$ 861,149	$ (881,229)
Commonwealth of Virginia	549,306	744,292	752,704	8,412
Charges for services:				
Tuition and fees	6,412,348	6,157,486	5,466,516	(690,970)
Revenue from the use of money and property	4,286	4,286	29,222	24,936
Other	65,870	383,598	292,091	(91,507)
Total revenues	8,685,529	9,032,040	7,401,682	(1,630,358)
EXPENDITURES				
Current:				
Instruction:				
Regular education:				
High school	157,503	157,503	125,933	31,570
Adult and community education	8,408,207	8,221,864	8,092,480	129,384
Total expenditures	8,565,710	8,379,367	8,218,413	160,954
Excess (deficiency) of revenues over (under) expenditures	119,819	652,673	(816,731)	(1,469,404)
OTHER FINANCING SOURCES				
Transfers in from other governmental funds	235,000	-	235,000	235,000
Net change in fund balances	$ 354,819	$ 652,673	$ (581,731)	$ (1,234,404)

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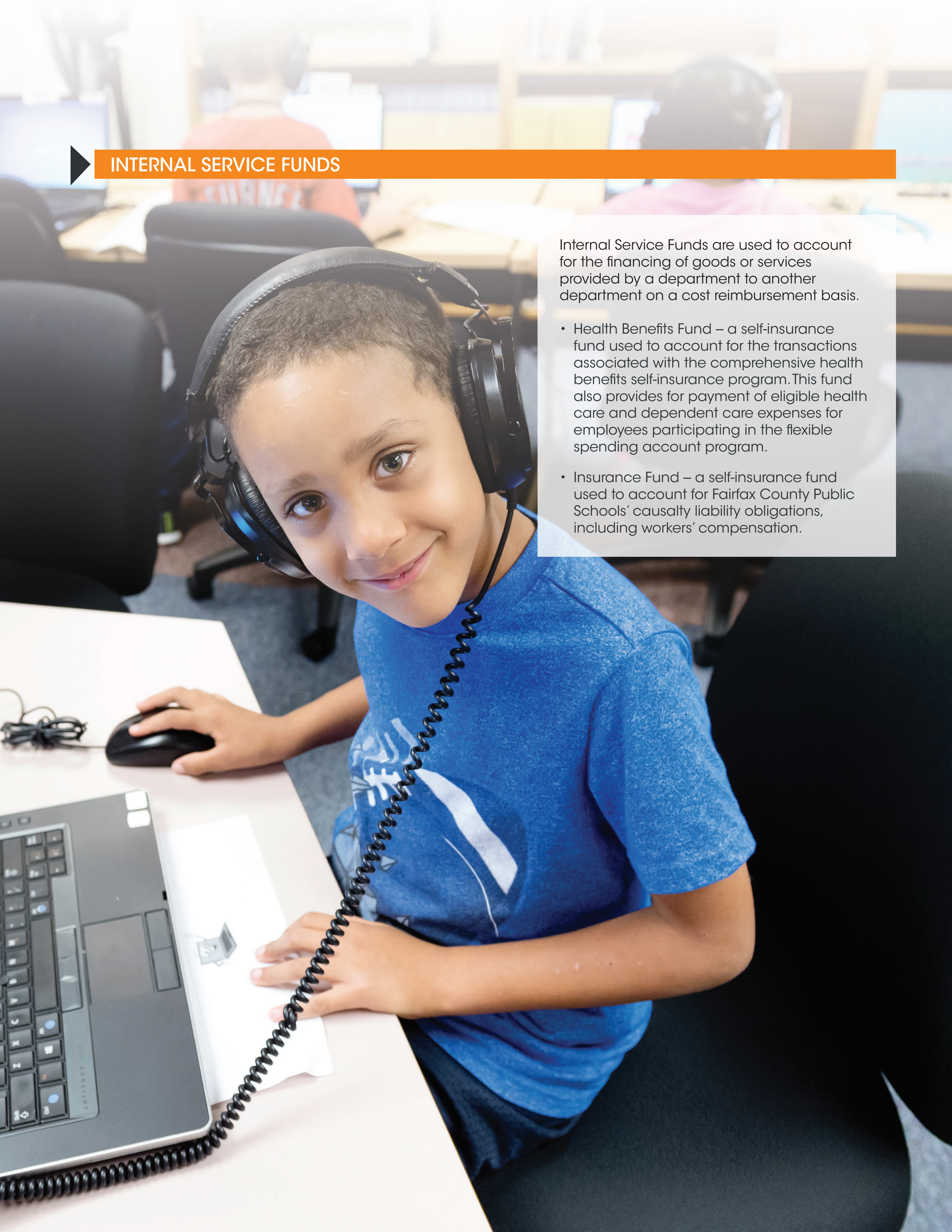

INTERNAL SERVICE FUNDS

Internal Service Funds are used to account for the financing of goods or services provided by a department to another department on a cost reimbursement basis.

- Health Benefits Fund – a self-insurance fund used to account for the transactions associated with the comprehensive health benefits self-insurance program. This fund also provides for payment of eligible health care and dependent care expenses for employees participating in the flexible spending account program.
- Insurance Fund – a self-insurance fund used to account for Fairfax County Public Schools' causalty liability obligations, including workers' compensation.

FAIRFAX COUNTY PUBLIC SCHOOLS **EXHIBIT R**
Combining Statement of Net Position
Internal Service Funds
June 30, 2017

	Health Benefits	Insurance	Total Internal Service Funds
ASSETS			
Current assets:			
Cash on deposit with County of Fairfax, VA	$ 85,186,700	$ 54,355,041	$ 139,541,741
Receivables:			
Accounts	8,074,414	-	8,074,414
Accrued interest	82,637	-	82,637
Total current assets	93,343,751	54,355,041	147,698,792
Non-current assets:			
Capital assets:			
Equipment	-	40,029	40,029
Accumulated depreciation	-	(40,029)	(40,029)
Total non-current assets	-	-	-
Total assets	93,343,751	54,355,041	147,698,792
LIABILITIES			
Current liabilities:			
Accounts payable	7,890,462	198,610	8,089,072
Unearned revenues	11,139,505	-	11,139,505
Compensated absences	101,351	28,670	130,021
Actuarial claims payable	18,672,250	9,127,603	27,799,853
Total current liabilities	37,803,568	9,354,883	47,158,451
Non-current liabilities:			
Compensated absences	43,436	12,287	55,723
Actuarial claims payable	982,750	36,510,412	37,493,162
Total non-current liabilities	1,026,186	36,522,699	37,548,885
Total liabilities	38,829,754	45,877,582	84,707,336
NET POSITION			
Unrestricted	54,513,997	8,477,459	62,991,456
Total net position	$ 54,513,997	$ 8,477,459	$ 62,991,456

FAIRFAX COUNTY PUBLIC SCHOOLS **EXHIBIT S**

Combining Statement of Revenues, Expenses, and Changes in Net Position

Internal Service Funds

For the Fiscal Year Ended June 30, 2017

	Health Benefits	Insurance	Total Internal Service Funds
OPERATING REVENUES			
Charges for services	$ 390,441,657	$ 17,691,092	$ 408,132,749
OPERATING EXPENSES			
Salaries and wages	2,650,675	902,957	3,553,632
Claims and benefits	360,669,804	19,159,330	379,829,134
Professional consultant services	11,548,497	1,428,786	12,977,283
Other operating expenses	30,793	306,766	337,559
Total operating expenses	374,899,769	21,797,839	396,697,608
Operating gain/(loss)	15,541,888	(4,106,747)	11,435,141
NONOPERATING REVENUES			
Interest revenue	368,056	-	368,056
Change in net position	15,909,944	(4,106,747)	11,803,197
Total net position - July 1, 2016	38,604,053	12,584,206	51,188,259
Total net position - June 30, 2017	$ 54,513,997	$ 8,477,459	$ 62,991,456

FAIRFAX COUNTY PUBLIC SCHOOLS **EXHIBIT T**

Combining Statement of Cash Flows

Internal Service Funds

For the Fiscal Year Ended June 30, 2017

	Health Benefits	Insurance	Total Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from interfund services provided	$ 400,906,300	$ 17,691,092	$ 418,597,392
Payments to employees	(2,650,675)	(902,957)	(3,553,632)
Payments for claims and health benefits	(363,431,996)	(13,034,973)	(376,466,969)
Payments for professional services	(8,625,155)	(1,343,557)	(9,968,712)
Payments for other operating expenses	(30,793)	(306,766)	(337,559)
Net cash provided by operating activities	26,167,681	2,102,839	28,270,520
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	314,965	-	314,965
Net cash provided by investing activities	314,965	-	314,965
Net increase in cash and cash equivalents	26,482,646	2,102,839	28,585,485
Cash and cash equivalents - July 1, 2016	58,704,054	52,252,202	110,956,256
Cash and cash equivalents - June 30, 2017	$ 85,186,700	$ 54,355,041	$ 139,541,741
Reconciliation of operating gain/(loss) to net cash provided by operating activities:			
Operating gain (loss)	$ 15,541,888	$ (4,106,747)	$ 11,435,141
Adjustments to reconcile operating gain (loss) to net cash provided by operating activities:			
Decrease in accounts receivable	9,989,241	-	9,989,241
Decrease in accounts payable	2,923,342	85,229	3,008,571
Increase in unearned revenues	475,402	-	475,402
Decrease in compensated absences	(3,192)	(22,683)	(25,875)
Increase (decrease) in actuarial claims payable	(2,759,000)	6,147,040	3,388,040
Total adjustments to operating gain (loss)	10,625,793	6,209,586	16,835,379
Net cash provided by operating activities	$ 26,167,681	$ 2,102,839	$ 28,270,520

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FIDUCIARY FUNDS

Pension and Other Postemployment Benefit Trust Funds are used to account for assets held by Fairfax County Public Schools (FCPS) in a trustee capacity under terms of a formal trust agreement.

- Educational Employees' Supplementary Retirement System of Fairfax County (ERFC)—used to account for assets held for the members and beneficiaries of ERFC, a single-employer defined benefit pension plan.
- School Other Postemployment Benefit (OPEB) Trust Funds—used to account for accumulating and investing assets for FCPS' postemployment health benefit subsidies for eligible retirees and their surviving spouses. The School OPEB Trust Fund is a single-employer other postemployment defined benefit plan.
- The Student Activity Fund is used to account for monies collected and disbursed 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 their respective schools and not for FCPS as a whole.

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FAIRFAX COUNTY PUBLIC SCHOOLS **EXHIBIT U**
Combining Statement of Fiduciary Net Position
Pension and Other Postemployment Benefit Trust Funds
June 30, 2017

	Educational Employees' Supplementary Retirement System	School Other Postemployment Benefits Trust	Total Pension and Other Postemployment Benefit Trust Funds
ASSETS			
Cash and cash equivalents	$ 907,452	$ -	$ 907,452
Cash with fiscal agent	715,724	-	715,724
Cash collateral for securities on loan	170,713,805	-	170,713,805
Short-term investments	33,852,955	-	33,852,955
Receivables:			
Accrued interest	2,963,524	-	2,963,524
Securities sold	6,731,606	188,491	6,920,097
Investments, at fair value:			
U.S. government obligations	18,415,390	-	18,415,390
Mortgage-backed securities	107,303,732	-	107,303,732
Stocks	681,120,596	39,117,708	720,238,304
Real estate	180,237,145	-	180,237,145
Global asset allocation	236,687,821	-	236,687,821
Better beta derivatives	112,371,447	-	112,371,447
Hedge funds	90,512,487	11,635,494	102,147,981
Private equity mutual partnership	68,818,151	-	68,818,151
Mutual funds	774,662,404	67,792,886	842,455,290
Capital assets:			
Equipment	141,687	-	141,687
Accumulated depreciation	(88,141)	-	(88,141)
Total assets	2,486,067,785	118,734,579	2,604,802,364
LIABILITIES			
Capital leases	21,991	-	21,991
Accounts payable	1,990,307	37,200	2,027,507
Payable for purchase of investments	9,060,028	-	9,060,028
lending agreements	170,713,805	-	170,713,805
Total liabilities	181,786,131	37,200	181,823,331
NET POSITION			
Held in trust for pension and other postemployment benefits	$ 2,304,281,654	$ 118,697,379	$ 2,422,979,033

FAIRFAX COUNTY PUBLIC SCHOOLS **EXHIBIT V**

Combining Statement of Changes in Fiduciary Net Position
Pension and Other Postemployment Benefit Trust Funds
For the Fiscal Year Ended June 30, 2017

	Educational Employees' Supplementary Retirement System	School Other Postemployment Benefits Trust	Total Pension and Other Postemployment Benefit Trust Funds
ADDITIONS			
Contributions:			
Employer	$ 80,094,538	$ 22,404,000	$ 102,498,538
Plan members	43,062,632	-	43,062,632
Total contributions	123,157,170	22,404,000	145,561,170
Investment earnings:			
From investing activities:			
Net appreciation in fair value of investments	223,619,057	13,288,242	236,907,299
Interest and dividends	33,416,321	565	33,416,886
Real estate income	6,580,592	-	6,580,592
Net gain from investing activities	263,615,970	13,288,807	276,904,777
Less investment expenses:			
Investment management fees	12,633,978	83,037	12,717,015
Investment consulting fees	438,865	-	438,865
Investment custodial fees	188,984	500	189,484
Investment salaries	236,189	-	236,189
Total investment expenses	13,498,016	83,537	13,581,553
Net gain from investing activities	250,117,954	13,205,270	263,323,224
From securities lending activities:			
Securities lending	1,795,875	-	1,795,875
Securities lending management fees	(932,052)	-	(932,052)
Net income from securities lending activities	863,823	-	863,823
Net investment gain	250,981,777	13,205,270	264,187,047
Total additions	374,138,947	35,609,270	409,748,217
DEDUCTIONS			
Benefit payments	168,783,718	17,404,000	186,187,718
Refund of contributions	4,601,865	-	4,601,865
Administrative expenses	4,059,408	-	4,059,408
Total deductions	177,444,991	17,404,000	194,848,991
Change in net position	196,693,956	18,205,270	214,899,226
Net position - July 1, 2016	2,107,587,698	100,492,109	2,208,079,807
Net position - June 30, 2017	$ 2,304,281,654	$ 118,697,379	$ 2,422,979,033

FAIRFAX COUNTY PUBLIC SCHOOLS **EXHIBIT W**
Statement of Changes in Assets and Liabilities
Student Activity Fund
For the Fiscal Year Ended June 30, 2017

	Balance June 30, 2016	Additions	Deductions	Balance June 30, 2017
ASSETS				
Cash with fiscal agent	$ 20,850,022	$ 53,808,401	$ (52,417,371)	$ 22,241,052
Accounts receivable	458,410	307,416	(429,900)	335,926
Total assets	$ 21,308,432	$ 54,115,817	$ (52,847,271)	$ 22,576,978
LIABILITIES				
Accounts payable	$ 498,998	$ 473,411	$ (230,837)	$ 741,572
Due to student groups	20,809,434	9,201,974	(8,176,002)	21,835,406
Total liabilities	$ 21,308,432	$ 9,675,385	$ (8,406,839)	$ 22,576,978

STATISTICAL SECTION (unaudited)

The Statistical Section provides financial statement readers with additional historical perspective, content, and detail to assist readers in using the information in the financial statements, including the accompanying notes and the required supplementary information, to understand and assess Fairfax County Public Schools' (FCPS) economic condition. Information is presented in the following five categories:

- Financial Trends—trend information to assist in understanding how FCPS' financial performance has changed over time. (Tables 1-4)
- Revenue Capacity—information to assist in understanding FCPS' most significant own-source revenue, charges for services. (Tables 5-8)
- Debt Capacity—information to assist in understanding FCPS' debt burden. (Table 9)
- Demographic Information—demographic and economic indicators to assist in understanding the environment within which FCPS' financial activities take place. (Tables 10-13)
- Operating Information—service and infrastructure data to assist in understanding the resources used and services provided in FCPS' operations. (Tables 14-19)

FAIRFAX COUNTY PUBLIC SCHOOLS
Net Position by Component (2)
Last Ten Fiscal Years
(Dollars in Thousands)
Unaudited

	Fiscal Year				
Governmental Activities	**2017**	**2016**	**2015**	**2014**	**2013**
Net investment in capital assets	$ 2,372,731	$ 2,298,394	$ 2,226,691	$ 2,126,682	$ 2,026,739
Restricted (1)	64,143	66,320	60,964	103,699	137,390
Unrestricted	(2,933,512)	(2,892,239)	(2,961,330)	200,355	251,288
Total net position	$ (496,638)	$ (527,525)	$ (673,675)	$ 2,430,736	$ 2,415,417

(1) Starting in fiscal year 2008, net position was restricted for grant programs and unspent bond proceeds restricted for major capital projects.
(2) Starting in fiscal year 2013, net assets changed to net position.

Source: FCPS Comprehensive Annual Financial Reports 2008-2017

TABLE 1

Fiscal Year					
2012	2011	2010	2009	2008	**Governmental Activities**
$ 1,986,758	$ 1,941,947	$ 1,866,973	$ 1,851,436	$ 1,788,593	Net investment in capital assets
-	8,940	71,568	28,520	21,647	Restricted (1)
411,291	388,234	255,695	172,741	149,557	Unrestricted
$ 2,398,049	$ 2,339,121	$ 2,194,236	$ 2,052,697	$ 1,959,797	Total net position

FAIRFAX COUNTY PUBLIC SCHOOLS
Changes in Net Position (1)
Last Ten Fiscal Years
(Dollars in Thousands)
Unaudited

	Fiscal Year				
Governmental Activities	**2017**	**2016**	**2015**	**2014**	**2013**
Expenses					
Instruction	$ 2,471,926	$ 2,256,704	$ 2,220,230	$ 2,216,228	$ 2,201,593
Support programs	379,770	361,025	360,930	360,657	340,158
Food service	82,869	76,123	77,804	81,128	82,418
Interest on long-term debt	2,831	2,908	2,865	3,043	3,372
Total expenses	2,937,396	2,696,760	2,661,829	2,661,056	2,627,541
Program Revenues					
Charges for services:					
Instruction	52,135	48,935	47,392	49,753	51,495
Support programs	14,037	15,624	15,672	11,536	11,489
Food service	41,659	39,604	39,592	41,567	43,563
Operating grants and contributions	287,733	267,993	259,109	262,295	253,061
Capital grants and contributions	181,916	184,126	171,313	160,008	167,136
Total program revenues	577,480	556,282	533,078	525,159	526,744
Total net expense	(2,359,916)	(2,140,478)	(2,128,751)	(2,135,897)	(2,100,797)
General Revenues and Other Changes in Net Position					
Grants and contributions not restricted to specific purposes:					
Federal government	6,776	5,446	4,635	4,739	6,324
Commonwealth of Virginia	464,403	453,988	448,297	427,765	426,778
County of Fairfax, VA	1,913,519	1,825,153	1,768,498	1,716,989	1,683,322
Revenue for the use of money (2)	118	48	21	19	74
Other	5,987	1,993	1,688	1,703	1,668
Total general revenues and other changes in net position	2,390,803	2,286,628	2,223,139	2,151,215	2,118,166
Change in Net Position	$ 30,887	$ 146,150	$ 94,388	$ 15,318	$ 17,369

(1) In FY 2013, net assets was changed to net position.
(2) Revenue from the use of money varies from year to year primarily due to fluctuations in interest rates.

Source: FCPS Comprehensive Annual Financial Reports 2008-2017

Fiscal Year 2012	2011	2010	2009	2008	Governmental Activities
					Expenses
$ 2,034,780	$ 1,902,838	$ 1,884,182	$ 1,962,020	$ 1,925,025	Instruction
328,736	332,906	322,682	333,639	347,875	Support programs
79,303	73,756	68,957	71,118	67,872	Food service
3,390	4,088	3,942	4,238	4,611	Interest on long-term debt
2,446,209	2,313,588	2,279,763	2,371,015	2,345,383	Total expenses
					Program Revenues
					Charges for services:
49,918	43,188	21,413	46,984	48,122	Instruction
9,322	11,106	7,698	8,175	6,535	Support programs
47,547	47,458	47,207	49,280	45,794	Food service
235,073	229,644	225,774	179,396	167,889	Operating grants and contributions
161,268	141,171	162,727	170,736	165,578	Capital grants and contributions
503,128	472,567	464,819	454,571	433,918	Total program revenues
(1,943,081)	(1,841,021)	(1,814,944)	(1,916,444)	(1,911,465)	Total net expense
					General Revenues and Other Changes in Net Position
					Grants and contributions not restricted to specific purposes:
6,224	7,574	6,506	8,828	7,099	Federal government
383,205	365,912	319,350	365,932	364,021	Commonwealth of Virginia
1,610,835	1,611,591	1,626,601	1,626,601	1,586,601	County of Fairfax, VA
60	692	957	1,839	4,404	Revenue for the use of money (2)
1,685	137	3,069	6,144	5,435	Other
2,002,009	1,985,906	1,956,483	2,009,344	1,967,560	Total general revenues and other changes in net position
$ 58,928	$ 144,885	$ 141,539	$ 92,900	$ 56,095	**Change in Net Position**

FAIRFAX COUNTY PUBLIC SCHOOLS
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Dollars in Thousands)
Unaudited

	Fiscal Year				
	2017	**2016**	**2015**	**2014**	**2013**
General Fund:					
Nonspendable	$ 401	$ 144	$ 396	$ 427	$ 259
Committed	55,182	49,986	54,084	57,205	90,651
Assigned	87,476	91,943	90,075	97,550	119,806
Unassigned	3,800	-	2,141	2,086	3,272
Total General Fund	$ 146,859	$ 142,073	$ 146,696	$ 157,268	$ 213,988
All other governmental funds:					
Nonspendable	$ 1,219	$ 1,529	$ 1,852	$ 2,348	$ 1,466
Restricted	64,143	66,320	61,362	104,066	137,974
Assigned	-	-	-	-	-
Unassigned	(553)	-	-	-	-
Total all other governmental funds	$ 64,809	$ 67,849	$ 63,214	$ 106,414	$ 139,440

Source: FCPS Comprehensive Annual Financial Reports 2008-2017 and FCPS Final Budget Review Reports 2008-2017.

TABLE 3

2012	2011	2010	2009	2008	
					General Fund:
$ 26,937	$ 23,246	$ 19,652	$ 18,128	$ 17,507	Nonspendable
126,092	47,993	-	-	-	Committed
83,565	140,890	136,247	75,569	63,528	Assigned
22,493	48,607	33,858	24,447	27,776	Unassigned
$ 259,087	$ 260,736	$ 189,757	$ 118,144	$ 108,811	Total General Fund
					All other governmental funds:
$ 3,633	$ 2,253	$ 2,459	$ 2,248	$ 2,191	Nonspendable
114,292	31,461	27,598	15,365	13,957	Restricted
-	75,009	94,276	36,466	12,922	Assigned
(975)	-	-	-	-	Unassigned
$ 116,950	$ 108,723	$ 124,333	$ 54,079	$ 29,070	Total all other governmental funds

Fiscal Year

FAIRFAX COUNTY PUBLIC SCHOOLS
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Dollars in Thousands)
Unaudited

	Fiscal Year				
	2017	**2016**	**2015**	**2014**	**2013**
Revenues					
Intergovernmental	$ 2,838,365	$ 2,726,484	$ 2,639,091	$ 2,559,313	$ 2,514,854
Charges for services	58,851	56,291	56,650	57,838	60,184
Revenue from the use of money and property	4,094	3,948	3,630	3,183	3,170
Recovered costs (1)	44,793	44,033	42,426	42,140	43,523
Other	22,180	12,154	14,420	13,900	23,179
Total revenues	2,968,283	2,842,910	2,756,217	2,676,374	2,644,910
Expenditures					
Current:					
Instruction	2,318,272	2,206,938	2,154,041	2,121,484	2,102,979
Support programs	353,367	353,194	350,964	345,640	325,273
Food service	77,427	74,128	75,526	77,987	78,635
Capital outlay	224,279	215,607	229,852	214,819	154,625
Debt service:					
Principal	18,157	14,444	15,238	14,407	12,834
Interest	2,803	2,909	2,751	3,273	3,372
Total expenditures	2,994,305	2,867,220	2,828,372	2,777,610	2,677,718
Excess (deficiency) of revenues over (under) expenditures	(26,022)	(24,310)	(72,155)	(101,236)	(32,808)
Other financing sources (uses)					
Transfers in	29,378	30,687	30,491	36,874	30,393
Transfers out	(29,378)	(30,687)	(30,491)	(36,874)	(30,393)
Capital leases and installment purchases (2)	28,079	24,646	18,340	11,148	10,294
Total other financing sources (uses), net	28,079	24,646	18,340	11,148	10,294
Net change in fund balances (3)	$ 2,057	$ 336	$ (53,815)	$ (90,088)	$ (22,514)
Debt service as a percentage of noncapital expenditures	0.8%	0.7%	0.7%	0.7%	0.6%

(1) FCPS provides educational services to the City of Fairfax's schools on a cost reimbursement basis. These revenues are reported as recovered costs.
(2) The items acquired by capital leases and installment purchases include computers, vehicles, buses, and energy saving packages. The amount of funding available for these purchases may vary dramatically over time depending on needs. The substantial increase in fiscal year 2010 was due to the fact fiscal year 2009 leases were postponed because the master lease agreement expired in fiscal year 2009.

TABLE 4

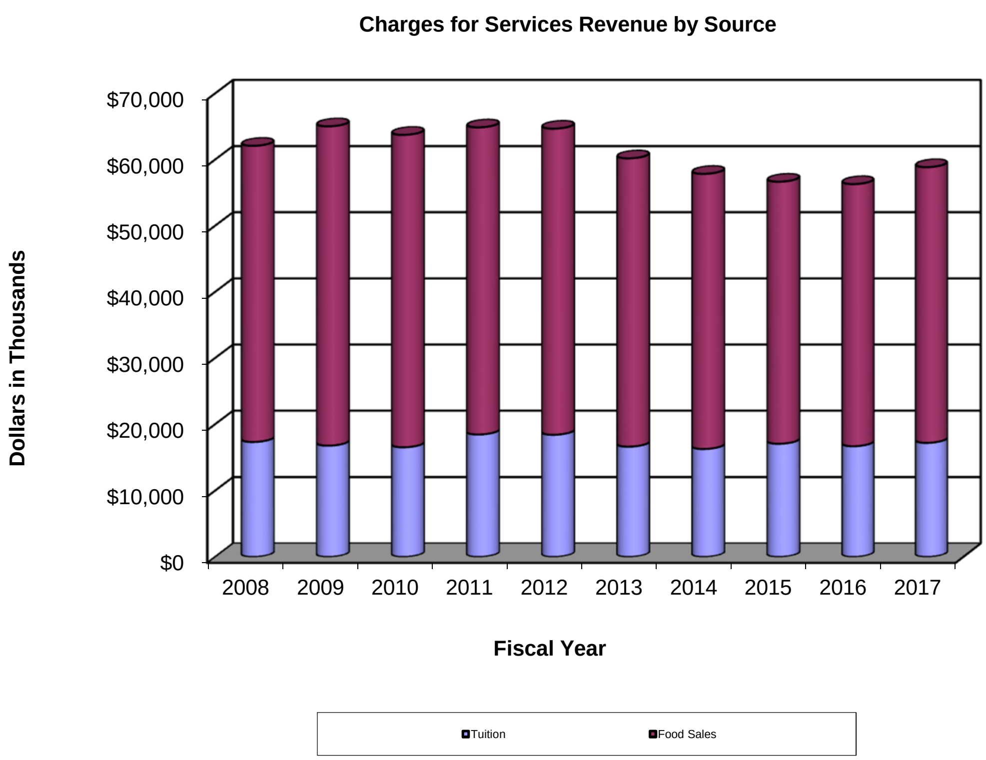
	Fiscal Year				
	2012	2011	2010	2009	2008
Revenues					
Intergovernmental	$ 2,384,966	$ 2,343,575	$ 2,349,368	$ 2,336,434	$ 2,277,965
Charges for services	64,672	64,862	63,733	65,021	62,077
Revenue from the use of money and property	3,232	3,518	3,614	3,371	3,365
Recovered costs (1)	39,262	35,795	34,852	37,344	36,472
Other	15,600	11,136	12,919	12,776	17,021
Total revenues	2,507,732	2,458,886	2,464,486	2,454,946	2,396,900
Expenditures					
Current:					
Instruction	1,940,659	1,826,700	1,820,542	1,882,672	1,854,380
Support programs	313,294	311,628	311,695	313,837	334,251
Food service	75,782	70,522	66,917	68,282	65,704
Capital outlay	174,390	174,358	127,979	148,604	138,534
Debt service:					
Principal	13,474	22,759	13,210	15,487	20,119
Interest	3,390	4,317	3,950	4,448	4,620
Total expenditures	2,520,989	2,410,284	2,344,293	2,433,330	2,417,608
Excess (deficiency) of revenues over (under) expenditures	(13,257)	48,602	120,193	21,616	(20,708)
Other financing sources (uses)					
Transfers in	22,206	24,684	30,445	45,227	38,998
Transfers out	(22,206)	(24,684)	(30,445)	(34,527)	(38,998)
Capital leases and installment purchases (2)	19,680	7,058	21,496	1,996	16,404
Total other financing sources (uses), net	19,680	7,058	21,496	12,696	16,404
Net change in fund balances (3)	$ 6,423	$ 55,660	$ 141,689	$ 34,312	$ (4,304)
Debt service as a percentage of noncapital expenditures	0.7%	1.2%	0.8%	0.9%	1.1%

(3) The significant increase in fund balance in fiscal year 2010 was a result of the implementation of major cost saving measures due to the uncertain economy.

Source: FCPS Comprehensive Annual Financial Reports 2008-2017

FAIRFAX COUNTY PUBLIC SCHOOLS **TABLE 5**
Charges for Services Revenue by Source (1)
Last Ten Fiscal Years
(Dollars in Thousands)
Unaudited

Fiscal Year	Tuition	Percentage	Food Sales	Percentage	Total
2017	$ 17,193	29.2 %	$ 41,659	70.8 %	$ 58,852
2016	16,687	29.6	39,604	70.4	56,291
2015	17,058	30.1	39,592	69.9	56,650
2014	16,271	28.1	41,567	71.9	57,838
2013	16,621	27.6	43,563	72.4	60,184
2012	18,409	28.5	46,263	71.5	64,672
2011	18,451	28.4	46,411	71.6	64,862
2010	16,526	25.9	47,207	74.1	63,733
2009	16,773	25.8	48,248	74.2	65,021
2008	17,325	27.9	44,752	72.1	62,077



(1) FCPS' primary own source revenue is charges for services, which consists of tuition fees and food sales.

Source: FCPS Comprehensive Annual Financial Reports 2008-2017

FAIRFAX COUNTY PUBLIC SCHOOLS **TABLE 6**
Food Service Sales Price Breakdown (1)
Last Ten Fiscal Years
Unaudited

	Student	Student Lunch			Adult
Fiscal Year	**Breakfast**	**Elementary**	**Middle**	**High**	**Lunch**
2017	$ 1.75	$ 3.00	$ 3.25	$ 3.25	$ 4.25
2016	1.75	2.90	3.00	3.00	3.90
2015	1.75	2.90	3.00	3.00	3.90
2014	1.50	2.65	2.75	2.75	3.65
2013	1.50	2.65	2.75	2.75	3.65
2012	1.50	2.65	2.75	2.75	3.65
2011	1.50	2.65	2.75	2.75	3.65
2010	1.50	2.65	2.75	2.75	3.65
2009	1.50	2.40	2.50	2.50	3.40
2008	1.25	2.15	2.25	2.25	3.15

Source: FCPS - Office of Food and Nutrition Services

FAIRFAX COUNTY PUBLIC SCHOOLS **TABLE 7**
Principal Food Service Sales by Client
Current Fiscal year and ten years ago
(Dollars in Thousands)
Unaudited

	Fiscal Year 2017			Fiscal Year 2008		
Client	**Sales**	**Rank**	**Percentage of Total Sales**	**Sales**	**Rank**	**Percentage of Total Sales**
Student	$ 35,232	1	84.57 %	$ 28,932	1	64.65 %
School-age child care(SACC)	2,686	2	6.45	2,444	4	5.46
Vending	2,251	3	5.40	4,291	3	9.59
Senior nutrition	275	4	0.66	788	7	1.76
Adult	569	5	1.37	2,047	5	4.57
Daycare	404	6	0.97	1,083	6	2.42
Catering/other	242	7	0.58	5,167	2	11.55
Total:	**$ 41,659**		**100.00%**	**$ 44,752**		**100.00%**

Source: FCPS- Office of Food and Nutrition Services

FAIRFAX COUNTY PUBLIC SCHOOLS **TABLE 8**
Food Sales - Meals Served Daily
Last Ten Fiscal Years
Unaudited

	Students Served Daily			
Fiscal Year	**Breakfasts**	**Lunches (1)**	**Free and Reduced-Price Lunches**	**Adult Lunches Served Daily**
2017	22,261	80,660	40,163	2,202
2016	20,102	82,168	41,733	2,441
2015	19,193	81,526	41,549	2,635
2014	19,090	83,355	40,786	2,743
2013	17,171	85,006	39,258	2,877
2012	15,400	86,703	38,365	2,981
2011	12,825	85,154	36,414	3,000
2010	11,911	83,514	32,661	3,138
2009	10,456	83,385	28,302	3,421
2008	10,555	81,432	25,292	3,603

Percentage of Free and Reduced-Price Lunches to Total Student Lunches Served Daily

(1) Includes free and reduced-price lunches served daily.

Source: FCPS - Office of Food and Nutrition Services

FAIRFAX COUNTY PUBLIC SCHOOLS **TABLE 9**

Ratios of Debt Outstanding (1)

Last Ten Fiscal Years

(Dollars in Thousands)

Unaudited

	Governmental Activities (2)			Percent of	
Fiscal Year	Capital Leases	Installment Purchases	Total	Personal Income (3)	Debt Per Capita (3)
2017	$ 99,652	$ -	$ 99,652	0.12 %	$ 88
2016	89,731	-	89,731	0.10	79
2015	79,529	-	79,529	0.10	70
2014	76,413	-	76,413	0.09	68
2013	84,948	-	84,948	0.11	76
2012	87,533	-	87,533	0.12	80
2011	81,327	-	81,327	0.11	75
2010	87,232	9,795	97,027	0.13	90
2009	77,232	11,509	88,741	0.12	84
2008	89,078	13,153	102,231	0.15	98

(1) See Note III.F in the notes to the financial statements for additional details on FCPS' outstanding debt.

(2) The Code prohibits FCPS from issuing general obligation debt. As a result, the County issues general obligation bonds for FCPS and reports them in its financial statements as the general obligation debt related to FCPS. The Code does not impose a legal limit on the amount of long-term indebtedness that the County can incur or have outstanding; however, the County's Board of Supervisors has imposed limits.

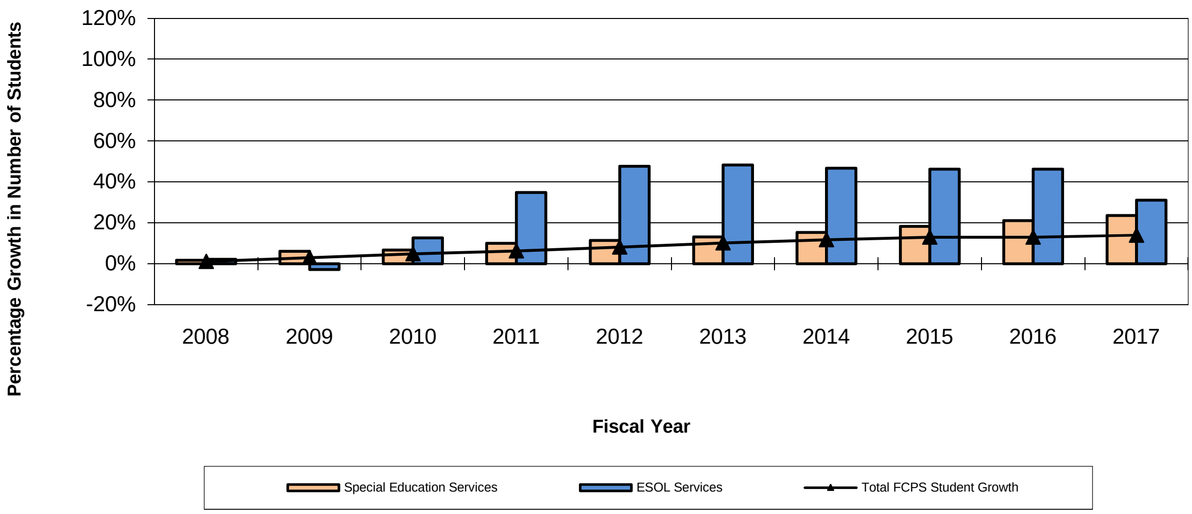
(3) See Table 12 for personal income and population totals. The calculations are based on calendar year figures that fall within the fiscal year.

Source: FCPS Comprehensive Annual Financial Reports 2008-2017

FAIRFAX COUNTY PUBLIC SCHOOLS **TABLE 10**
Enrollment Trend
Last Ten Fiscal Years
Unaudited

Fiscal Year	Grades K-6 (1)	Grades 7-8	Grades 9-12 (2)	Special Education (3)	Total
2017	92,535	25,680	52,876	16,393	187,484
2016	92,473	25,215	52,225	16,066	185,979
2015	92,897	25,060	52,265	15,692	185,914
2014	93,281	23,847	51,472	15,295	183,895
2013	91,657	23,459	51,124	15,019	181,259
2012	89,049	23,508	50,583	14,778	177,918
2011	86,796	23,384	50,153	14,600	174,933
2010	84,012	24,250	49,972	14,157	172,391
2009	83,114	22,931	49,422	14,071	169,538
2008	81,341	22,744	48,723	13,499	166,307

Total FCPS Student Growth from Fiscal Year 2008 Compared to Increased Services for Special Education and English for Speakers of Other Languages (ESOL)



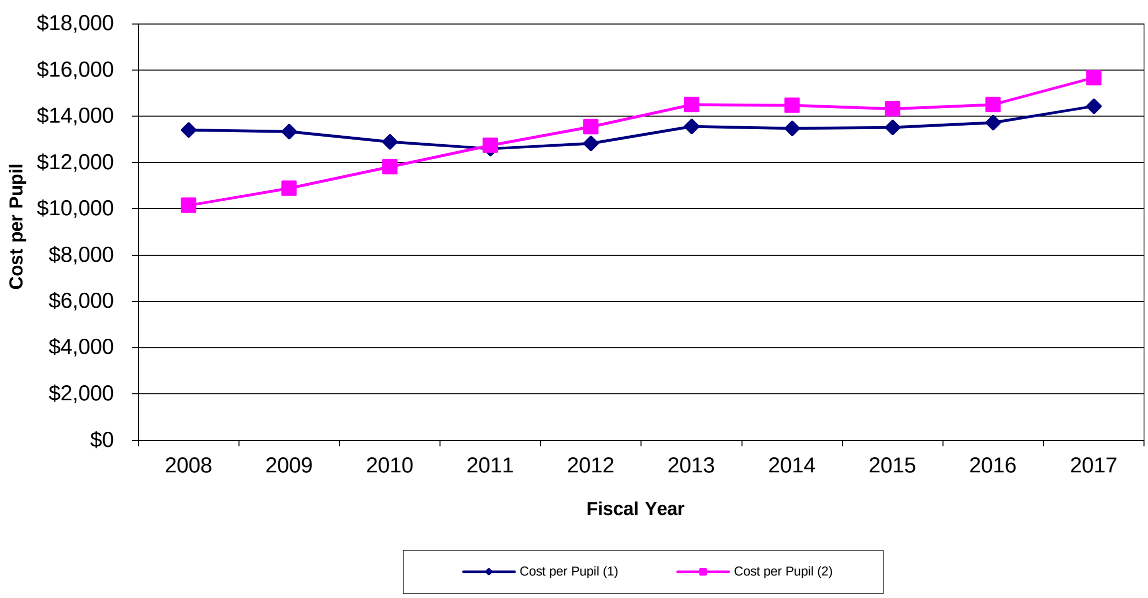
(1) Includes Family and Early Childhood Education Program (FECEP), kindergarten, and grades 1 to 6 membership
(2) Includes membership in grades 9 through 12, including alternative programs
(3) Includes Level 2 and preschool services.

Source: FCPS Approved Budgets 2008-2017

FAIRFAX COUNTY PUBLIC SCHOOLS **TABLE 11**
Cost per Pupil
Last Ten Fiscal Years
Unaudited

Fiscal Year	Cost per Pupil (1)	Cost per Pupil (2)
2017	$ 14,432	$ 15,667
2016	13,718	14,500
2015	13,519	14,318
2014	13,472	14,471
2013	13,564	14,496
2012	12,820	13,749
2011	12,597	13,032
2010	12,898	13,224
2009	13,340	13,985
2008	13,407	14,103

Cost per Pupil Trend



(1) The regional formula for calculating the cost per pupil is based on General Fund expenditures rather than the government-wide expenses. The computation includes all costs directly associated with an instructional program. Transportation costs are allocated to each program according to the actual costs of providing services.

(2) Calculation is based on the total government-wide expenses divided by the number of students enrolled.

Source: Metropolitan/Washington Area Boards of Education Guides 2008-2017
FCPS Comprehensive Annual Financial Reports 2008-2017

FAIRFAX COUNTY PUBLIC SCHOOLS **TABLE 12**
Demographic and Economic Statistics of the County of Fairfax, Virginia
Last Ten Calendar Years
Unaudited

Calendar Year	Population (1)	Personal Income (000s) (2)	Per Capita Personal Income (2)	Median Age (Years) (3)	Percent of People ≥ 25 Years Old with a Bachelor's Degree (3)	Public School Enrollment (4)	Unemployment Rate (5)
2016	1,138,652	$ 85,311,224	$ 74,923	38.0	59.9 %	185,979	3.2 %
2015	1,142,234	85,675,546	75,007	37.7	59.2	185,914	3.1
2014	1,137,538	81,620,627	71,752	37.6	58.6	183,895	3.5
2013	1,130,924	80,982,075	71,607	37.3	58.2	181,259	3.7
2012	1,118,602	77,012,392	68,847	37.6	59.3	177,918	4.3
2011	1,100,692	71,145,429	64,637	37.6	58.0	174,933	4.2
2010	1,081,726	72,577,324	67,094	37.5	56.1	172,391	4.9
2009	1,074,227	74,380,758	69,241	37.3	58.1	169,538	4.8
2008	1,050,315	74,385,409	70,822	39.4	58.5	166,307	3.4
2007	1,041,507	70,500,650	67,691	39.1	59.0	164,486	2.2

Source:

(1) Population data includes the Cities of Fairfax and Falls Church and is obtained from U.S. Census Bureau's American Fact Finder.

(2) Personal income data is obtained from the Bureau of Economic Analysis, U.S. Department of Commerce and includes the Cities of Fairfax and Falls Church. Data for Fairfax County only, is not available, however, it is believed that the inclusion of these Cities does not significantly affect the County's data. Fairfax County data for 2015 is estimated using percent change in per capita personal income from 2014.

(3) Median age and educational attainment information are obtained from the U.S. Census Bureau's American Fact Finder.

(4) Public school enrollment is obtained from FCPS Approved Budgets 2007-2016.

(5) Unemployment rates are obtained from the Virginia Employment Commission, Annual Unemployment Statistics for the calendar year, not seasonally adjusted.

FAIRFAX COUNTY PUBLIC SCHOOLS **TABLE 13**

Principal Employers in the County of Fairfax, Virginia
Current Fiscal Year and Nine Years Ago
Unaudited

	Fiscal Year 2017 (1)			Fiscal Year 2008 (1)		
Employer	**Number of Employees (2)**	**Rank**	**Percent of Total County Employment (3)**	**Number of Employees (2)**	**Rank**	**Percent of Total County Employment (3)**
Federal Government	24,970	1	4.02 %	15,087	2	2.56 %
Fairfax County Public Schools	24,688	2	3.97	22,994	1	3.91
Fairfax County Government	12,438	3	2.00	12,263	3	2.08
Inova Health System	7,000-10,000	4	1.37	7,000-10,000	4	1.45
George Mason University	7,000-10,000	5	1.37	-	-	-
Booz-Allen Hamilton	4,000-6,999	6	0.89	7,000-10,000	5	1.45
Federal Home Loan Mortgage	4,000-6,999	7	0.89	4,000-6,999	8	0.94
General Dynamics	4,000-6,999	8	0.89	-	-	-
Northrop Gruman	1,000-3,999	9	0.40	7,000-10,000	6	1.45
Science Applications International Corporation (4)	1,000-3,999	10	0.40	4,000-6,999	7	0.94
Lockheed Martin	1,000-3,999	-	0.00	4,000-6,999	9	0.94
Sprint	1,000-3,999	-	0.00	4,000-6,999	10	0.94
Totals			16.20 %			16.66 %

(1) Employment information for fiscal year 2017 excluding data for Fairfax County Government and FCPS, is from the first quarter of calendar year 2017 VEC. Employment information for fiscal year 2008 is from the fiscal year 2008 County of Fairfax CAFR.

(2) Employment estimates for separate facilities of the same firm have been combined to create company totals. Employment ranges for the private sector are given to ensure confidentiality.

(3) Percentages are based on the midpoint of the employment range. Average total County employment in fiscal year 2017 is estimated at 621,364, based on Virginia Employment Commission. Average total County employment for fiscal year 2008 was estimated at 588,192.

(4) SAIC employment reported prior to the September 2013 split into two independent companies (SAIC and Leidos).

Source: Fairfax County Economic Development Authority (using Virginia Employment Commission data); FCPS - Office of the Comptroller; Fairfax County Department of Management and Budget

FAIRFAX COUNTY PUBLIC SCHOOLS
Full-Time Employees by Function - All Funds
Last Ten Fiscal Years
Unaudited

	Fiscal Year				
Function	**2017**	**2016**	**2015**	**2014**	**2013**
School Based:					
Principals	199.0	198.0	197.0	196.0	196.0
Assistant principals & directors	451.0	459.0	454.0	454.0	450.0
Teachers	15,464.0	15,295.3	15,086.8	15,221.3	14,986.0
Instructional assistants	2,741.7	2,790.3	2,600.3	2,719.6	2,678.5
Custodian	1,306.5	1,327.0	1,301.5	1,345.0	1,338.0
Other school based personnel	2,632.3	2,619.3	2,658.1	2,690.8	2,667.3
Non-School Based:					
Administration	1,150.6	1,140.1	1,125.6	1,158.1	1,120.6
Teachers (1)	31.5	31.0	27.5	38.0	40.5
Office assistants	235.6	243.1	251.6	274.1	274.6
Trades personnel	476.0	478.0	479.0	493.0	480.0
Total	24,688.2	24,581.1	24,181.4	24,589.9	24,231.5

(1) These employees were teachers who performed administrative-type functions such as curriculum development.

Source: FCPS - Office of Budget Services

TABLE 14

Fiscal Year					
2012	2011	2010	2009	2008	**Function**
					School Based:
195.0	194.0	195.0	196.0	195.0	Principals
439.0	437.0	438.0	444.0	439.0	Assistant principals & directors
14,574.2	14,230.4	13,979.5	13,945.1	13,941.7	Teachers
2,537.6	2,419.2	2,334.9	2,228.0	2,243.2	Instructional assistants
1,267.0	1,251.5	1,327.5	1,432.0	1,410.5	Custodian
2,609.5	2,536.1	2,569.4	2,711.9	2,687.4	Other school based personnel
					Non-School Based:
1,044.2	1,014.7	1,054.7	1,092.0	1,094.1	Administration
40.0	30.0	54.5	27.5	28.0	Teachers (1)
282.9	279.9	311.1	343.8	358.3	Office assistants
545.0	546.0	587.0	594.0	597.0	Trades personnel
23,534.4	22,938.8	22,851.6	23,014.3	22,994.2	Total

FAIRFAX COUNTY PUBLIC SCHOOLS **TABLE 15**
SAT Scores
Comparison of County of Fairfax, Virginia, Commonwealth of Virginia, and National Averages
Last Ten Fiscal Years
Unaudited

	Combined SAT Scores - Critical Reading, Math and Writing (1)		
Fiscal Year	**County of Fairfax, VA**	**Commonwealth of Virginia**	**National**
2017	1187	1095	1044
2016	1672	1522	1453
2015	1669	1523	1462
2014	1668	1520	1471
2013	1663	1517	1474
2012	1659	1510	1477
2011	1654	1516	1500
2010	1664	1521	1509
2009	1664	1521	1509
2008	1654	1522	1511

Source: FCPS - Office of Student Testing

(1) New SAT format was implemented by the College Board on March 2016 changing the grading scale from 600 - 2400 (maximum of 1200 in Math and 1200 in Critical Reading & Writing) to a grading scale of 2400- 1600 (maximum of 800 in Math and 800 in Critical Reading & Writing).

FAIRFAX COUNTY PUBLIC SCHOOLS **TABLE 16**
Average Class Size - Students per Classroom Teacher
Last Ten Fiscal Years
Unaudited

Fiscal Year	**Elementary**	**Middle**	**Secondary/ High**
2017	22.4	24.6	25.8
2016	22.3	24.6	25.8
2015	22.4	24.6	25.6
2014	21.4	24.3	25.0
2013	21.4	24.4	24.9
2012	21.5	24.4	25.1
2011	21.7	24.3	25.3
2010	21.2	24.1	24.9
2009	20.9	23.7	24.5
2008	20.7	23.0	24.1

Source: Metropolitan/Washington Area Boards of Education Guides 2008-2017

FAIRFAX COUNTY PUBLIC SCHOOLS **TABLE 17**
Teacher Salary
Last Ten Fiscal Years
Unaudited

		Salary		
Fiscal Year	**Contract Length**	**Beginning Teacher**	**Maximum Teacher**	**Average Teacher**
2017	194 days	$ 47,516	$ 103,854	$ 70,813
2016	194 days	47,046	101,524	67,589
2015	194 days	46,756	100,898	66,782
2014	194 days	46,756	100,898	67,245
2013	194 days	45,161	96,039	64,813
2012	194 days	44,440	93,015	63,980
2011	194 days	44,000	92,094	64,249
2010	194 days	44,389	92,094	64,653
2009	194 days	44,789	92,094	66,237
2008	194 days	43,911	90,289	64,219

Source: Metropolitan/Washington Area Boards of Education Guides 2008-2017

FAIRFAX COUNTY PUBLIC SCHOOLS **TABLE 18**
Capital Assets Statistics
Last Ten Fiscal Years
Unaudited

	Fiscal Year									
	2017	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**	**2008**
Elementary schools	141	139	139	139	139	138	139	139	137	137
Middle schools	23	23	23	23	23	22	22	22	22	22
High/Secondary schools	25	25	25	25	25	25	25	25	25	25
Special education centers (1)	7	7	7	7	7	7	8	8	9	10
Alternative high schools	2	2	2	2	2	2	2	3	3	3
Central administrative centers	22	22	22	22	22	22	21	21	23	23
Buses	1,856	1,852	1,685	1,586	1,541	1,588	1,534	1,633	1,658	1,691

(1) The decreases for fiscal years 2008 through 2012 are a result of a decision by FCPS to make certain centers part of their respective school rather than a separate unit within the school.

Source: FCPS - Office of the Comptroller

FAIRFAX COUNTY PUBLIC SCHOOLS **TABLE 19**
School Building Statistics (1) **(Page 1 of 4)**
As of June 30, 2017
Unaudited

	Year Opened	Site Acreage	Building Size (2)	Student Population (3)	Square Foot Per Population
Elementary Schools:					
ALDRIN ES	1994	14	97,436	726	134
ANNANDALE TERRACE ES	1964	12	75,252	684	110
ARMSTRONG ES	1986	14	80,000	460	174
BAILEYS ES (4)	1952, 2014	13	221,884	1,304	341
BEECH TREE ES	1968	10	70,331	381	185
BELLE VIEW ES	1952	11	75,779	561	135
BELVEDERE ES	1954	11	76,611	726	106
BONNIE BRAE ES	1988	13	88,778	747	119
BRADDOCK ES	1959	12	83,283	806	103
BREN MAR PARK ES	1957	10	62,999	535	118
BROOKFIELD ES	1967	13	107,827	832	130
BUCKNELL ES	1954	10	95,470	250	262
BULL RUN ES	1999	41	98,590	832	118
BUSH HILL ES	1954	11	70,939	478	148
CAMELOT ES	1969	10	89,938	693	130
CAMERON ES	1952	8	92,473	528	164
CANTERBURY WOODS ES	1965	12	89,744	767	117
CARDINAL FOREST ES	1966	13	80,214	653	123
CENTRE RIDGE ES	1990	14	93,981	807	116
CENTREVILLE ES	1994	13	98,625	860	128
CHERRY RUN ES	1983	11	83,532	454	153
CHESTERBROOK ES	1926	14	76,713	679	113
CHURCHILL ROAD ES	1958	10	79,538	794	100
CLEARVIEW ES	1979	14	85,609	711	120
CLERMONT ES	1968	13	80,800	580	138
COATES ES	2009	14	89,758	748	120
COLIN L. POWELL ES	2003	17	98,590	960	115
COLUMBIA ES	1967	10	54,993	500	110
COLVIN RUN ES	2003	13	98,590	799	123
CRESTWOOD ES	1955	11	74,346	652	133
CROSSFIELD ES	1988	14	89,134	699	128
CUB RUN ES	1986	16	77,850	569	137
CUNNINGHAM PARK ES	1967	10	69,842	508	137
DEER PARK ES	1995	10	98,740	646	153
DOGWOOD ES	2001	14	98,900	741	133
DRANESVILLE ES	1988	13	88,778	799	111
EAGLE VIEW ES	2006	13	98,590	665	148
FAIRFAX VILLA ES	1965	12	70,248	659	107
FAIRHILL ES	1965	10	73,174	579	126
FAIRVIEW ES	1938	14	80,415	676	121
FLINT HILL ES	1954	10	73,532	705	104
FLORIS ES	1955	10	83,560	720	116
FOREST EDGE ES	1971	13	96,624	662	146
FORESTDALE ES	1964	10	69,535	570	122
FORESTVILLE ES	1980	8	85,286	559	148
FORT BELVOIR ES (4)	1994, 2017	20	230,280	1,453	325
FORT HUNT ES	1969	13	87,481	591	148
FOX MILL ES	1979	14	75,784	606	125
FRANCONIA ES	1931	7	71,658	522	137

FAIRFAX COUNTY PUBLIC SCHOOLS **TABLE 19**
School Building Statistics (1) **(Page 2 of 4)**
As of June 30, 2017
Unaudited

	Year Opened	Site Acreage	Building Size (2)	Student Population (3)	Square Foot Per Population
Elementary Schools (Cont'd):					
FRANKLIN SHERMAN ES	1952	11	65,965	410	161
FREEDOM HILL ES	1949	12	81,500	658	121
GARFIELD ES	1952	8	78,433	371	211
GLEN FOREST ES	1957	10	106,919	1,036	103
GRAHAM ROAD ES	1950	8	81,354	476	171
GREAT FALLS ES	1952	10	87,447	545	160
GREENBRIAR EAST ES	1968	10	80,000	978	93
GREENBRIAR WEST ES	1971	10	93,203	936	100
GROVETON ES	1972	13	91,581	796	130
GUNSTON ES	1954	10	80,736	518	156
HALLEY ES	1995	20	98,900	712	139
HAYCOCK ES	1954	10	85,897	968	89
HAYFIELD ES	1966	13	80,149	764	105
HERNDON ES	1961	14	97,146	865	112
HOLLIN MEADOWS ES	1965	10	93,201	624	118
HUNT VALLEY ES	1968	13	90,187	706	128
HUNTERS WOODS ES	1969	11	99,787	900	111
HUTCHISON ES	1975	39	106,408	1042	102
HYBLA VALLEY ES	1964	10	108,950	959	114
ISLAND CREEK ES	2003	19	98,590	800	123
KEENE MILL ES	1961	11	89,587	770	120
KENT GARDENS ES	1957	11	77,900	966	81
KINGS GLEN ES	1969	8	72,702	459	158
KINGS PARK ES	1964	10	70,662	690	116
LAKE ANNE ES	1967	10	86,200	649	119
LANE ES	1995	20	98,625	830	119
LAUREL HILL ES	2009	15	98,590	927	106
LAUREL RIDGE ES	1970	13	112,320	863	130
LEES CORNER ES	1987	11	81,843	766	107
LEMON ROAD ES	1955	12	54,325	591	105
LITTLE RUN ES	1963	10	55,085	347	159
LONDON TOWNE ES	1969	13	104,620	878	119
LORTON STATION ES	2003	13	98,900	981	101
LOUISE ARCHER ES	1939	8	65,509	670	98
LYNBROOK ES	1956	11	85,553	667	128
MANTUA ES	1961	12	97,631	987	99
MARSHALL ROAD ES	1961	11	76,597	778	98
MASON CREST ES	2012	7	98,590	617	160
MCNAIR ES	2001	15	112,450	1,342	74
MOSBY WOODS ES	1963	12	102,204	1,031	99
MOUNT EAGLE ES	1949	6	58,749	431	159
MOUNT VERNON WOODS ES	1965	10	79,490	683	117
NAVY ES	1955	10	91,013	977	93
NEWINGTON FOREST ES	1983	13	90,474	540	144
NORTH SPRINGFIELD ES	1956	12	95,706	498	167
OAK HILL ES	1983	12	86,000	842	102
OAK VIEW ES	1968	10	88,815	816	109
OAKTON ES	1945	9	91,881	808	113
OLDE CREEK ES	1966	11	69,330	422	164

FAIRFAX COUNTY PUBLIC SCHOOLS **TABLE 19**
School Building Statistics (1) **(Page 3 of 4)**
As of June 30, 2017
Unaudited

	Year Opened	Site Acreage	Building Size (2)	Student Population (3)	Square Foot Per Population
Elementary Schools (Cont'd):					
ORANGE HUNT ES	1974	14	92,049	865	98
PARKLAWN ES	1958	11	92,330	714	129
PINE SPRING ES	1955	11	65,941	585	113
POPLAR TREE ES	1990	11	94,664	716	132
RAVENSWORTH ES	1963	10	80,390	557	144
RIVERSIDE ES	1968	11	81,025	805	115
ROLLING VALLEY ES	1967	10	77,801	574	136
ROSE HILL ES	1957	11	100,132	737	136
SANGSTER ES	1988	14	88,552	968	91
SARATOGA ES	1989	14	103,570	710	146
SHREVEWOOD ES	1966	13	71,610	736	97
SILVERBROOK ES	1988	14	94,425	813	102
SLEEPY HOLLOW ES	1954	10	73,934	449	165
SPRING HILL ES	1965	13	108,607	995	109
SPRINGFIELD ESTATES ES	1957	11	89,152	808	110
STENWOOD ES	1963	10	71,213	557	128
STRATFORD LANDING ES	1963	10	101,780	820	88
SUNRISE VALLEY ES	1979	15	85,702	584	147
TERRA CENTRE ES	1980	12	88,395	599	148
TERRASET ES	1977	14	103,932	565	184
TIMBER LANE ES	1955	10	80,591	565	143
UNION MILL ES	1986	13	93,420	966	97
VIENNA ES	1921	15	67,055	475	141
VIRGINIA RUN ES	1989	21	90,800	678	134
WAKEFIELD FOREST ES	1955	14	65,062	593	110
WAPLES MILL ES	1991	14	92,470	902	103
WASHINGTON MILL ES	1963	12	73,331	586	125
WAYNEWOOD ES	1959	10	89,904	790	87
WEST SPRINGFIELD ES	1964	10	66,320	526	126
WESTBRIAR ES	1965	10	88,527	830	107
WESTGATE ES	1968	10	91,997	548	168
WESTLAWN ES	1951	9	95,743	831	115
WEYANOKE ES	1949	10	80,633	563	143
WHITE OAKS ES	1980	16	95,386	865	101
WILLOW SPRINGS ES	1990	21	90,014	966	93
WOLFTRAP ES	1968	10	70,670	578	122
WOODBURN ES	1952	10	64,735	485	132
WOODLAWN ES	1937	11	97,567	581	168
WOODLEY HILLS ES	1951	10	78,268	627	125
Middle Schools:					
CARSON MS	1998	33	178,723	1,524	117
COOPER MS	1962	20	125,310	801	157
FRANKLIN MS	1984	35	150,481	894	168
FROST MS	1964	21	127,981	1,210	116
GLASGOW MS	2008	22	197,000	1,734	115
HERNDON MS	1927	27	200,388	1,018	197
HOLMES MS	1966	28	158,849	993	160
HUGHES MS	1980	25	130,400	1,017	128

FAIRFAX COUNTY PUBLIC SCHOOLS **TABLE 19**
School Building Statistics (1) **(Page 4 of 4)**
As of June 30, 2017
Unaudited

	Year Opened	Site Acreage	Building Size (2)	Student Population (3)	Square Foot Per Population
Middle Schools (Cont'd):					
IRVING MS	1960	21	156,838	1,056	149
KEY MS	1971	21	174,232	801	218
KILMER MS	1967	23	165,000	1,238	124
LIBERTY MS	2002	80	178,723	1,046	171
LONGFELLOW MS	1960	18	175,283	1,346	131
LUTHER JACKSON MS	1954	20	154,818	1,436	108
POE MS	1954	26	176,089	892	197
ROCKY RUN MS	1980	25	130,400	1,258	104
SANDBURG MS	1963	35	269,678	1,415	191
SOUTH COUNTY MS	2012	69	176,021	1,061	166
STONE MS	1991	25	157,263	780	202
THOREAU MS	1960	20	179,007	902	198
TWAIN MS	1961	24	156,225	984	159
WHITMAN MS	1965	20	166,633	968	172
High and Secondary Schools (3):					
ANNANDALE HS	1954	28	361,460	2,101	172
CENTREVILLE HS	1988	36	337,003	2,507	134
CHANTILLY HS	1972	35	403,016	2,741	147
EDISON HS	1962	43	351,000	2,044	172
FALLS CHURCH HS	1967	40	306,487	1,956	157
HAYFIELD SEC	1968	58	346,910	1,976	176
HERNDON HS	1967	40	304,921	2,307	132
JEFFERSON HS	1964	39	398,833	1,789	148
LAKE BRADDOCK SEC	1971	60	430,000	2,805	153
LANGLEY HS	1965	43	338,751	1,973	125
LEE HS	1959	25	336,068	1,777	189
MADISON HS	1959	31	314,342	2,188	144
MARSHALL HS	1962	47	368,116	2,151	171
MCLEAN HS	1955	31	282,767	2,053	138
MOUNT VERNON HS	1960	41	458,517	2,008	228
OAKTON HS	1967	59	304,777	2,492	122
ROBINSON SEC	1971	78	380,000	2,702	141
SOUTH COUNTY HS	2005	69	265,000	2,210	171
SOUTH LAKES HS	1978	60	383,959	2,483	134
STUART HS	1959	21	300,491	2,095	143
WEST POTOMAC HS	1960	45	389,012	2,575	151
WEST SPRINGFIELD HS	1966	39	389,109	2,209	137
WESTFIELD HS	2000	76	422,298	2,578	164
WOODSON HS	1962	95	379,256	2,411	157

Source: FCPS - Department of Facilities and Transportation Services

(1) This table does not include the four City of Fairfax, VA schools because these buildings are not owned by FCPS.
(2) Size measured in square feet and population taken from FCPS Facility and Enrollment Dashboard as of 9/30/16.
(3) Does not include Bryant and Mountain View Alternative High Schools.
(4) Baileys and Fort Belvoir Elementary Schools have two separate campuses each. Baileys campuses go from grades pre-K-2 and 3-5 and Fort Belvoir's campuses go from grades pre-K-3 and 4-6.

Fairfax County
PUBLIC SCHOOLS
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Fairfax County Public Schools
2017 Comprehensive Annual Financial Report

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