

Fairfax County Public Schools, Virginia

A component unit of the County of Fairfax, Virginia

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the fiscal year  
ended June 30 **2013**



[www.fcps.edu](http://www.fcps.edu)





**Fairfax County Public Schools, Virginia**

A component unit of the County of Fairfax, Virginia

Prepared by the Department of Financial Services

Karen K. Garza, Superintendent

Richard Moniuszko, Deputy Superintendent

Susan S. Quinn, Chief Financial Officer

Shakeel Yusuf, Comptroller

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the fiscal year **2013**  
ended June 30



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

## DEPARTMENT OF FINANCIAL SERVICES

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## Introductory Section (unaudited)

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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

Karen K. Garza, Superintendent

8115 Gatehouse Road  
Falls Church, Virginia 22042

November 8, 2013

The Board of Supervisors  
County of Fairfax, Virginia:

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

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, 2013. 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 provide a reasonable basis for making these representations, FCPS' management has established a comprehensive internal control system designed to protect FCPS' assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of FCPS' financial statements.

All the financial activities of FCPS are included within this report. 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 KPMG 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. KPMG LLP issued an unmodified opinion on FCPS' financial statements for the fiscal year ended June 30, 2013. 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 Code of Virginia (Code). 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, according to the National Center for Education Statistics, is the 11th largest school division in the nation based on enrollment.

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, 14 assistant superintendents, chief financial officer, and chief information officer manage the day-to-day operations of the school system.

Schools and Centers	
Fiscal Year 2013	
Elementary (K–6) .....	139
Middle (6–8) .....	3
Middle (7–8).....	20
Secondary (7–12) .....	3
High (9-12) .....	22
Alternative High.....	2
Special Education Centers .....	7
Total.....	196

FCPS is focused on meeting the needs of 181,259 students from preschool through twelfth grade, while managing 196 schools and centers. The schools and centers are divided into eight regional clusters and are supported by eight departments that provide a broad range of services including curriculum development, building maintenance, computer services, ordering and delivery of instructional materials, and recruitment, hiring, and payment of personnel. In fiscal year 2013, FCPS employed over 24,000 full-time employees, of which 92.1 percent were school-based.

Over 85 percent of the school system’s operating budget (\$2.4 billion for fiscal year 2013) 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 instructional programs. Such programs include Head Start, Foreign Language Immersion, International Baccalaureate (IB), Advanced Placement (AP), and Advanced Academics. Through the instructional programs offered at Thomas Jefferson High School for Science and Technology, a Governor’s magnet school, FCPS attracts students from around the Washington, D.C. metropolitan area to participate in an intensive program emphasizing sciences, mathematics, and technology.

FCPS offers an extensive program for students pursuing opportunities in technical careers in five professional technical academies, offering courses in business, health occupations, industrial technology, marketing, engineering, international

studies, human services, communications, and work and family studies. In addition, FCPS provides an extensive adult education program offering basic education courses along with vocational and enrichment programs to adults in the community.

The cost of FCPS governmental activities are funded primarily by the County. For fiscal year 2013, the County provided 63.7 percent of funding and the state and federal governments provided 25.9 percent of funding. Capital funding for public school facilities is provided primarily by the sale of general obligation bonds issued by the County. Accordingly, FCPS is a component unit of the County and is included as an integral part of the County's financial statements.

## Economic Condition and Outlook

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### LOCAL ECONOMY

The County has benefited from its proximity to the federal government. However, the prolonged effects of the recession and uncertainty over sequestration has affected business investment, hiring, income growth, and overall economic activity. This is evident by the increased office vacancy rate, which was 14.6 percent at the end of 2012, the highest on record since 1992. The increased office vacancy rate has negatively impacted commercial real estate property values, which flattened over the last 18 months.

The sluggish recovery and federal spending cuts continue to affect consumer confidence and spending. As a result of sequestration, federal agencies including the Department of Defense began furloughs in June 2013. While the unemployment rate has decreased from 5.7 percent, during the peak of the recession, to 4.3 percent, it is still higher than the 1.9 percent rate experienced in 2006. These factors have contributed to the decline in retail sales tax received by the County over the past two months. In fiscal year 2013, retail sales tax receipts rose 2.5 percent, the lowest rate in three years.

There have been improvements in the Washington, D.C. metropolitan area resale housing market due to historically low mortgage interest rates. Based on the Case-Shiller home price index for the Washington, D.C. metropolitan area, average home prices posted an increase of 6.0 percent in July 2013 from a year earlier. Real estate data from the Metropolitan Regional Information System through July 2013 show that during the first seven months of 2013, the volume of home sales increased 13.4 percent over last year, the most homes sold in this seven month period since 2006. The average home sales price in the County is up 7.5 percent in July over the same period last year. However, price appreciation and sales volume might decelerate through the rest of the year as higher mortgage rates, climbing above 4.0 percent since June, are likely to temper demand.

## School Membership

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### PROJECTED ENROLLMENT

FCPS enrollment projections begin by estimating each successive year's entering kindergarten class according to the historical trends between kindergarten memberships and live births of Fairfax County and City residents. Each class is then progressed through successive grade levels according to historical school level ratios of prior to current year enrollment. Projections may be modified to consider students entering each level, new dwelling completions, and other factors. For new dwellings expected to be occupied during the next five-year period, student generation ratios are used to estimate the number of future students likely to enter FCPS.

The projected student enrollment for fiscal year 2014 is 184,625 in 196 schools and centers. This represents an increase of 3,089 students from the fiscal year 2013 Approved Budget. The cumulative cost of membership adjustments has approached \$170.0 million over the past five years. Since fiscal year 2009, FCPS has opened four new school buildings to accommodate student membership adjustments and population shifts.

## SPECIAL EDUCATION

In fiscal year 2014, an estimated 44,726 special education services will be provided to 25,425 students (an average of 1.8 services per student). Special education services are determined by each student's Individualized Education Program (IEP), which is developed by a team including school staff, parents, and at the secondary level, the student. The provision of special education services is mandated by the Individuals with Disabilities Education Act (IDEA). The average cost per pupil for the special education program is projected to be \$21,659 compared to \$11,419 per pupil for general education.

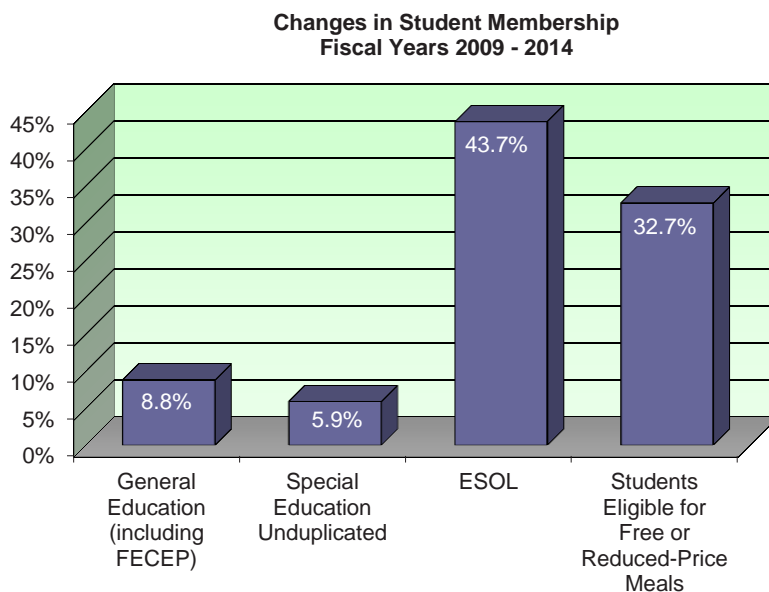
## ENGLISH FOR SPEAKERS OF OTHER LANGUAGES (ESOL)

FCPS students come from more than 205 countries and speak over 168 different languages. FCPS teaches approximately 40 percent of the limited English proficient students in the State. In fiscal year 2014, ESOL services are projected to be provided to 29,723 students, an increase of 9,034 students, or 43.7 percent, since fiscal year 2009. On average, a student for whom English is a secondary language costs \$3,336 more to educate than a general education student.

## 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 2014, it is projected that 49,295 FCPS students will be eligible to participate. This represents a 32.7 percent increase, or 12,134 students, over fiscal year 2009.

The chart below represents the changes in FCPS membership from fiscal year 2009 through fiscal year 2014 projected student enrollment for the following student populations:



Source: FCPS Fiscal Year 2014 Approved Budget

# Accomplishments

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## STUDENT ACHIEVEMENT

Individual students and groups annually earn honors and awards in all academic, extracurricular, and athletic areas in regional, state, and national competitions. During the spring of 2013, 22 FCPS students were named winners of the Merit Scholarship awards and each received a \$2,500 scholarship. In addition, the National Merit Scholarship Corporation announced that 220 FCPS seniors, from 17 high schools, have been named semifinalists in the 2014 National Merit Scholarship program. Thomas Jefferson High School for Science and Technology had 132 semifinalists.

In the 2013 U.S. News and World Report ranking of America's Best High Schools, Thomas Jefferson High School for Science and Technology is ranked as the number four gold medal school in the nation. In addition, Langley High School was ranked in the top 100 of America's Best High Schools. In total, FCPS received 13 gold medal awards and three silver medal awards. Based on the 2013 Washington Post rankings of 1,900 U.S. high schools as measured by their participation in AP or IB exams, all eligible Fairfax County High Schools were designated as among the most demanding public schools in the nation.

The SAT, a three-part test that combines scores on critical reading, math, and writing for a possible score of 2400, is the nation's most widely used college admission exam. Members of FCPS' class of 2013 have outperformed their counterparts in the State (1517) and across the nation (1474) on the SAT with an average score of 1663.

## Major Initiatives

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### RESOURCE ALLOCATION

The School Board's strategic governance initiative provides a focus on student achievement. Together with the student achievement goals, a framework is established to guide the school system's operation and resource allocation.

The combined pressures of limited revenue and increased student membership over the past four fiscal years have severely constrained the School Board. Funding from the County was held flat from fiscal year 2009 to fiscal year 2010 and declined by 1.0 percent or \$16.3 million for fiscal year 2011. In fiscal year 2012, funding from the County was held flat to the fiscal year 2011 level. For fiscal year 2013, County funding increased by \$72.5 million, or 4.5 percent.

The development of the fiscal year 2013 budget was challenging as a result of limited resources, increased student membership, shift in student demographics, and funding of state mandates. To meet the increase in student membership and demographic changes, an additional \$48.0 million including 700.2 positions was required. In addition, funding was provided for initiatives to include the following:

- Extended Learning Time for Students \$7.5 million
- New Schools Opening \$1.9 million and 2.0 positions (library materials, building engineer services, transportation)
- Field Custodians \$1.0 million and 20.0 positions
- Preventative Maintenance \$0.9 million and 10.0 positions
- School Staffing Contingency \$2.5 million and 32.0 positions to address class size
- Elementary World Languages \$0.9 million and 11.0 positions
- Support for High School Band Program \$0.5 million
- Retirement Rate Changes \$74.4 million
- Retirement Contribution Shift and Market Scale Adjustment \$47.1 million
- Health and Life Insurance Rate Changes \$13.8 million
- Equipment Replacement \$2.0 million

## 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. During fiscal year 2013, 17 schools were awarded Schoolyard Stewardship funding to engage students in activities related to environmental stewardship and to encourage the conservation and preservation of natural resources within their schoolyard and community.

## STATE MANDATES

### Online Standards of Learning (SOL) Testing

In addition to students being tested with more rigorous content standards, school divisions must phase out the use of paper and pencil SOL tests and implement online testing. Beginning in fiscal year 2013, online testing is the primary delivery mode for all SOL assessments. SOL tests are available in paper and pencil format for students with documented needs. School divisions were required to administer SOL tests online for high schools by fiscal year 2011, middle school by fiscal year 2012, and elementary in fiscal year 2013.

### Virginia Retirement System (VRS)

Legislation passed by the General Assembly during the 2012 special session mandated that beginning July 1, 2012, newly hired employees must fully pay the employee retirement contribution of five percent. For existing employees, school divisions and localities were able to choose to either shift the entire cost to employees beginning July 1, 2012, or phase in the shift over a five year period. To help offset the financial impact of transitioning the cost to employees, the State required employers to increase salaries for existing employees by the same percentage employees were required to contribute effective July 1, 2012. FCPS began implementation of the mandate with a two percent shift in fiscal year 2013.

### Teacher Performance and Evaluation

On April 28, 2011, the Virginia Board of Education approved revised Guidelines for Uniform Performance Standards and Evaluation Criteria for Teachers and the Virginia Standards for the Professional Practice of Teachers. The guidelines and standards became effective on July 1, 2012. The guidelines set forth seven standards for all Virginia teachers. The model recommends that the six standards related to professional knowledge – instructional planning, instructional delivery, assessment of and for student learning, learning environment, professionalism, and student academic progress. Each standard accounts for ten percent of the evaluation and performance rating. The guidelines recommend that 40 percent of teachers' evaluations be based on this standard.

# Financial Policies

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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 five broad categories:

**Reserve Policies** - six reserves are maintained to enable FCPS to address unanticipated needs in a timely manner. These are the flexibility, staffing, strategic, school materials, grants, and restricted reserves.

**Fund Balance Policies** - the School Board may establish fund balance reserves to address future requirements. Fund balance reserves represent funds available for School Board action and may include reserves for beginning balance, employee compensation, the VRS and others.

**Salary Increase Policies** - three types of salary scales are maintained: the teacher scale, the instructional assistant scale, and the unified scale. Salary adjustments are subject to School Board approval.

**Position Growth Policy** - schools are staffed based on formulas approved by the School Board. Adjustments can be made for expansions or modifications to established programs or for new requirements. All adjustments are subject to School Board approval.

**Position Reallocation Policy** - FCPS establishes guidelines and procedures for principals and program managers to follow for the reallocation of funds regarding vacant positions. Program managers have the flexibility to reallocate funds to meet unanticipated needs provided they maintain certain standards and justification. Requests must be reviewed annually.

**Other Budget Issues** - included in this category are technology funding, carryover funding, vehicle services, vehicle and bus replacement, building renovation, building maintenance, utilities, and equipment funds transfer.

## BUDGETARY CONTROLS

The budget is controlled at certain legal and administrative levels. The legal level is placed at the individual fund level and the administrative controls are placed at lower levels 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, lapse 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 approves all bid awards and contracts.

# 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. The major planning activities are:

**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.

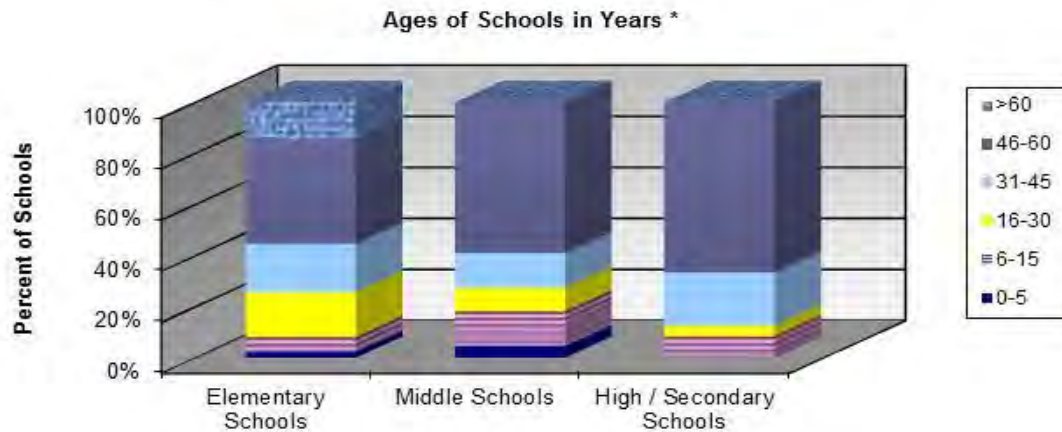
**Technology Plan** - outlines the multiyear strategic goals and demonstrates the effective use of technology throughout the school system. The technology plan supports the vision and mission for FCPS to provide a gifted-quality education to every child. The technology plan is aligned with the VDOE Educational Technology Plan for 2010-2015.

**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** - using a five-year planning horizon (fiscal years 2014-2018), FCPS identifies capacity shortages that cannot be met by school boundary changes, program relocations, temporary facilities, or other more modest measures. The capacity shortages, because they are large and likely to persist over time, become candidates for new construction projects. Both the useful lives of school facilities and School Board policy require renovation of buildings on 20-25 year cycles. Given the number of schools in operation, this requires renovation on an average of six elementary schools, one middle school, and one high school per year. The fiscal year 2014-2018 Capital Improvement Plan proposes the renovation of 26 elementary schools, six middle schools, and six high schools totaling \$871.2 million, or roughly \$174.2 million per year.

Funding approved in the 2011 School Bond Referendum and previous referenda will address approximately \$190.8 million of the five year requirement, leaving an unfunded balance of \$680.3 million. A bond referendum is expected in the fall of 2013.

The graph below reflects the ages of FCPS' elementary, middle, and high schools as of June 30, 2013:



\* From the year that each school opened through June 30, 2013

Source: FCPS - Office of Design and Construction Services



## Awards

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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, 2012. 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, 2012.

Fiscal year 2012 was the nineteenth consecutive year that FCPS received prestigious awards from both GFOA and ASBO. 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 2013 Approved Budget.

## Acknowledgements

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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, KPMG LLP. Appreciation is also extended to the School Board and the administration, whose continuing support is vital to the financial health of the school system.

Respectfully submitted,



Karen K. Garza, Ph.D.  
Superintendent of Schools



Susan S. Quinn  
Chief Financial Officer

# School Board Members and Administration

As of July 31, 2013

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## SCHOOL BOARD

Ilryong Moon  
Chairman  
Member at Large

Tamara Derenak Kaufax  
Vice Chairman  
Lee District

Sandy Evans  
Mason District

Pat Hynes  
Hunter Mill District

Ryan McElveen  
Member at Large

Megan McLaughlin  
Braddock District

Patty Reed  
Providence District

Elizabeth Schultz  
Springfield District

Kathy Smith  
Sully District

Dan Storck  
Mount Vernon District

Jane Strauss  
Dranesville District

Ted Velkoff  
Member at Large

Will Ashe  
Student Representative

## ADMINISTRATION

Karen K. Garza, Ph. D.  
Superintendent

Richard Moniuszko  
Deputy Superintendent

Barbara Hunter  
Assistant Superintendent  
Communications and Community Outreach

Phyllis Pajardo  
Assistant Superintendent  
Human Resources

Sloan Presidio  
Assistant Superintendent  
Instructional Services

Terri L. Breeden  
Assistant Superintendent  
Professional Learning and Accountability

Kim P. Dockery  
Assistant Superintendent  
Special Services

Susan S. Quinn  
Chief Financial Officer  
Financial Services

Maribeth Luftglass  
Chief Information Officer  
Information Technology

Jeffrey Platenberg  
Assistant Superintendent  
Facilities and Transportation Services

Daniel Parris  
Assistant Superintendent  
Special Projects

Anne Murphy  
Division Counsel

Marty Smith  
Assistant Superintendent  
Cluster I

Jim Kacur  
Assistant Superintendent  
Cluster II

Douglas Tyson  
Assistant Superintendent  
Cluster III

Deborah Tyler  
Assistant Superintendent  
Cluster IV

Frances Ivey  
Assistant Superintendent  
Cluster V

Angela Atwater  
Assistant Superintendent  
Cluster VI

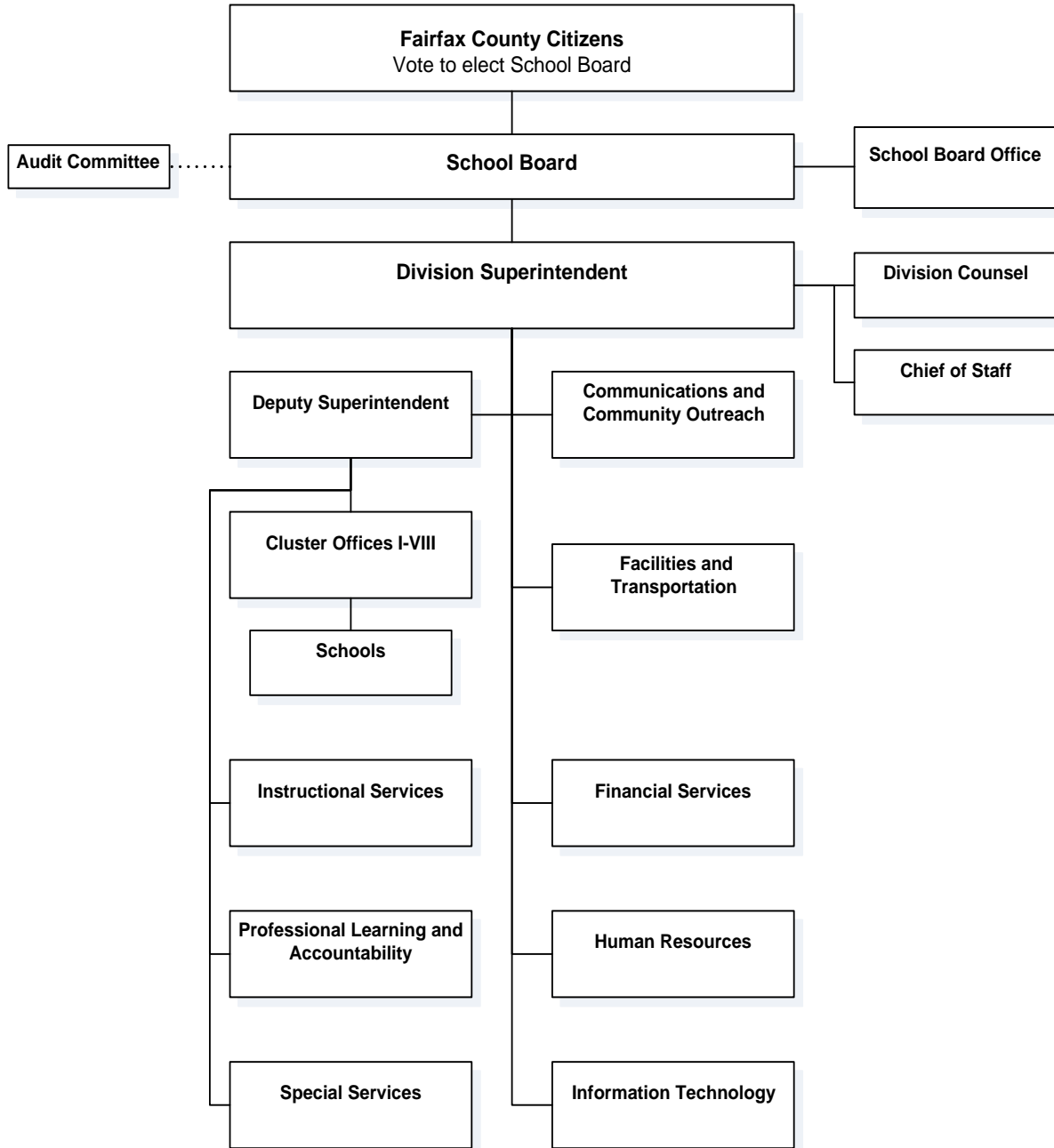
Linda Burke  
Assistant Superintendent  
Cluster VII

Fabio Zuluaga  
Assistant Superintendent  
Cluster VIII

Christine Donohue  
Chief of Staff

# Organizational Chart

As of July 31, 2013



# Awards for Excellence in Financial Reporting

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## GOVERNMENT FINANCE OFFICERS ASSOCIATION AWARD

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Fairfax County Public Schools (FCPS) for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2012. 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 (GAAP) and applicable legal requirements. FCPS has received the Certificate of Achievement for Excellence in Financial Reporting for 19 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, 2012**

A handwritten signature in black ink, reading "Jeffrey R. Emer".

Executive Director/CEO

## Association of School Business Officials International



*The Certificate of Excellence in Financial Reporting Award  
is presented to*

### **Fairfax County Public Schools**

*For Its Comprehensive Annual Financial Report (CAFR)  
For the Fiscal Year Ended June 30, 2012*

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



A handwritten signature in black ink, appearing to read 'Ron McCulley'.

Ron McCulley, CPPB, RSBO  
President

A handwritten signature in black ink, appearing to read 'John D. Musso'.

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 the nineteenth consecutive year, for its CAFR for the fiscal year ended June 30, 2012. 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 400 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 Standard Board.





## Financial Section

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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.







KPMG LLP  
Suite 12000  
1801 K Street, NW  
Washington, DC 20006

## Independent Auditors' Report

The Board of Supervisors  
County of Fairfax, Virginia

The 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, 2013, and the related notes to the financial statements, which collectively comprise FCPS' 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 U.S. generally accepted accounting principles; 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.

#### *Auditors' 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. Those standards 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 auditors' 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 remaining aggregate fund information of FCPS, as of June 30, 2013, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

KPMG LLP is a Delaware limited liability partnership, the U.S. member firm of KPMG International Cooperative ("KPMG International"), a Swiss entity.



The School Board  
County of Fairfax, Virginia  
November 7, 2013  
Page 2 of 2

*Other Matters*

*Required Supplementary Information*

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 6-17, the budgetary comparison information on page 63, the schedule of funding progress and schedule of employer contributions on page 64, and the notes to the required supplementary information on pages 65-66 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' basic financial statements. The introductory section on pages vii-xix, the other supplementary information on pages 71-87, and the statistical section on pages 90-113 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 supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section 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.

KPMG LLP

November 7, 2013



## Management's Discussion and Analysis (unaudited)

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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)

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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, 2013. We encourage readers to consider the information presented here in conjunction with additional information furnished in our letter of transmittal also contained in 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.

- FCPS assets exceeded liabilities (net position) by \$2,415.4 million at June 30, 2013. Of this amount, \$251.3 million was available to meet ongoing FCPS operational needs.
- Total revenues of \$2,644.9 million were generated in fiscal year 2013. Expenditures incurred were \$2,627.5 million, resulting in an increase in net position of \$17.4 million.
- General revenues, including the funds transferred from the County, totaled \$2,118.2 million and are available for all purposes. Such revenues were sufficient to fund the excess of total operating costs over program-specific revenues. For the fiscal year 2013, program-specific revenues amounted to \$526.7 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 \$353.4 million, a decrease of \$22.6 million over the prior fiscal year.
- On June 30, 2013, the General Fund, which accounts for the main operating activities of FCPS, reported an ending fund balance of \$214.0 million, a decrease of \$45.1 million from June 30, 2012. The unassigned portion of the General Fund's fund balance was \$3.3 million, which is available for future spending at FCPS' discretion.
- The Capital Projects Fund ended fiscal year 2013 with a fund balance of \$108.4 million. 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 of five sections: 1) an independent auditors' report, 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 post-employment 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 post-employment 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 and liabilities with the difference between the two reported 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, 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' central procurement, health benefits, and insurance activities on a cost reimbursement basis. All three 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 post-employment benefit trust funds, as well as an agency fund. The pension and other post-employment 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' post-employment health benefit subsidies for eligible retirees and their surviving spouses. Individual fund data for each of these pension and other post-employment 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, 2013 and 2012:

<b>SUMMARY OF NET POSITION</b>				
<b>As of June 30</b>				
<b>(Dollars in Millions)</b>				
	<b>Governmental Activities</b>			
	<b>2013</b>	<b>2012</b>	<b>Variance</b>	<b>Percent Variance</b>
<b>ASSETS</b>				
Current and other assets	\$ 569.1	\$ 730.2	\$ (161.1)	(22.1) %
Capital assets, net	2,111.7	2,073.4	38.3	1.8
Total assets	<u>2,680.8</u>	<u>2,803.6</u>	<u>(122.8)</u>	(4.4)
<b>LIABILITIES</b>				
Current liabilities	92.0	231.7	(139.7)	(60.3)
Non-current liabilities	173.4	173.9	(0.5)	(0.3)
Total liabilities	<u>265.4</u>	<u>405.6</u>	<u>(140.2)</u>	(34.6)
<b>NET POSITION</b>				
Net investment in capital assets	2,026.7	1,986.7	40.0	2.0
Restricted	137.4	-	137.4	-
Unrestricted	251.3	411.3	(160.0)	(38.9)
Total net position	<u>\$ 2,415.4</u>	<u>\$ 2,398.0</u>	<u>\$ 17.4</u>	0.7

FCPS' assets exceeded liabilities by \$2,415.4 million on June 30, 2013, representing an increase of \$17.4 million, or 0.7 percent, over net position at June 30, 2012.

By far, investments in capital assets comprises the largest portion of FCPS' net position, 83.9 percent, with an amount of \$2,026.7 million which is net of the outstanding debt for capital leases in the amount of \$84.9 million.

The unrestricted net position balance of \$251.3 million represents the amount of net position that can be used to operate FCPS' ongoing programs.

## STATEMENT OF ACTIVITIES

The following table provides a summary of the changes in FCPS' net position for the fiscal years ended June 30, 2013 and 2012:

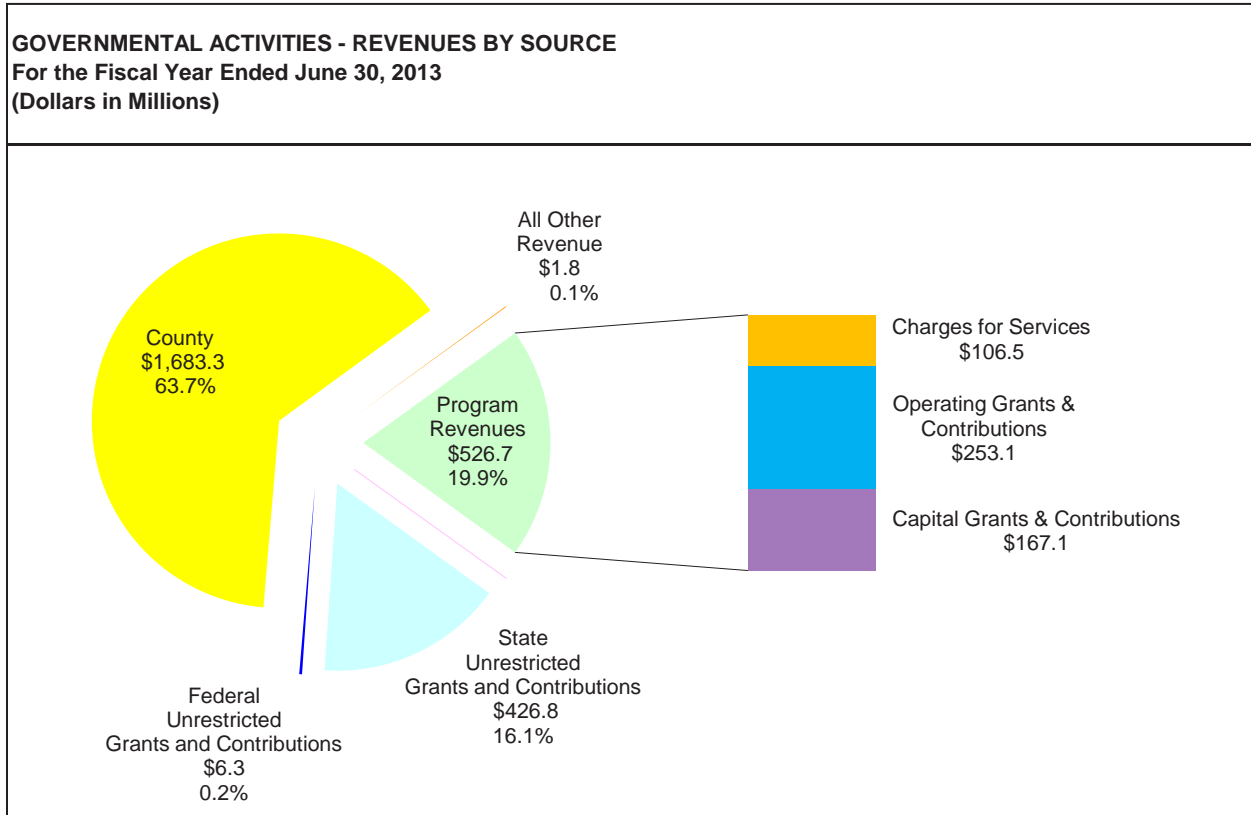
<b>SUMMARY OF CHANGES IN NET POSITION</b>				
<b>For the Fiscal Years Ended June 30</b>				
<b>(Dollars in Millions)</b>				
	<b>Governmental Activities</b>			
	<b>2013</b>	<b>2012</b>	<b>Variance</b>	<b>Percent Variance</b>
<b>REVENUES</b>				
Program revenues:				
Charges for services	\$ 106.5	\$ 106.8	\$ (0.3)	(0.3) %
Operating grants and contributions	253.1	235.1	18.0	7.7
Capital grants and contributions	167.1	161.2	5.9	3.7
General revenues:				
Grants and contributions not restricted to specific purposes	2,116.4	2,000.3	116.1	5.8
Revenue from the use of money	0.1	0.1	-	-
Other	1.7	1.6	0.1	6.2
Total revenues	<u>2,644.9</u>	<u>2,505.1</u>	<u>139.8</u>	5.6
<b>EXPENSES</b>				
Instruction	2,201.6	2,034.8	166.8	8.2
Support programs	340.1	328.7	11.4	3.5
Food service	82.4	79.3	3.1	3.9
Interest on long-term debt	3.4	3.4	-	-
Total expenses	<u>2,627.5</u>	<u>2,446.2</u>	<u>181.3</u>	7.4
Increase in net position	17.4	58.9	(41.5)	(70.5)
Net position - July 1	2,398.0	2,339.1	58.9	2.5
Net position - June 30	<u>\$ 2,415.4</u>	<u>\$ 2,398.0</u>	<u>\$ 17.4</u>	0.7

Total revenues for FCPS' governmental activities were \$2,644.9 million in fiscal year 2013, representing an increase of \$139.8 million, or a 5.6 percent, over fiscal year 2012.

The total costs of FCPS' programs for fiscal year 2013 were \$2,627.5 million, representing an increase of \$181.3 million over fiscal year 2012. The increase is primarily due to \$58.0 million in salary expenditures for 700.2 new school based positions and salary adjustments for current employees, \$94.0 million in expenditures as a result of rate increases in retirement, health insurance and life insurance plans, and \$14.8 million in expenditures for logistics and technology.



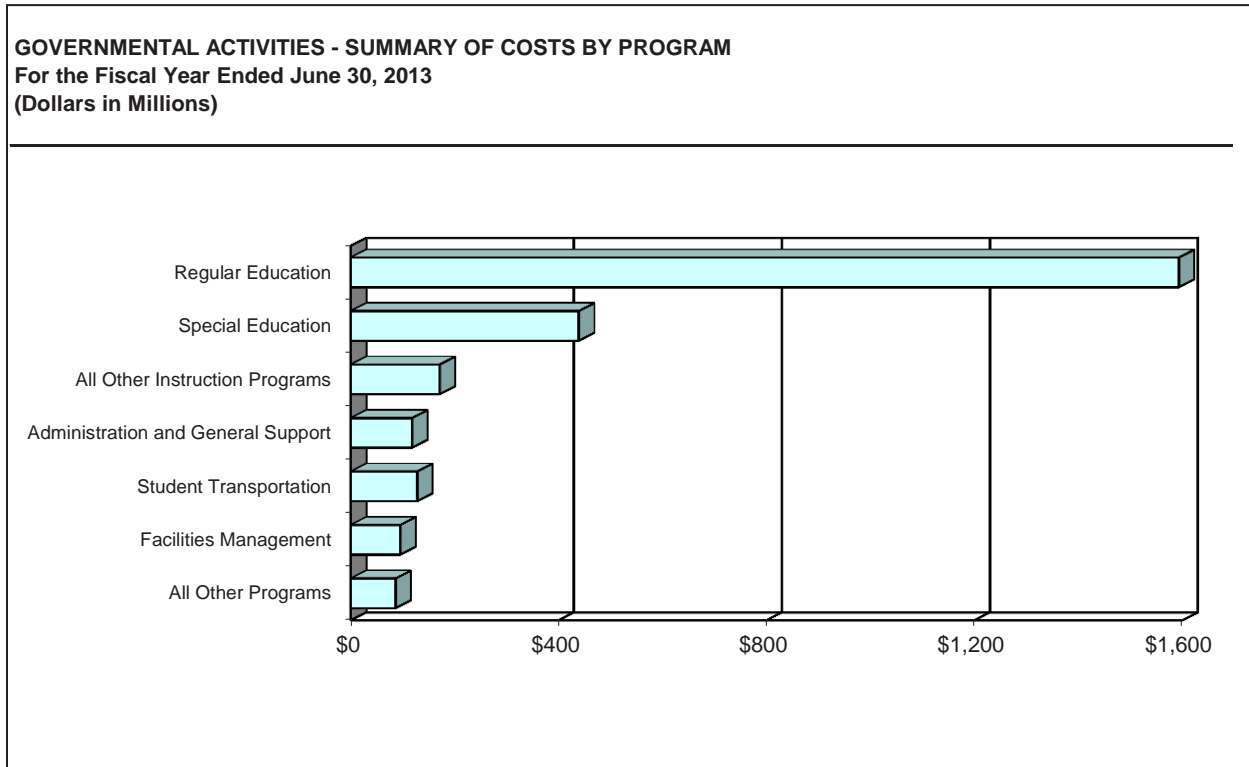
The following chart presents revenues by source for the fiscal year ended June 30, 2013:



The following items reflect the major increases in revenues during fiscal year 2013:

- \$72.5 million funding from the County
- \$34.5 million in Basic Aid
- \$16.4 million in Standards of Quality fringe benefits
- \$8.6 million in state sales tax
- \$5.9 million in capital grants and contributions primarily from contributions for synthetic turf field projects

The following chart compares the total costs of each of FCPS' programs for the fiscal year ended June 30, 2013:



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: nonspendable, restricted, committed, assigned, and unassigned.

The following table presents a summary of fund balances of governmental funds as of June 30, 2013 and 2012:

<b>FUND BALANCES OF GOVERNMENTAL FUNDS</b>				
<b>As of June 30</b>				
<b>(Dollars in Millions)</b>				
	<b>2013</b>	<b>2012</b>	<b>Variance</b>	<b>Percent Variance</b>
<b>General Fund</b>				
Nonspendable	\$ 0.3	\$ 26.9	\$ (26.6)	(98.9) %
Committed	90.6	126.1	(35.5)	(28.2)
Assigned	119.8	83.6	36.2	43.3
Unassigned	3.3	22.5	(19.2)	(85.3)
<b>Total General Fund</b>	<b>214.0</b>	<b>259.1</b>	<b>(45.1)</b>	<b>(17.4)</b>
<b>Capital Projects Fund</b>				
Restricted	108.4	86.1	22.3	25.9
<b>Total Capital Projects Fund</b>	<b>108.4</b>	<b>86.1</b>	<b>22.3</b>	<b>25.9</b>
<b>Nonmajor governmental funds</b>				
Nonspendable	1.4	3.6	(2.2)	(61.1)
Restricted	29.6	28.2	1.4	5.0
Unassigned	-	(1.0)	1.0	(100.0)
<b>Total nonmajor governmental funds</b>	<b>31.0</b>	<b>30.8</b>	<b>0.2</b>	<b>0.6</b>
<b>All governmental funds</b>				
Nonspendable	1.7	30.5	(28.8)	(94.4)
Restricted	138.0	114.3	23.7	20.7
Committed	90.6	126.1	(35.5)	(28.2)
Assigned	119.8	83.6	36.2	43.3
Unassigned	3.3	21.5	(18.2)	(84.7)
<b>Total governmental funds</b>	<b>\$ 353.4</b>	<b>\$ 376.0</b>	<b>\$ (22.6)</b>	<b>(6.0)</b>

As of June 30, 2013, FCPS' governmental funds had a combined fund balance of \$353.4 million, compared with \$376.0 million at June 30, 2012, resulting in a \$22.6 million decrease. The following represents the fiscal year 2013 fund balance classification:

- \$1.7 million is nonspendable for prepaid items and inventories
- \$138.0 million is restricted for capital construction and grants
- \$90.6 million is committed by the School Board to meet expenditures for the Virginia Retirement System (VRS) rate increases and fiscal year 2014 operating budget requirements
- \$119.8 million is assigned for undelivered orders and fiscal year 2015 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 2013, general fund revenues, inclusive of other financing sources, totaled \$2,350.8 million, which represents an increase of \$118.3 million, or 5.3 percent, over the prior year. Expenditures for the General Fund, inclusive of other financing uses, increased by \$161.7 million, or 7.2 percent, over fiscal year 2012, totaling \$2,395.9 million. This resulted in a decrease in fund balance of \$45.1 million. From fiscal year 2012 to fiscal year 2013, actual student membership increased by 3,341. The per pupil funding increased by \$744, from \$12,820 in fiscal year 2012 to \$13,564 in fiscal year 2013, primarily due to compensation adjustments.

The Capital Projects Fund reported a total fund balance of \$108.4 million, an increase of \$22.3 million, or 25.9 percent, from fiscal year 2012. Other revenues in this fund for fiscal year 2013 totaled \$12.9 million, an increase of \$6.6 million, or 103.1 percent over last fiscal year, due primarily to contributions received for the installation of various high school turf fields. Expenditures decreased by \$5.8 million, or 3.6 percent from fiscal year 2012 due to the cyclical nature of construction projects and the timing of completion.

During fiscal year 2013, FCPS received \$155.0 million of bond proceeds from the County to fund capital projects. As of June 30, 2013, the unspent portion of this funding totaled \$125.4 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 (BOS) 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, 2013:

<b>GENERAL FUND BUDGET AND ACTUAL COMPARISON</b>				
<b>For the Fiscal Year Ended June 30, 2013</b>				
<b>(Dollars in Millions)</b>				
	<b>Budget - Original</b>	<b>Budget - Final</b>	<b>Actual - Budget Basis</b>	<b>Variance from Final Budget</b>
Total revenues	\$ 645.4	\$ 661.8	\$ 656.6	(5.2)
Total expenditures	2,396.7	2,488.1	2,351.5	(136.6)
Excess of expenditures over revenues	(1,751.3)	(1,826.3)	(1,694.9)	131.4
Total other financing sources, net of uses	1,650.1	1,649.8	1,649.8	-
Net change in fund balances	\$ (101.2)	\$ (176.5)	\$ (45.1)	\$ 131.4

During fiscal year 2013, the General Fund's final budget revenues exceeded the original budgeted by \$16.4 million; final appropriations were \$91.4 million, or 3.8 percent, higher than the original budgeted expenditures. The budgeted total for other financing sources was less than the original approved budget by \$0.3 million.

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

- \$13.1 million from unspent multiyear federal grant awards and grant award adjustments
- \$1.6 million from sales tax revenue
- \$1.8 million from City of Fairfax tuition

The appropriation for expenditures increased by \$91.4 million over the original budget due to carryover of undelivered orders, school balance carryover, and reserve funding from fiscal year 2012.

Actual revenues were less than final budget revenues by \$5.2 million. Revenues did not meet projections as a result of \$12.3 million in unspent federal grant awards to be carried forward to fiscal year 2014, \$0.9 million in reduced state funding and \$1.1 million in reduced tuition. Revenues exceeded projections by \$4.5 million in sales tax receipts and \$4.6 million from various categories.

Actual expenditures came in under the final budget by \$136.6 million, or 5.5 percent, primarily due to the following:

- \$63.2 million in carryover and other commitments
- \$34.6 million as a result of higher compensation turnover and vacant positions
- \$12.3 million in unexpended multiyear federal grants
- \$5.2 million in utility savings
- \$1.9 million in vehicle services savings

## CAPITAL ASSETS AND LONG-TERM OBLIGATIONS

### CAPITAL ASSETS

As of June 30, 2013, FCPS' investment in capital assets for governmental activities totaled \$2,111.7 million, net of accumulated depreciation of \$1,473.3 million and amortization of \$2.5 million. This represents a net increase in capital assets of \$38.3 million, or 1.8 percent, over the prior year.

The following table summarizes capital assets as of June 30, 2013 and 2012:

<b>NET CAPITAL ASSETS</b>		
<b>As of June 30</b>		
<b>(Dollars in Millions)</b>		
<b>Capital Asset Category</b>	<b>Book Value</b>	
	<b>2013</b>	<b>2012</b>
Land	44.9	44.9
Construction in progress	193.4	194.7
Equipment	89.2	86.2
Intangible Assets-Software/Licenses	2.4	2.6
Intangible Assets-Software in Development	6.3	4.8
Library collections	10.4	8.7
Buildings	689.2	699.1
Building improvements	1,052.4	1,010.3
Land improvements	23.5	22.1
<b>Total</b>	<b>2,111.7</b>	<b>2,073.4</b>

Net additions to capital assets during fiscal year 2013 include the following:

- \$19.1 million in multiyear major renovations
- \$10.2 million in other equipment and vehicles
- \$3.5 million for library collections and resource materials
- \$2.8 million to acquire 24 school buses
- \$2.7 million to acquire 159 copiers

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, 2013, FCPS reported total long-term obligations in the amount of \$173.4 million, compared to \$173.0 million at June 30, 2012. The following table summarizes FCPS' long-term obligations as of June 30, 2013 and 2012:

<b>LONG-TERM OBLIGATIONS</b>		
<b>As of June 30</b>		
<b>(Dollars in Millions)</b>		
	<b>2013</b>	<b>2012</b>
Compensated absences	\$ 34.3	\$ 32.8
Capital leases	84.9	87.5
Actuarial claims payable	53.2	51.4
Accrued rent	1.0	1.3
Total	<u>\$ 173.4</u>	<u>\$ 173.0</u>

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 Washington, D.C. metropolitan area continues a slow and uneven recovery from the prolonged recession that affected the nation. Most economic benchmarks have not returned to pre-recession levels. The County's revenue stream has eroded due to the federal governments' sequestration, weakness in employment, statewide retail sales tax collection, and slowdown in the housing market. The unstable revenue is creating funding pressures for the County to adequately fund the school district and other County agencies.

## FISCAL YEAR 2014 BUDGET

One of the major challenges addressed by the budget is the continuing change in the composition of the student population. An increase in student enrollment coupled with state mandates and limited revenue have made the development and eventual adoption of the fiscal year 2014 budget challenging. Projected enrollment for fiscal year 2014 is 184,625 students across 196 schools and centers.

The fiscal year 2014 Approved Expenditure Budget totals \$2.5 billion, an increase of \$27.3 million, or 1.1 percent, from the fiscal year 2013 Approved Budget. Student membership is expected to grow by 3,089 students. A continued shift in special education toward greater levels of service is expected. To meet the demands of increased enrollment and demographic shifts, 299.0 positions at a cost of \$21.7 million are included in the 2014 budget.

The following are highlights of the fiscal year 2014 expenditure budget:

- \$22.0 million for a 2.0 percent market scale adjustment for employees effective January 1, 2014
- \$21.7 million to meet increased enrollment and 299.0 positions
- \$16.6 million to reflect the employer cost to shift the remaining 3.0 percent VRS employee contribution
- \$13.3 million cost increase for health and insurance rate changes
- \$4.1 million costs due to rate increases for the Educational Employees' Supplementary Retirement System of Fairfax County (ERFC) and Fairfax County Employees Retirement System (FCERS) retirement plans
- \$46.9 million savings in compensation adjustments as a result of position turnover
- \$3.8 million utilities savings from a new three-year natural gas contract
- \$2.5 million savings by reducing the staffing reserve by 32.1 positions
- \$1.5 million savings from school-based clerical position growth freeze. As a result of a recent State Efficiency Review, it is anticipated that a recommendation to adjust school-based clerical support will be provided.

### 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 Office of the Chief Financial Officer, 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: <http://www.fcps.edu/fs/comptroller/reports.shtml>







## Basic Financial Statements

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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**  
**Statement of Net Position**  
**June 30, 2013**

**EXHIBIT A**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash on deposit with County of Fairfax, VA	\$ 359,416,873
Receivables:	
Accounts	4,097,440
Accrued interest	172,210
Due from intergovernmental units:	
Federal government	43,334,449
Commonwealth of Virginia	19,610,925
County of Fairfax, VA	279,978
Other	417,521
Inventories	2,734,210
Prepaid items	285,276
Restricted cash and investments	125,378,229
Net OPEB asset	13,392,985
Nondepreciable capital assets:	
Land	44,869,395
Construction in progress	193,374,318
Depreciable capital assets:	
Equipment	267,744,446
Library collections	34,769,180
Buildings and improvements	3,035,603,055
Accumulated depreciation	(1,473,329,850)
Intangible capital assets:	
Software and licenses	4,865,424
Software under development	6,265,521
Accumulated amortization	(2,474,501)
Total assets	<u>2,680,807,084</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Total deferred outflows of resources	<u>-</u>
<b>LIABILITIES</b>	
Accounts payable	34,287,206
Accrued salaries and withholdings	33,900,268
Accrued interest payable	895,326
Unearned revenue	14,889,057
Contract retainages	7,209,628
Deposits	781,524
Non-current liabilities:	
Due within one year:	
Accrued rent	420,555
Compensated absences	24,029,318
Capital leases	14,056,827
Installment purchases	-
Actuarial claims payable	24,807,564
Net OPEB obligation	-
Net pension obligation	-
Due beyond one year:	
Accrued rent	545,148
Compensated absences	10,298,278
Capital leases	70,891,107
Installment purchases	-
Actuarial claims payable	28,377,756
Net pension obligation	-
Total liabilities	<u>265,389,562</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Total deferred inflows of resources	<u>-</u>
<b>NET POSITION</b>	
Invested in capital assets, net of related debt	2,026,739,054
Restricted for:	
Food and Nutrition Services	14,223,643
Grant programs	14,781,072
Adult and Community Education	-
Capital Projects	108,385,281
Unrestricted	251,288,472
Total net position	<u>\$ 2,415,417,522</u>

See accompanying notes to the financial statements.

**FAIRFAX COUNTY PUBLIC SCHOOLS**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2013**

**EXHIBIT B**

Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Governmental activities:</b>					
Instruction:					
Regular education:					
Elementary school	\$ 849,099,796	\$ 15,591,686	\$ 59,696,970	\$ -	\$ (773,811,140)
Middle school	226,897,371	7,748,723	1,728,726	-	(217,419,922)
High school	516,433,208	12,659,307	18,781,448	5,977,301	(479,015,152)
Special education	438,519,938	7,120,575	35,885,903	-	(395,513,460)
Adult and community education	8,113,228	6,183,400	1,618,398	-	(311,430)
Instructional support	162,529,411	2,191,734	23,712,832	-	(136,624,845)
Total instruction	<u>2,201,592,952</u>	<u>51,495,425</u>	<u>141,424,277</u>	<u>5,977,301</u>	<u>(2,002,695,949)</u>
Support programs:					
Administration and general support	117,723,319	5,828,774	79,119,852	-	(32,774,693)
Student transportation	127,533,121	1,434,231	-	-	(126,098,890)
Facilities management	94,901,954	4,226,241	3,075	161,158,964	70,486,326
Total support programs	<u>340,158,394</u>	<u>11,489,246</u>	<u>79,122,927</u>	<u>161,158,964</u>	<u>(88,387,257)</u>
Food service	82,417,880	43,562,520	32,513,316	-	(6,342,044)
Interest on long-term debt	3,371,901	-	-	-	(3,371,901)
Total governmental activities	<u>\$ 2,627,541,127</u>	<u>\$ 106,547,191</u>	<u>\$ 253,060,520</u>	<u>\$ 167,136,265</u>	<u>(2,100,797,151)</u>
<b>General revenues:</b>					
Grants and contributions not restricted to specific purposes:					
Federal government					6,324,270
Commonwealth of Virginia					426,777,900
County of Fairfax, VA					1,683,322,285
Revenue from the use of money					73,812
Other					1,667,408
Total general revenues					<u>2,118,165,675</u>
Change in net position					17,368,524
Net position - July 1, 2012					2,398,048,998
Net position - June 30, 2013					<u>\$ 2,415,417,522</u>

See accompanying notes to the financial statements.

**FAIRFAX COUNTY PUBLIC SCHOOLS**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2013**

**EXHIBIT C**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash on deposit with County of Fairfax, VA	\$ 218,078,177	\$ 3,911,966	\$ 15,778,439	\$ 237,768,582
Receivables:				
Accounts	14,224	650,000	79,841	744,065
Accrued interest	41	-	39,614	39,655
Due from intergovernmental units:				
Federal government	23,937,635	-	19,396,814	43,334,449
Commonwealth of Virginia	13,744,452	-	5,866,473	19,610,925
County of Fairfax, VA	-	-	279,978	279,978
Other	305,126	-	112,395	417,521
Inventories	-	-	1,439,480	1,439,480
Prepaid items	259,266	-	26,010	285,276
Interfund receivables	6,746,800	-	-	6,746,800
Restricted cash and investments	-	125,378,229	-	125,378,229
<b>Total assets</b>	<u>\$ 263,085,721</u>	<u>\$ 129,940,195</u>	<u>\$ 43,019,044</u>	<u>\$ 436,044,960</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 15,529,629	\$ 13,563,762	\$ 319,228	\$ 29,412,619
Accrued salaries and withholdings	33,223,176	-	677,092	33,900,268
Contract retainages	-	7,209,628	-	7,209,628
Deposits	-	781,524	-	781,524
Interfund payables	-	-	5,878,000	5,878,000
Unearned revenue	344,595	-	5,090,364	5,434,959
Total liabilities	<u>49,097,400</u>	<u>21,554,914</u>	<u>11,964,684</u>	<u>82,616,998</u>
Fund balances:				
Nonspendable	259,266	-	1,465,490	1,724,756
Restricted	-	108,385,281	29,588,870	137,974,151
Committed	90,651,011	-	-	90,651,011
Assigned	119,806,481	-	-	119,806,481
Unassigned	3,271,563	-	-	3,271,563
Total fund balances	<u>213,988,321</u>	<u>108,385,281</u>	<u>31,054,360</u>	<u>353,427,962</u>
<b>Total liabilities and fund balances</b>	<u>\$ 263,085,721</u>	<u>\$ 129,940,195</u>	<u>\$ 43,019,044</u>	<u>\$ 436,044,960</u>

See accompanying notes to the financial statements.

**FAIRFAX COUNTY PUBLIC SCHOOLS**  
**Reconciliation of the Balance Sheet to the Statement of Net Position**  
**Governmental Funds**  
**June 30, 2013**

**EXHIBIT C-1**

Fund balances - total governmental funds \$ 353,427,962

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

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

Nondepreciable capital assets	\$ 238,243,713	
Depreciable capital assets	3,337,976,599	
Accumulated depreciation	<u>(1,473,198,815)</u>	
Total		2,103,021,497

The net OPEB asset, resulting from contributions for other post-employment benefits in excess of the annual required contribution, is not considered a financial resource and, therefore, is not reported in the governmental funds. 13,392,985

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

Software and licenses	\$ 4,865,424	
Software under development	6,265,521	
Accumulated amortization	<u>(2,474,501)</u>	
Total		8,656,444

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	\$ 126,391,251	
Capital assets	140,082	
Accumulated depreciation	(131,035)	
Liabilities	<u>(68,508,053)</u>	
Total		57,892,245

Non-current liabilities related to governmental fund activities are not due and payable in the current period and, therefore, are not reported in the funds.

Accrued interest on long-term debt	\$ (895,326)	
Accrued rent	(965,703)	
Compensated absences	(34,164,648)	
Capital leases	<u>(84,947,934)</u>	
Total		(120,973,611)

Net position of governmental activities \$ 2,415,417,522

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, 2013**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Intergovernmental:				
Federal government	\$ 42,892,996	\$ 56,377	\$ 66,049,797	\$ 108,999,170
Commonwealth of Virginia	549,948,653	-	12,436,029	562,384,682
County of Fairfax, VA	1,683,922,285	155,000,000	4,548,169	1,843,470,454
Charges for services:				
Tuition and fees	8,418,368	-	8,202,848	16,621,216
Food sales	-	-	43,562,521	43,562,521
Revenue from the use of money and property	3,078,380	-	91,180	3,169,560
Recovered costs	43,522,681	-	-	43,522,681
Other	8,742,299	12,917,516	1,519,552	23,179,367
Total revenues	<u>2,340,525,662</u>	<u>167,973,893</u>	<u>136,410,096</u>	<u>2,644,909,651</u>
<b>EXPENDITURES</b>				
Current:				
Instruction:				
Regular education:				
Elementary school	774,806,467	-	36,260,216	811,066,683
Middle school	215,259,666	-	1,474,456	216,734,122
High school	486,567,349	-	6,733,637	493,300,986
Special education	412,965,661	-	5,911,969	418,877,630
Adult and community education	56,375	-	7,693,443	7,749,818
Instructional support	137,159,551	-	18,089,797	155,249,348
Support programs:				
Administration and general support	112,074,550	-	375,674	112,450,224
Student transportation	118,844,852	-	2,975,769	121,820,621
Facilities management	69,676,938	21,325,268	-	91,002,206
Food service	-	-	78,634,957	78,634,957
Capital outlay	21,878,952	131,940,350	805,351	154,624,653
Debt service:				
Principal	12,834,406	-	-	12,834,406
Interest	3,371,901	-	-	3,371,901
Total expenditures	<u>2,365,496,668</u>	<u>153,265,618</u>	<u>158,955,269</u>	<u>2,677,717,555</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(24,971,006)</u>	<u>14,708,275</u>	<u>(22,545,173)</u>	<u>(32,807,904)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	7,616,120	22,776,992	30,393,112
Transfers out	(30,393,112)	-	-	(30,393,112)
Capital leases	10,265,153	-	29,092	10,294,245
Total other financing sources (uses)	<u>(20,127,959)</u>	<u>7,616,120</u>	<u>22,806,084</u>	<u>10,294,245</u>
Net change in fund balances	(45,098,965)	22,324,395	260,911	(22,513,659)
Fund balances - July 1, 2012	259,087,286	86,060,886	30,888,965	376,037,137
Decrease in reserve for inventories	-	-	(95,516)	(95,516)
Fund balances - June 30, 2013	<u>\$ 213,988,321</u>	<u>\$ 108,385,281</u>	<u>\$ 31,054,360</u>	<u>\$ 353,427,962</u>

See accompanying notes to the financial statements.

**FAIRFAX COUNTY PUBLIC SCHOOLS**  
**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, 2013**

**EXHIBIT D-1**

Net change in fund balances - total governmental funds	\$	(22,513,659)
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	\$	154,624,653
Depreciation expense		<u>(120,062,601)</u>
Total		34,562,052
Donations of capital assets increase net assets in the statement of activities, but do not appear in the governmental funds because they are not financial resources.		1,299,918
Gains or losses 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.		2,302,039
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.		12,834,406
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.		(10,294,245)
In the government-wide statements, rent abatement charges impact accrued rent. In the governmental funds, this is not considered a current year expenditure.		367,593
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.		(95,516)
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.		(1,487,123)
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.		(3,042,553)
Interest on capital leases and installment purchases 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.		97,504
Contributions for other post-employment benefits are reported as expenditures in the governmental funds. However, contributions made in amounts greater or less than the annual required contribution result in an increase or decrease to the net OPEB asset or obligation on the statement of net position and do not result in an expense in the statement of activities.		3,338,108
Change in net position of governmental activities	<u>\$</u>	<u>17,368,524</u>

See accompanying notes to the financial statements.



**FAIRFAX COUNTY PUBLIC SCHOOLS**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2013**

**EXHIBIT E**

	<b>Governmental Activities - Internal Service Funds</b>
<b>ASSETS</b>	
Current assets:	
Cash on deposit with County of Fairfax, VA	\$ 121,648,291
Receivables:	
Accounts	3,315,675
Accrued interest	132,555
Inventories	1,294,730
Total current assets	<u>126,391,251</u>
Noncurrent assets:	
Capital assets:	
Equipment	140,082
Accumulated depreciation	(131,035)
Total noncurrent assets	<u>9,047</u>
Total assets	<u>126,400,298</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Total deferred outflows of resources	<u>-</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	4,874,587
Interfund payables	831,100
Unearned revenue	9,454,098
Compensated absences	114,064
Actuarial claims payable	24,807,564
Total current liabilities	<u>40,081,413</u>
Noncurrent liabilities:	
Compensated absences	48,884
Actuarial claims payable	28,377,756
Total noncurrent liabilities	<u>28,426,640</u>
Total liabilities	<u>68,508,053</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Total deferred inflows of resources	<u>-</u>
<b>NET POSITION</b>	
Net investment in capital assets	9,047
Unrestricted	57,883,198
Total net position	<u>\$ 57,892,245</u>

See accompanying notes to the financial statements.

**FAIRFAX COUNTY PUBLIC SCHOOLS**

**EXHIBIT F**

**Statement of Revenues, Expenses, and Changes in Fund Net Position**

**Proprietary Funds**

**For the Fiscal Year Ended June 30, 2013**

	<b>Governmental Activities - Internal Service Funds</b>
<b>OPERATING REVENUES</b>	
Charges for services	\$ 333,484,387
<b>OPERATING EXPENSES</b>	
Salaries and wages	2,922,353
Cost of goods sold	4,236,862
Claims and benefits	318,842,792
Professional consultant services	10,259,035
Other operating expenses	492,865
Depreciation	3,444
Total operating expenses	<u>336,757,351</u>
Operating loss	(3,272,964)
<b>NONOPERATING REVENUES</b>	
Interest revenue	230,411
Change in net position	(3,042,553)
Total net position - July 1, 2012	60,934,798
Total net position - June 30, 2013	<u>\$ 57,892,245</u>

See accompanying notes to the financial statements.

**FAIRFAX COUNTY PUBLIC SCHOOLS**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2013**

**EXHIBIT G**

	<b>Governmental Activities - Internal Service Funds</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from interfund services provided	\$ 306,650,481
Payments to employees	(2,922,353)
Payments to vendors for inventory	(3,971,231)
Payments for claims and health benefits	(317,033,715)
Payments for professional services	(10,551,355)
Payments for other operating expenses	(489,359)
Net cash used in operating activities	<u>(28,317,532)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Net advances from other fund	(288,900)
Net cash used in noncapital financing activities	<u>(288,900)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest received	176,781
Net cash provided by investing activities	<u>176,781</u>
Net decrease in cash and cash equivalents	(28,429,651)
Cash and cash equivalents - July 1, 2012	150,077,942
<b>Cash and cash equivalents - June 30, 2013</b>	<u><u>\$ 121,648,291</u></u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating loss	\$ (3,272,964)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation expense	3,444
Decrease in accounts receivable	210,368
Decrease in inventories	275,035
Decrease in accounts payable	(301,250)
Decrease in unearned revenue	(27,044,274)
Increase in compensated absences	36,868
Increase in actuarial claims payable	1,775,241
Total adjustments to operating loss	<u>(25,044,568)</u>
Net cash used in operating activities	<u><u>\$ (28,317,532)</u></u>

See accompanying notes to the financial statements.

**FAIRFAX COUNTY PUBLIC SCHOOLS**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**June 30, 2013**

**EXHIBIT H**

	<b>Pension and Other Post-Employment Benefit Trust Funds</b>	<b>Agency Fund - Student Activity</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 935,895	\$ -
Cash with fiscal agent	1,096,270	19,298,822
Cash collateral for securities on loan	66,498,968	-
Short-term investments	30,897,604	-
Receivables:		
Accounts	-	453,285
Accrued interest	3,512,946	-
Securities sold	9,321,639	-
Other	55,372	-
Investments, at fair value:		
Mortgage-backed securities	3,973,060	-
Bonds	157,726,554	-
Stocks	635,611,245	-
Real estate	151,997,340	-
Global asset allocation	186,066,940	-
Better beta derivatives	90,595,119	-
Hedge funds	162,688,571	-
Private equity limited partnership	25,221,028	-
Mutual funds	572,384,741	-
Inventories	-	372,982
Prepaid items	15,000	-
Capital assets:		
Equipment	113,821	-
Accumulated depreciation	(100,176)	-
Total assets	<u>2,098,611,937</u>	<u>\$ 20,125,089</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Total deferred outflows of resources	<u>-</u>	
<b>LIABILITIES</b>		
Accounts payable	1,884,168	\$ 586,691
Interfund payables	37,700	-
Payable for purchase of investments	8,493,585	-
Liability for collateral received under securities lending agreements	66,498,968	-
Due to student groups	-	19,538,398
Total liabilities	<u>76,914,421</u>	<u>\$ 20,125,089</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Total deferred inflows of resources	<u>-</u>	
<b>NET POSITION</b>		
Held in trust for pension and other post-employment benefits	<u>\$ 2,021,697,516</u>	

See accompanying notes to the financial statements.

**FAIRFAX COUNTY PUBLIC SCHOOLS**  
**Statement of Changes in Fiduciary Net Position**  
**Pension and Other Post-Employment Benefit Trust Funds**  
**For the Fiscal Year Ended June 30, 2013**

**EXHIBIT I**

	<b>Pension and Other Post-Employment Benefit Trust Funds</b>
<b>ADDITIONS</b>	
Contributions:	
Employer	\$ 102,205,742
Plan members	38,428,367
Total contributions	<u>140,634,109</u>
Investment earnings:	
From investing activities:	
Net appreciation in fair value of investments	157,101,010
Interest and dividends	46,447,990
Real estate income	3,416,148
Other	42,998
Gain from investing activities	<u>207,008,146</u>
Less Investment expenses:	
Investment management fees	10,321,783
Investment consulting fees	405,838
Investment custodial fees	190,860
Investment salaries	232,927
Total investment expenses	<u>11,151,408</u>
Net gain from investing activities	<u>195,856,738</u>
From securities lending activities:	
Securities lending income	138,169
Securities lending borrower rebates	386,514
Securities lending management fees	(157,838)
Net income from securities lending activities	<u>366,845</u>
Net investment income	<u>196,223,583</u>
Total additions	<u>336,857,692</u>
<b>DEDUCTIONS</b>	
Benefit payments	184,569,236
Refund of contributions	4,419,806
Administrative expenses	3,588,414
Total deductions	<u>192,577,456</u>
Change in net position	144,280,236
Net position - July 1, 2012	1,877,417,280
Net position - June 30, 2013	<u>\$ 2,021,697,516</u>
See accompanying notes to the financial statements.	

# Notes to the Financial Statements

Fairfax County Public Schools  
June 30, 2013

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## 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 are 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 entails 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 the Governmental Accounting Standards Board (GASB)

Statement No. 61, "The Financial Reporting Entity Omnibus - an amendment of GASB Statements No. 14 and No. 34," 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.

ERFC issues a public annual financial report that includes financial statements and required supplementary information (RSI). This report may be obtained by writing to the Educational Employees' Supplementary Retirement System, 8001 Forbes Place, Suite 300, Springfield, Virginia 22151.

FCPS is a component unit of the County since the County issues and services general obligation debt to finance school 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 generally accepted accounting principals accepted in the United States of America (GAAP), as applicable to governmental units. 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. Furthermore, the activities of the internal service funds are eliminated to avoid duplicate reporting of revenues and expenses. In accordance with GASB reporting requirements, activities are reported in these statements as either governmental or business-type. Primary activities of FCPS are categorized solely as governmental.

The statement of net position presents the overall financial condition of FCPS at June 30, 2013. 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, 2013, most programs were heavily dependent on general revenues. Facilities management was the only program where the revenue sources exceeded program expenses.

Program revenues include: 1) charges for services (such as tuition and fees), 2) operating grants and contributions, and 3) capital grants and contributions. Revenues that are not directly related to a program are reported as general revenues. These include 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 reports classify 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 fund

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 and other post-employment 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 Central Procurement Fund accounts for the acquisition of textbooks, supplies, and equipment and their utilization by FCPS. 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 Post-employment 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 Post-employment Benefits (OPEB) Trust Fund, a single-employer defined benefit plan to account for nonpension post employment 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 the support of 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 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. In applying the susceptible to accrual concept, revenue is considered available if it is received within 60 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 post-employment 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 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.

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 post-employment benefit funds, benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

#### D. UNAVAILABLE/UNEARNED REVENUE

Unavailable revenues are resource inflows that do not yet meet FCPS' criteria for revenue recognition. These represent reimbursements, which are not collected within 60 days after fiscal year-end. Thus, these revenues are not classified as "available."

Unearned revenue is a specific type of unavailable revenue that does 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 revenue. 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 revenue 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 revenue reported in the Grants and Self-Supporting Programs Fund, is primarily attributable to advance tuition payments for summer school. The unearned revenue in the Adult and Community Education Fund stems from tuition payments to be applied to classes offered in the following fiscal year. Unearned revenue 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 of Fairfax, VA represents the majority of FCPS' available cash. Placing these funds in a fully insured or collateralized investment pool administered by the County enhances investment returns. At June 30, 2013, 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 the Food and Nutrition Services, Adult and Community Education, Health Benefits, and ERFC 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. For the fiscal year ended June 30, 2013, interest earned by the remaining funds and assigned directly to the County's General Fund totaled \$1,966,700.

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 for the purpose of complying with GASB Statement Number 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that use Proprietary Fund Accounting."

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, 2013; and
- 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 of Fairfax, VA 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 or estimated fair value.

Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Asset-backed securities are valued based on future principal and interest payments and are discounted at prevailing interest rates for similar investments. 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 Central Procurement Fund are valued and carried on a weighted average unit cost basis. 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 as well as in the proprietary fund 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 expensed when purchased. The inventory of the Food and Nutrition Services Fund, which consists of food products, are classified as nonspendable in the 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 in the fund balance.

## H. CAPITAL ASSETS

Capital assets are reported in the government-wide financial statements and include land, equipment under construction, 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, 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 fair market value at the time of receipt. Assets acquired through capital lease and installment purchase agreements 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 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. Intangible assets are assigned useful lives in the range 5 to 12 years, depending

on the nature of the intangible asset. The intangibles were valued at historic cost. No indirect costs were incorporated into the valuations for internally generated software. The cost threshold for individual asset recognition is \$100,000. The intangible assets are amortized on a straight-line basis over the useful life to reflect the expiration of useful value.

Preliminary cost of software development (Stage 1) are expensed. Software in the application development stage (Stage 2) amounted to \$6,265,521 at June 30, 2013. 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 in the governmental funds and no liability is reported at fiscal year-end.

#### K. FUND EQUITY

Fund equity (net position) represents the difference between assets and liabilities. In the government-wide and proprietary fund financial statements, FCPS' net position are 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 and installment purchase obligations to acquire these assets
- Restricted, which represents the amount of net position that are externally restricted for grant programs and major capital projects
- Unrestricted, which represents net position, which are neither restricted nor capital-related that may be used to meet FCPS' ongoing programs.

In the fiduciary fund financial statements, FCPS' net position are categorized as held in trust for pension and other post-employment 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.

#### L. 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 2013, reimbursements totaled \$43,522,681 for educational services.

#### M. 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.

## N. 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.

## O. 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, 2013, restricted cash and investments reported in the Capital Projects Fund totaled \$125,378,229.

## P. NEW PRONOUNCEMENTS

FCPS implemented GASB Statement No. 61, "The Financial Reporting Entity Omnibus — an amendment of GASB Statements No. 14 and No. 34". The implementation of the new standard did not have a material impact on FCPS' financial statements for fiscal year 2013.

FCPS implemented GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance contained in Pre-November 30, 1989 FASB and AICPA". The implementation of the new standard did not have a material impact on FCPS' financial statements for fiscal year 2013.

FCPS implemented GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position". The implementation of the new standard has replaced the statement of net position with the statement of net position which includes the deferred outflows of resources and deferred inflow of resources, if applicable.

FCPS has opted to implement early GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities". The implementation of the new standard did not have a material impact on FCPS' financial statements for fiscal year 2013.

FCPS has also opted to implement early GASB Statement No. 66, "Technical Corrections – 2012". The implementation of the new standard did not have a material impact on FCPS' financial statements for fiscal year 2013.

## 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;
- U.S. Treasury and agency securities;
- U.S. Treasury strips;
- Negotiable certificates of deposit and bank notes;
- Money market funds;
- Banker's acceptances;
- Repurchase agreements;
- Medium term corporate notes;
- Local government investment pools;
- Asset-backed securities;
- Hedged debt obligations of sovereign governments;
- Securities lending programs;
- Obligations of the Asian Development Bank;
- Obligations of the African Development Bank;
- Obligations of the International Bank for Reconstruction and Development;
- Obligations of the State and its instrumentalities;
- Obligations of counties, cities, towns, and other public bodies located within the State;
- Obligations of State and local government units located within other states;
- Savings accounts for time deposits in any bank or savings and loan association within the State that complies with the Code.

The County's investment policy prohibits 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. INTEREST RATE RISK

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

As of June 30, 2013, the pooled investments allocated to the County's component units, of which FCPS is designated a majority share, is presented below:

<u>Investment Type</u>	<u>Market Value</u>	<u>Weighted Average Maturity (Days)</u>
Agency discount notes	\$ 35,742,056	2.28
Commercial paper	193,444,486	54.82
Corporate notes	1,418,465	0.08
Money market funds	26,904,034	0.01
Negotiable certificates of deposit	216,681,064	21.12
Total market value	<u>\$ 474,190,105</u>	
Portfolio weighted average maturity		78.31

## 3. CREDIT RISK

The County's policy is to minimize the risk of loss due to the failure of an issuer or other counterparty to an investment to fulfill its obligations. The County pre-qualifies financial institutions, broker-dealers, intermediaries, and advisors with which the County does business. In addition, the County limits its pooled investments to the safest types of securities and relies on extensive diversification within the portfolio in order to hold potential losses to a minimum. In addition, new investments are not placed in securities that have been assigned a negative rating by Moody's Investors Service, Inc. (Moody's) Watch list 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 minimum rating of P-1;

- S&P, with a minimum rating of A-1;
- Fitch Investor's Services, Inc. (Fitch), with a minimum rating of F-1; or
- Duff and Phelps, Inc., with a minimum rating of D-1.
- Mutual funds shall have a rating of AAA or better by S&P, Moody's, or another nationally recognized rating agency.
- Bank deposit notes shall be rated by at least two of the following:
  - Moody's, with a minimum rating of P-1;
  - S&P, with a minimum rating of A-1;
  - Fitch Investor's Services, Inc. (Fitch), with a minimum rating of F-1; or
  - Duff and Phelps, Inc., with a minimum rating of D-1.
- Banker's acceptances shall be related 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 by Duff and Phelps, Inc., D-1.
- Corporate notes shall have a rating of at least Aa by Moody's and a rating of at least AA by S&P.

As of June 30, 2013, the County had investments in the following issuers with credit quality ratings as a percent of total investments in debt securities:

Investment Type	Credit Quality Rating *			
	AAA	AA	A	Unrated
<b>Primary Government</b>				
<b>Pooled Investments:</b>				
Commercial paper	- %	0.6 %	12.4 %	22.0 ** %
Money market funds	-	-	-	4.9 **
Corporate notes	-	0.3	-	-
Certificates of deposit:				
Negotiable	-	7.9	31.0	-
Insured	-	-	-	3.0 **
Agency discount note	-	6.5	-	-
Demand deposit account	-	1.2	10.2	-

\* Credit quality ratings are determined using S&P's long-term rating schema, which approximates the greatest degree of risk as of June 30, 2013.

\*\* Insured CD's are not rated by rating agencies. Though not rated on S&P long term, the 22.0% of Commercial Paper and 4.9% of Money Market Funds held in pooled investments are rated A1 and AAA-m, respectively, on S&P short-term schema.

#### 4. 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:

Repurchase agreements, money market funds, and demand deposit accounts	30% maximum
Bank notes, banker's acceptances, and negotiable certificates of deposit	40% maximum
Commercial paper	35% maximum
Corporate notes	25% maximum
U.S. Treasury and agency securities	100% maximum
Non-negotiable certificates of deposit	40% 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, banker's acceptances, corporate notes, and bank notes. 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.

#### 5. CUSTODIAL CREDIT RISK

For deposits, custodial credit risk is the prospect that in the event that a depository financial institution fails, the County's reporting entity may not recover its deposits. In accordance with the Act, all of the County reporting entity'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's

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

## 6. FOREIGN CURRENCY RISK

There is no foreign currency risk, since County policy restricts pooled investments to U.S. dollar-denominated instruments.

## B. FIDUCIARY INVESTMENTS

### 1. ERFC

#### 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. 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.

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 assets held in trust for pension benefits.

As permitted by the Code, ERFC invests in derivative instruments on a limited basis in accordance with the Board'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, consistent with standard accounting

principle guidelines, ERFC invested in currency forward derivatives that were not reported on the financial statements as of June 30, 2013. These derivatives are used for hedging non-USD denominated physical instruments back to the base currency. As of June 30, 2013, exposure to the currency forward contracts was \$(27,552,326).

In addition, ERFC had indirect investments in derivatives through its ownership interest in EB DV Large Capital Stock Fund and Emerging Markets Debt Fund, plus with two of the Private Real Estate managers. These portfolios are commingled funds in which ERFC has a percentage ownership. Derivatives in these portfolios consisted of interest rate swaps 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 F/X rate and the forward F/X rate, and through investing the USD cash used as collateral in short dated US bonds. At June 30, 2013, exposure to interest rate swaps was \$2,231,740, exposure to futures contracts was \$(1,252,671), exposure to NDF's was \$(1,510,081), and exposure to commodity forwards was \$(580,749).

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 as specified in the securities lending agreement. Collateral must be provided in the amount of 102 percent of the market value for domestic securities and 105 percent for international securities. ERFC did not impose any restrictions during the period on the amount of loans the custodian made on its behalf. The custodian provides for full indemnification to ERFC for any losses that might occur in the program due to the failure of a broker/dealer to return the borrowed security or a failure to pay ERFC for income earned by loaned securities. The market 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 90 days. Investment income from the securities lending program is shared 75/25 by ERFC and the custodian, respectively. On June 30, 2013, 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 assets. On June 30, 2013, cash received as collateral and the related liability was \$66,498,968. The market value of securities on loan was \$64,829,567. Securities received as collateral are not reported as assets since ERFC does not have the ability to pledge or sell the collateral securities absent borrower default.

On June 30, 2013, the array of securities ERFC had on loan for cash and non-cash collateral took this form:

<u>Securities Lent</u>	<u>Cash Market Value</u>	<u>Cash Collateral</u>
Lent for cash and non cash collateral:		
Domestic corporate bonds	\$ 6,593,923	\$ 6,753,205
International stock	3,986,141	4,193,530
Domestic stock	52,324,482	53,587,572
Government	1,925,021	1,964,661
Total	<u>\$ 64,829,567</u>	<u>\$ 66,498,968</u>

#### Interest Rate Risk

All four of ERFC's fixed income managers use the modified duration method to control interest rate risk. Regarding maturity, ERFC does not place limits on its fixed income managers. However, it does expect the average duration to be within 30 percent of the portfolio's benchmark.

As of June 30, 2013, ERFC had the following fixed income investments, none of which are highly sensitive to changes in interest rates:

<u>Investment Type</u>	<u>Amount</u>	<u>Modified Duration (Years)</u>
U.S. treasuries	\$ 101,163,027	4.08
Agencies	12,808,451	1.67
Corporate bonds	146,515,176	6.01
Municipals	8,934,563	4.65
Mortgages	109,120,931	2.60
Asset-backed securities	2,991,078	6.74
CMBS	2,589,013	3.18
Emerging market	51,102,964	4.68
Foreign bonds	48,531,974	2.11
Convertible and preferred	12,971,731	7.50
Cash and cash equivalents	13,245,154	0.20
Other	25,618,198	0.84
Total	<u>\$ 535,592,260</u>	
Weighted duration in years		3.98

#### 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.

As of June 30, 2013, ERFC had three active fixed income managers and one passive fixed income manager. The schedule on the next page lists the ratings of all of ERFC's fixed income investments according to Moody's Investment Services and Standard & Poor's.

The percentage mix of credit quality ratings in ERFC's portfolio as of June 30, 2013, is portrayed below:

Investment Type	Credit Quality Rating								Withdrawn
	AAA	AA	A	BBB	BB	B	Below B	Unrated	Rating
Mortgage-backed securities	0.3 %	6.4 %	0.1 %	0.1 %	0.0 %	0.0 %	- %	0.1 %	0.0 %
Domestic bonds	0.0	0.5	2.6	8.9	3.6	1.7	0.6	37.3	0.7
Convertible bonds	-	-	0.0	0.6	0.8	-	-	0.9	-
International bonds	2.2	0.3	6.6	3.5	2.0	0.0	0.0	3.3	0.1
U.S. government obligations	0.0	9.1	0.0	0.0	0.0	-	-	4.3	-
Preferred stocks	-	-	-	0.0	0.0	-	-	0.0	-
Cash and cash equivalents	-	-	-	-	-	-	-	3.5	-

0.0% indicates percentage of less than .1 % of total

### Concentration of Credit Risk

ERFC's policy limits the securities of any one issue to 10 percent at cost and 15 percent at market of each fixed income portfolio. The policy allows an exception for government securities and its agencies. At June 30, 2013, ERFC had three active fixed income managers and one passive fixed income manager. The active manager portfolios had values of \$159.4 million, \$53.5 million and \$207.9 million. The indexed portfolio had a value of \$114.8 million. The market value of the largest issue other than the U.S. Government in the portfolios of the active managers was only 9.2 percent of that portfolio. Since the passive manager's portfolio is an index mutual fund, it is excluded from the Concentration of Credit Risk measurement.

### Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, ERFC's funds will be lost. ERFC's investments and deposits are not exposed to this form of risk since they are insured and 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 since they have a non-physical form. Due to the absence of exposure, ERFC has elected not to formulate a custodial credit risk policy.

The mix of investments held by the custodian on June 30, 2013, was as follows:

Investment Type	Market Value
Mortgage-backed securities	\$ 3,973,060
Domestic corporate bonds	106,847,934
Convertible bonds	12,143,244
International bonds	38,735,376
Common stock	602,647,233
Real estate	158,717,664
Preferred stock	2,409,937
Global asset allocation	186,066,940
Better beta	90,595,119
Hedge fund of funds	156,881,646
Private equity limited partnership	25,221,027
Mutual funds	538,641,802
Sub-total investments	1,922,880,982
Cash collateral for securities on loan	66,498,968
Total	\$ 1,989,379,950

### Foreign Currency Risk

ERFC's investment guidelines on active fixed income holdings are limited to debt instruments of U.S. entities denominated in U.S. dollars which includes U.S. denominated sovereign bonds. However, with Trustee approval, ERFC's two active fixed income managers have been granted exceptions that allow investments in non-U.S. bonds—one at a maximum of 25 percent and the other at 20 percent.

At the present time, there are no specific foreign currency guidelines for equities, however, the equity managers are all measured against specific benchmarks and are expected to adhere to the performance standard and risk guidelines identified in ERFC's Investment Policy. The chart at on the next page provides a summary of ERFC's foreign currency risk.

The following chart provides a summary of ERFC's foreign currency risk as of June 30, 2013:

<b>Currency</b>	<b>Cash and Cash Equivalents</b>	<b>Equity</b>	<b>Fixed Income Securities</b>	<b>Preferred Securities</b>	<b>Total U.S. Dollars</b>
Australian dollar	\$ 78,418	\$ 4,533,115	\$ 3,733,573	\$ -	\$ 8,345,106
Brazil real	29,075	1,319,733	12,232,194	1,365,867	14,946,869
Canadian dollar	59,005	11,201,414	6,313,729	-	17,574,148
Chilean peso	1,481,005	-	671,291	-	2,152,296
Columbian peso	96,963	-	4,179,923	-	4,276,886
Czech koruna	2,521	-	-	-	2,521
Danish krone	-	1,035,166	-	-	1,035,166
Euro currency unit	558,184	67,179,721	1,288,276	613,189	69,639,370
Hong Kong dollar	420,952	14,761,042	-	-	15,181,994
Hungarian forint	83	-	2,194,601	-	2,194,684
Indonesian rupiah	9,594	257,649	-	-	267,243
Israeli shekel	10,114	-	-	-	10,114
Japanese yen	175,706	46,420,387	-	-	46,596,093
Malaysian ringgit	105,720	1,418,822	4,315,452	-	5,839,994
Mexican new peso	5,593	1,297,169	7,941,978	-	9,244,740
New Taiwan dollar	-	4,618,994	-	-	4,618,994
New Turkish lira	10,608	2,204,287	2,566,572	-	4,781,467
New Zealand dollar	34,735	165,321	7,286,014	-	7,486,070
Norwegian krone	13,161	4,946,245	2,723,572	-	7,682,978
Peruvian nuevo sol	-	-	2,689,845	-	2,689,845
Philippines peso	85,333	40,561	-	-	125,894
Polish zloty	98,279	418,355	6,324,943	-	6,841,577
Pound sterling	242,872	48,861,069	279,568	-	49,383,509
Russian rouble	-	-	3,238,945	-	3,238,945
S. African common rand	94	1,297,673	4,933,380	-	6,231,147
Singapore dollar	46,483	6,444,095	4,362,008	-	10,852,586
South Korea won	5,645	9,214,948	2,217,393	-	11,437,986
Swedish krona	99	5,400,984	-	-	5,401,083
Swiss franc	206,825	17,337,545	-	-	17,544,370
Thailand baht	574,641	1,743,581	-	-	2,318,222
<b>Total</b>	<b>\$ 4,351,708</b>	<b>\$ 252,117,876</b>	<b>\$ 79,493,257</b>	<b>\$ 1,979,056</b>	<b>\$ 337,941,897</b>

## 2. SCHOOL OPEB TRUST FUND

### Deposit and Investment Policies

The authority to establish a trust fund for the purpose of accumulating and investing other post-employment 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 post-employment 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 (Board) of the Pooled Trust.

The Board 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 consistent with reasonable risk by seeking capital appreciation, and, secondarily, principal protection in a prudent manner. The investment policy authorizes such instruments as certificates of deposit, repurchase agreements, banker's acceptances, money market funds, commercial paper, common and preferred stocks, U.S. Treasury and agency securities, structured notes, and derivatives.

The investment policy restricts the purchase of:

- Short sales instruments;
- Options (puts, calls or straddles);
- Unbundled stock units;
- Margin purchases or other use of lending or borrowed funds;
- Letter stock;
- Private or direct placements;
- Commodities;
- Venture capital;
- Private equity;
- Management buyouts;
- Short-term securities of the custodian banks, investment managers, or affiliated companies;
- Securities lending; and
- Purchase or other direct interest in gas, oil, or other mineral exploration or development programs.

Through its investment policy, the Board manages exposure to fair value losses that can occur when market interest rates rise. The investment managers of the Pooled Trust are expected to adhere to the performance standards and risk guidelines identified in the investment policy. On a quarterly basis, the investment managers review their performance on a rolling three-year basis and over other relevant time periods and compare it to a composite benchmark comprised of the various asset classes' assigned market indexes, weighted by the Pooled Trust's long-term policy allocations. The comparison is also made to a peer group comprised of funds of similar size. The Board monitors the Pooled Trust on a continual basis for consistency in returns, net of fees, relative to objectives and investment risk, factoring in the effects of extreme economic fluctuations and market volatility.

On June 30, 2013, the School OPEB Trust Fund had the following investments in the Pooled Trust:

Investment Type	Fair Value
Short term investments	\$ 63
Mutual funds	33,742,939
Stocks	23,833,752
Hedge funds	5,806,925
Receivable from sale of investment	1,598,211
Total Investment	<u>\$ 64,981,890</u>

#### Concentration of Credit Risk

The School OPEB Trust Fund 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 assets held in trust for OPEB benefits. The fund does not have investments assigned to any single investment manager that represent 25 percent or more at market value of net assets, 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 Program, 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 and to the Title I and II grants and federal reimbursement for the National School Lunch Program in the nonmajor governmental funds. IDEA is designed to ensure that all school-age handicapped children are provided a free, appropriate public education. Title I and II programs enhance the instruction for disadvantaged children. 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 requires one and one-eighth cent of every five cents collected in State sales tax to be distributed to school divisions based on school-age population. The receivable from the State in the nonmajor governmental funds represents FCPS' allocation

of the Virginia Public School Authority Educational Technology Note proceeds for qualified technology expenditures and the Virginia Department of Education grant for the Juvenile Detention Center.

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 reimbursements for the School Age Child Care (SACC) program and lunches served at certain County senior citizen centers.

Amounts due from other governments as of June 30, 2013, were as follows:

<u>Fund</u>	<u>Federal Government</u>	<u>State</u>	<u>County</u>	<u>Other Jurisdictions</u>	<u>Total</u>
General Fund	\$ 23,937,635	\$ 13,744,452	\$ -	\$ 305,126	\$ 37,987,213
Nonmajor governmental	19,396,814	5,866,473	279,978	112,395	25,655,660
Total	<u>\$ 43,334,449</u>	<u>\$ 19,610,925</u>	<u>\$ 279,978</u>	<u>\$ 417,521</u>	<u>\$ 63,642,873</u>

#### 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. A \$831,100 advance to the Central Procurement Fund resulted from an inventory buildup in

anticipation of the start of the 2013-2014 school year. The \$5,878,000 advance to the Grants and Self-Supporting Programs Fund, results primarily from grant expenditures incurred for which reimbursement has not been requested. The \$37,700 advance to the fiduciary funds, specifically the OPEB Fund, results from temporary cash shortages in the fund. This balance is expected to be repaid by June 30, 2014.

The composition of interfund receivables and payables balances as of June 30, 2013, was as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 6,746,800	\$ -
Fiduciary funds	-	37,700
Nonmajor governmental funds	-	5,878,000
Internal service funds	-	831,100
Total	<u>\$ 6,746,800</u>	<u>\$ 6,746,800</u>

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, 2013, was as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 30,393,112
Capital Projects	7,616,120	-
Nonmajor governmental funds	22,776,992	-
Total	<u>\$ 30,393,112</u>	<u>\$ 30,393,112</u>

## E. CAPITAL ASSETS

A summary of capital asset activity for fiscal year 2013 is shown below:

<b>Governmental Activities</b>	<b>Balance June 30, 2012</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2013</b>
<b>Non-depreciable/non-amortizable capital assets:</b>				
Land	\$ 44,869,395	\$ -	\$ -	\$ 44,869,395
Construction in progress	194,676,267	108,003,068	(109,305,017)	193,374,318
Software in development	4,843,645	1,703,127	(281,251)	6,265,521
Total non-depreciable/non-amortizable capital assets	<u>244,389,307</u>	<u>109,706,195</u>	<u>(109,586,268)</u>	<u>244,509,234</u>
<b>Depreciable/amortizable capital assets:</b>				
Equipment	254,773,604	21,194,455	(8,223,613)	267,744,446
Library materials/collections	33,477,414	3,507,141	(2,215,375)	34,769,180
Buildings	1,178,370,955	21,095,241	-	1,199,466,196
Building improvements	1,688,258,927	108,911,661	-	1,797,170,588
Land improvements	35,875,833	3,090,438	-	38,966,271
Software/licenses	4,187,036	678,388	-	4,865,424
Total depreciable/amortizable capital assets	<u>3,194,943,769</u>	<u>158,477,324</u>	<u>(10,438,988)</u>	<u>3,342,982,105</u>
<b>Accumulated depreciation/amortization:</b>				
Equipment	(168,631,095)	(15,936,611)	6,054,997	(178,512,709)
Library collections	(24,753,427)	(3,721,208)	4,163,796	(24,310,839)
Buildings	(479,242,319)	(30,993,110)	-	(510,235,429)
Building improvements	(677,954,103)	(66,842,823)	-	(744,796,926)
Land improvements	(13,746,238)	(1,727,709)	-	(15,473,947)
Software/licenses	(1,629,917)	(844,584)	-	(2,474,501)
Total accumulated depreciation/amortization	<u>(1,365,957,099)</u>	<u>(120,066,045)</u>	<u>10,218,793</u>	<u>(1,475,804,351)</u>
Depreciable/amortizable capital assets, net	<u>1,828,986,670</u>	<u>38,411,279</u>	<u>(220,195)</u>	<u>1,867,177,754</u>
Total capital assets, net	<u>\$ 2,073,375,977</u>	<u>\$ 148,117,474</u>	<u>\$ (109,806,463)</u>	<u>\$ 2,111,686,988</u>

Depreciation was charged to governmental programs during fiscal year 2013 as shown:

<b>Governmental Activities</b>	<b>Depreciation Expense</b>
<b>Instruction:</b>	
Regular education:	
Elementary school	\$ 38,844,508
Middle school	10,380,072
High school	23,625,719
Special education	20,061,353
Adult and community education	371,163
Instructional support	7,435,374
<b>Support programs:</b>	
Administration and general support	5,385,591
Student transportation	5,834,369
Facilities management	4,358,379
Food service	3,766,073
In addition, depreciation expense on capital assets held by the internal service funds is charged to the various programs based on a ratio of total governmental fund expenditures.	3,444
Total	<u>\$ 120,066,045</u>

## 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. 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 debt obligations which is indicated below.

The table below summarizes the changes in the long-term obligations of FCPS for the year ended June 30, 2013:

<b>Governmental Activities</b>	<b>Balance June 30, 2012</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance June 30, 2013</b>	<b>Due within One Year</b>
Accrued rent	\$ 1,333,296		\$ (367,593)	\$ 965,703	\$ 420,555
Compensated absences	32,803,606	24,486,514	(22,962,524)	34,327,596	24,029,318
Capital leases	87,532,656	10,294,245	(12,878,967)	84,947,934	14,056,827
Actuarial claims payable	51,410,079	29,977,265	(28,202,024)	53,185,320	24,807,564
<b>Total</b>	<b>\$ 173,079,637</b>	<b>\$ 64,758,024</b>	<b>\$ (64,411,108)</b>	<b>\$ 173,426,553</b>	<b>\$ 63,314,264</b>

### 1. CAPITAL LEASES

FCPS entered into noncancelable 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 2018, 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, 2013, were as follows:

<b>Fiscal Year</b>	<b>Total</b>
2014	\$ 17,219,323
2015	14,571,681
2016	9,368,297
2017	8,611,045
2018	4,409,455
2019-2023	18,879,912
2024-2028	18,875,485
2029-2033	18,877,550
2034-2035	7,550,825
<b>Total minimum obligations</b>	<b>118,363,573</b>
<b>Portion representing interest</b>	<b>(33,415,639)</b>
<b>Present value of minimum obligations</b>	<b>\$ 84,947,934</b>

The following schedule lists the capital assets that were acquired under the capital leases that remained outstanding on June 30, 2013:

<u>Asset Class</u>	<u>Acquisition Cost</u>	<u>Accumulated Depreciation</u>	<u>Net</u>
Capital assets:			
Land	\$ 6,000,000	\$ -	\$ 6,000,000
Equipment:			
Buses	17,386,035	(5,712,800)	11,673,235
Computers	16,937,807	(6,699,523)	10,238,284
Copiers	24,028,280	(13,573,703)	10,454,577
Other vehicles	664,312	(307,072)	357,240
Buildings	56,910,185	(8,751,877)	48,158,308
Total	<u>\$ 121,926,619</u>	<u>\$ (35,044,975)</u>	<u>\$ 86,881,644</u>

#### 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, noncancelable 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 new long-term operating lease agreement was entered into in fiscal year 2010 that provided for an abatement of the rent for the first 18 months. In accordance with the provisions of GASB Statement 13, "Accounting for Operating Leases with Scheduled Rent Increases", the operating lease rent expense recognition is spread on a straight-line basis over the 78 full-time equivalent month lease term. As a result, for fiscal year 2013, \$367,593 was recognized as rent reduction with respect to this lease. During fiscal year 2013, the total expenditures for real estate operating leases amounted to \$4,164,165. In addition, FCPS has equipment leases for copiers. The expenditures on these leases totaled \$23,710.

On June 30, 2013, the future minimum operating lease commitments were as follows:

<u>Fiscal Year</u>	<u>Real Estate</u>	<u>Equipment</u>	<u>Total</u>
2014	4,005,360	9,044	4,014,404
2015	4,112,915	2,667	4,115,582
2016	3,399,712	-	3,399,712
2017	1,538,847	-	1,538,847
2018	1,555,739	-	1,555,739
2019-beyond	959,309	-	959,309
Total	<u>\$ 15,571,882</u>	<u>\$ 11,711</u>	<u>\$ 15,583,593</u>

#### H. CONSTRUCTION COMMITMENTS

On June 30, 2013, FCPS had contractual commitments of \$144,327,131 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 FCPS 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, but are neither restricted nor committed.
- Unassigned: Fund balance of the general fund that is not constrained for any particular purpose.

The School Board establishes the commitment of fund balance to purposes through the approval of the annual budget plan by resolution. 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: Included in this classification are prepaid items and inventories totaling \$285,276 and \$1,439,480,

respectively, among all governmental funds.

Restricted: Included in this classification are funds from Food Service, Adult and Community Education and Grant Programs, Summer School and Remediation and Capital Projects.

Committed: In 2013 the School Board committed \$8.0 million from fund balance to address revenue shortages in the next fiscal year as part of the Flexibility Reserve and \$16,910,502 to repay deferred employer contributions with interest to VRS. For fiscal year 2014, \$65,740,509 was appropriated for operations.

Assigned: The assigned fund balance of \$119,806,481 for school operations includes \$906,531 to reserve for textbook replacement; \$3,550,970 for major maintenance; \$3,000,000 for bus replacement; \$1,500,000 for the synthetic turf initiative; \$1,200,000 for preventive maintenance; \$1,375,625 for working condition standards, division counsel, music program assessments, and licensure requirements; and \$63,244,323 for outstanding encumbrances and other fiscal year balance carryovers for materials and supplies, additional equipment, staff training, field trips, facility modifications, and police security for schools and centers. For fiscal year 2015, \$45,029,032 was set aside for operations.

Unassigned: The unassigned fund balance totals \$3,271,563, which will be utilized by the School Board during future budget development.

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>FUND BALANCES:</b>				
Nonspendable:				
Prepaid Items	\$ 259,266	\$ -	\$ 26,010	\$ 285,276
Inventories	-	-	1,439,480	1,439,480
Restricted:				
Capital Projects	-	108,385,281	-	108,385,281
Adult and Community Education	-	-	584,155	584,155
Food Service	-	-	14,223,643	14,223,643
Grant Programs, Summer Fund and Remediation	-	-	14,781,072	14,781,072
Committed:				
Flexibility Reserve	8,000,000	-	-	8,000,000
Subsequent Fiscal Year's Budget	65,740,509	-	-	65,740,509
VRS Reserve	16,910,502	-	-	16,910,502
Assigned:				
Other Schools Operations	63,244,323	-	-	63,244,323
Set Aside for FY 2015 Budget	45,029,032	-	-	45,029,032
Major Maintenance	3,550,970	-	-	3,550,970
Bus Replacement - Purchase	3,000,000	-	-	3,000,000
Set Aside for FY 2014 Initiatives	4,982,156	-	-	4,982,156
Unassigned				
Total Fund Balance	<u>\$ 213,988,321</u>	<u>\$ 108,385,281</u>	<u>\$ 31,054,360</u>	<u>\$ 353,427,962</u>

#### 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, the school division did not conduct business with any other related parties in fiscal year 2013.

##### 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, certain property and casualty risks, and health insurance benefits. The School Board believes it is cost effective to manage risks by a combination of self-insurance programs and the purchase of commercial 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.

In addition to the self-insurance program, FCPS purchases commercial property and liability insurance, surety bonds, fiduciary insurance, and catastrophic medical insurance for Virginia High School League Student participants. In the past three fiscal years, there have been no instances where claims settlements exceeded commercial coverage limits. In fiscal year 2013, there were no significant reductions in insurance coverage from the prior year.

Changes in the balances of liability claims during fiscal years 2012 and 2013 are as follows:

	Health Benefits	Insurance	Total
July 1, 2011 - liability balance	\$ 18,378,000	\$ 29,894,740	\$ 48,272,740
Claims and changes in estimates	291,142,914	11,245,905	302,388,819
Claims Payments	(289,860,914)	(9,390,566)	(299,251,480)
June 30, 2012 - liability balance	<u>19,660,000</u>	<u>31,750,079</u>	<u>51,410,079</u>
Claims and changes in estimates	306,977,640	11,831,316	318,808,956
Claims Payments	(307,743,640)	(9,290,075)	(317,033,715)
June 30, 2013 - liability balance	<u>\$ 18,894,000</u>	<u>\$ 34,291,320</u>	<u>\$ 53,185,320</u>

### 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. RETIREMENT PLANS

FCPS employees participate in ERFC, the Fairfax County Employees' Retirement System (FCERS), and the Virginia Retirement System (VRS). 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. Effective July 1, 2001, all newly hired full-time educational and administrative support employees are enrolled in ERFC 2001. This new component incorporates a streamlined stand-alone retirement benefit structure.

Benefit provisions for ERFC and ERFC 2001 are established and may be amended by ERFC's Board of Trustees (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. 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 offer a variety of choices concerning the benefit payment stream. 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. ERFC's minimum eligibility requirements for receipt of full benefits range from members attaining the age of 55 with 25 years of service to completing five years of service prior to age 65. The minimum eligibility requirements for full benefits for ERFC 2001 members are age 60 with five years of service or any age with 30 years of service. Additional details regarding benefit payment types can be found in the actuarial valuation and the Plan Documents.

At December 31, 2012, the date of the most recent actuarial valuation, ERFC's membership was composed of:

Retirees and beneficiaries currently receiving benefits	9,788
Terminated employees entitled to benefits but not yet receiving them	3,099
Active plan members	<u>21,519</u>
Total	<u><u>34,406</u></u>

## Funding Policy

The contribution requirements of FCPS and of ERFC and ERFC 2001 plan members are established and may be amended by the 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. Plan members are required to contribute three percent of their annual salary. For fiscal year 2013, FCPS' actuarially determined contribution rate was 5.34 percent of annual covered payroll. There is no legal maximum requirement applicable to the employer contribution rate. Annual actuarial valuations are prepared to assess progress toward meeting the plan's financial objectives and to determine the appropriate contribution rates. The actuarial valuation prepared in an odd-numbered year is used to set the employer contribution rate for the two-year period beginning 18 months after the valuation date.

### Annual Pension Cost

For each of the years ended June 30, 2013, 2012, and 2011, FCPS' annual pension cost was equal to its annual required contribution (ARC).

The following table summarizes the recent history of FCPS' annual pension costs, percentage of actual contributions, and net pension obligation:

<b>Fiscal Year Ended June 30</b>	<b>Annual Pension Cost</b>	<b>Percentage Contributed</b>	<b>Net Pension Obligation</b>
2011	\$ 47,118,111	100 %	\$ -
2012	52,934,245	100	-
2013	67,734,634	100	-

## Funded Status and Funding Progress

As of the December 31, 2012 actuarial valuation, the plan was 75.4 percent funded. The actuarial accrued liabilities (AAL) for benefits was \$2.5 billion and the actuarial value of assets (AVA) was \$1.9 billion, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.6 billion. The covered payroll (annual payroll of active participating employees on which contributions are based) was \$1.3 billion and the ratio of the UAAL to covered payroll was 48.6 percent.

The required schedule of funding progress, found in the RSI section immediately following the notes to the financial statements, presents multi-year trend information about whether the AVA is increasing or decreasing over time relative to the AAL for benefits.

### Actuarial Methods and Assumptions

In preparing the December 31, 2012 actuarial valuation, the entry age actuarial cost method was used to determine the AAL and the ARC. ERFC's AVA is determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period, which recognizes asset values must be between 75 percent and 125 percent of the market value. ERFC's UAAL is amortized as a level percentage of closed payrolls over a future period, which has never exceeded 30 years. The remaining amortization period at December 31, 2012 was 26 years.

Significant actuarial assumptions used in the valuation include:

- A rate of return on the investment of present and future assets of 7.5 percent per year compounded annually, including an inflation component of 3.75 percent;
- Projected salary increases of 3.75 to 9.05 percent, including an inflation component of 3.75 percent; and
- Post retirement benefit increases of 3.0 percent annually.

## Basis of Accounting

The ERFC Fund is accounted for using the accrual basis of accounting in accordance with GAAP. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. The costs of administering the plan are paid for by ERFC through the use of investment income and employer and employee contributions.

## Investment Valuation

Short-term investments are reported at cost, which approximates fair value. All other investments are reported at fair value or estimated fair value. Securities traded on national or international exchanges are valued at fair value based on the last reported sales price at current exchange rates. ERFC records investment purchases and sales as of the trade date. These transactions are not finalized until the settlement date, which occurs approximately three business days after the trade date for domestic trades and approximately five to seven days after the trade date for international trades. Until finalized, these investment purchases and sales are recorded as payables and receivables, respectively.

Cash received as collateral on securities lending transactions and investments made with such cash are reported as assets along with a related liability for collateral received.

## 2. FCERS

### Plan Description

FCERS is a cost-sharing multiple-employer defined benefit pension plan which covers only employees of the County reporting entity. The plan covers full-time and certain part-time FCPS employees who are not covered by ERFC or VRS.

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. The benefit for early retirement is actuarially reduced and payable at early termination.

Effective July 1, 2005, a Deferred Retirement Option Program (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.

The 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, 10680 Main Street, Suite 280, Fairfax, VA 22030, or by calling (703) 279-8200.

### Funding Policy

The contribution requirements of FCERS members are established and may be amended by County ordinances. 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; the rate for the year ended June 30, 2013, was 18.49 percent of annual covered payroll. The decision was made to commit additional funding and a rate of 19.05 percent was adopted for fiscal year 2013. In the event the FCERS's funded ratio (the ratio of the actuarial value of assets to the actuarial accrued liability) exceeds 120 percent or falls below 90 percent, the contribution rate will be adjusted to bring the funded ratio back within these parameters. FCPS' contributions to FCERS for fiscal years 2013, 2012, and 2011 were \$35,705,650, \$32,262,215, and \$26,849,706 respectively, equal to the statutorily required contribution for each year.

### Concentrations

The FCERS does not have investments (other than U.S. Government and U.S. Government guaranteed obligations) in any one organization that represent 5.0 percent or more of net position held in trust for pension benefits.

### 3. VRS

#### Plan Description

VRS is a cost-sharing, multiple-employer retirement plan administered by the State that provides defined benefit 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. 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.

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 General Assembly. Benefits vest after five years of service. Members are eligible for an unreduced retirement benefit at age 65 if they have five years of service credit or at age 50 with at least 30 years of service credit if elected by the employer. Members may retire with a reduced benefit at age 50 if they have at least 10 years of service credit or at age 55 if they have at least five years of service credit. Annual retirement benefits are payable monthly for life in an amount equal to 1.7 percent of eligible members' average final compensation for each year of credited service. Benefits are actuarially reduced for members who retire prior to becoming eligible for unreduced retirement benefits.

The 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.

VRS issues a publicly available annual financial report that includes financial statements and RSI. This report may be obtained by writing to the Virginia Retirement System, P.O. Box 2500, Richmond, Virginia 23218-2500.

### Funding Policy

Legislation passed by the General Assembly during the 2012 special session mandated that beginning July 1, 2012, newly hired employees must fully pay the employee retirement contribution of 5.0 percent. For existing employees, school divisions and localities were able to choose to either shift the entire cost to employees beginning July 1, 2012, or phase in the shift over a five year period. To help offset the financial impact of transitioning the cost to employees, the state required employers to increase salaries for existing employees by the same percentage employees were required to contribute effective July 1, 2012. FCPS began implementation of the mandate with a 2.0 percent shift in fiscal year 2013. The remaining 3.0 percent shift will take place in fiscal year 2014.

If a plan member leaves covered employment, the accumulated contributions, plus earned interest, may be refunded to the member.

Each participating employer is required by the Code to contribute the remaining amounts necessary to fund the retirement plan at a rate recommended by the VRS actuary and/or approved by the General Assembly.

In fiscal year 2013, the General Assembly adopted a higher VRS employer contribution rate of 11.66 percent compared to the prior year rate of 6.33 percent. In fiscal years 2011 and 2012, the General Assembly approved significantly lower VRS rates in order to mitigate state budget cuts to localities. By doing so, Virginia school districts are essentially deferring a portion of the recommended employer contributions in those years. FCPS will have to repay these deferred contributions beginning in fiscal year 2013. FCPS School Board committed \$16.9 million of the fund balance as of June 30, 2013 to repay VRS deferred contributions.

In addition, the General Assembly approved an employer rate increase from 0.6 percent in fiscal year 2012 to 1.11 percent in fiscal year 2013 for the VRS Retiree Health Insurance Credit.

The combined FCPS employer and member contributions to VRS, including the Retiree Health Insurance Credit, for the fiscal years ended 2013, 2012, and 2011 were \$242,343,488, \$146,454,888, and \$112,157,560, respectively, equal to the statutorily required contribution for each year.

## E. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

### 1. 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 assets and reports funding progress and employer contributions for post-employment benefit plans. Contributions and payments of other post-employment benefit plans 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, 2011, the date of the most recent actuarial valuation, plan membership consisted of:

### 2. 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 2013, FCPS contributed \$34,471,108 to the School OPEB Trust Fund, which included \$24,471,108 for current fiscal year costs and an additional \$10,000,000 to prefund benefits. The costs of administering the plan are paid for by the School OPEB Trust Fund through the use of investment income and employer contributions.

Retirees and beneficiaries currently receiving benefits	8,636
Active plan members	<u>18,396</u>
Total	<u><u>27,032</u></u>

### 3. ANNUAL OPEB COST

FCPS' annual OPEB cost is calculated based on the ARC, an amount actuarially determined in accordance with the provisions of GASB Statement No. 45. 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. GASB Statement No. 45 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 2013 and the two preceding fiscal years are below:

	<b>School OPEB Trust Fund</b>
Annual required contribution	\$ 28,969,000
Interest on net OPEB asset from prior year	2,173,000
Adjustment to annual required contribution	(9,000)
Annual OPEB cost	<u>31,133,000</u>
Contributions made	<u>(34,471,108)</u>
Decrease in net OPEB obligation	(3,338,108)
Net OPEB asset - July 1, 2012	(10,054,877)
Net OPEB asset - June 30, 2013	<u>\$ (13,392,985)</u>

The changes in the net OPEB obligation during the year ended June 30, 2013, were as follows:

<b>Fiscal Year Ended June 30</b>	<b>Annual OPEB Cost</b>	<b>Percentage Contributed</b>	<b>Net OPEB Obligation (Asset)</b>
2011	\$ 38,335,000	118.7 %	\$ 1,708,994
2012	30,663,000	138.4	(10,054,877)
2013	31,133,000	110.7	(13,392,985)

#### 4. FUNDED STATUS AND FUNDING PROGRESS

As of July 1, 2011, the most recent actuarial valuation date, the projected AAL for benefits was \$448.8 million and the projected AVA was \$53.4 million, resulting in an UAAL of \$395.4 million. The covered payroll of active participating employees was \$1,045.0 million and the ratio of the UAAL to covered payroll was 37.8 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, Exhibit K, presents multi-year trend information that shows whether the AVA is increasing or decreasing over time relative to the AAL for benefits.

#### 5. 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, 2011, actuarial valuation, the entry age normal actuarial cost method was used to estimate the UAAL as of June 30, 2013, as well as the fiscal year 2013 ARC. The actuarial assumptions included a 7.5 percent investment rate of return (net of administrative expenses) and an annual health care cost trend rate of 8.0 percent, reduced by decrements of 0.5 percent for the next three years. These rates incorporate a 4.0 percent payroll inflation assumption. The AVA was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The plan's UAAL is being amortized as a level percentage of projected pay over an open period of 30 years.

#### 6. 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.

#### 7. 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.



## 8. INVESTMENT VALUATION

Short-term investments are reported at cost, which approximates fair value. All other investments are reported at fair value. 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 1) contributions to the plan are irrevocable, 2) assets are dedicated to providing benefits to retirees and beneficiaries, and 3) 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, including financial statements, can be obtained by writing to VML/VACo Finance Program, 1108 East Main Street, Richmond, VA 23219.

## F. TERMINATION BENEFITS

### 1. COBRA

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 post-employment 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, 2013, there were 109 participants receiving benefits under PHSA.





## Required Supplementary Information (unaudited)

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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 Post-Employment Benefits Trust Fund
- The notes to the required supplementary information



**FAIRFAX COUNTY PUBLIC SCHOOLS**  
**Budgetary Comparison Schedule - Budget and Actual**  
**General Fund**  
**For the Fiscal Year Ended June 30, 2013**

**EXHIBIT J**

	<u>Budget - Original</u>	<u>Budget - Final</u>	<u>Actual - Budget Basis</u>	<u>Variance from Final Budget</u>
<b>REVENUES</b>				
Intergovernmental:				
Federal government	\$ 41,367,235	\$ 54,461,607	\$ 42,892,996	\$ (11,568,611)
Commonwealth of Virginia	544,970,027	546,480,623	549,948,653	3,468,030
Charges for services:				
Tuition and fees	7,719,212	7,719,212	8,418,368	699,156
Revenue from the use of money and property	2,773,923	2,773,923	3,078,380	304,457
Recovered costs	42,829,820	44,607,639	43,522,681	(1,084,958)
Other	5,778,164	5,778,164	8,742,299	2,964,135
Total revenues	<u>645,438,381</u>	<u>661,821,168</u>	<u>656,603,377</u>	<u>(5,217,791)</u>
<b>EXPENDITURES</b>				
Current:				
Instruction:				
Regular education:				
Elementary school	782,125,169	804,911,693	779,747,905	(25,163,788)
Middle school	225,976,193	228,786,507	216,326,391	(12,460,116)
High school	503,448,589	513,630,937	489,038,417	(24,592,520)
Special education	427,000,597	438,529,728	413,029,975	(25,499,753)
Adult and community education	243,780	75,549	56,375	(19,174)
Instructional support	143,048,651	150,815,926	141,366,308	(9,449,618)
Support programs:				
Administration and general support	113,549,930	133,736,162	118,471,461	(15,264,701)
Student transportation	129,789,519	131,305,800	122,882,938	(8,422,862)
Facilities management	71,539,915	86,314,628	70,535,422	(15,779,206)
Total expenditures	<u>2,396,722,343</u>	<u>2,488,106,930</u>	<u>2,351,455,192</u>	<u>(136,651,738)</u>
Deficiency of revenues under expenditures	<u>(1,751,283,962)</u>	<u>(1,826,285,762)</u>	<u>(1,694,851,815)</u>	<u>131,433,947</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in from County of Fairfax, VA	1,683,922,285	1,683,922,285	1,683,922,285	-
Transfers out to other governmental funds	(30,043,112)	(30,393,112)	(30,393,112)	-
Transfers out to County of Fairfax, VA	(3,776,323)	(3,776,323)	(3,776,323)	-
Total other financing sources (uses)	<u>1,650,102,850</u>	<u>1,649,752,850</u>	<u>1,649,752,850</u>	<u>-</u>
Net change in fund balances	<u>\$ (101,181,112)</u>	<u>\$ (176,532,912)</u>	<u>\$ (45,098,965)</u>	<u>\$ 131,433,947</u>

See accompanying notes to the required supplementary information.

**FAIRFAX COUNTY PUBLIC SCHOOLS**  
**Schedule of Funding Progress**  
**Pension and Other Post-Employment Benefit Trust Funds**  
**For the Fiscal Year Ended June 30, 2013**  
(Dollars in Thousands)

**EXHIBIT K**

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}
<b>Educational Employees' Supplementary Retirement System of Fairfax County (ERFC)</b>						
12/31/2005	\$ 1,718,399	\$ 2,022,962	\$ 304,563	84.94 %	\$ 1,050,217	29.00 %
12/31/2006	1,818,930	2,105,552	286,622	86.39	1,111,828	25.78
12/31/2007	1,924,886	2,186,801	261,915	88.02	1,161,432	22.55
12/31/2008	1,733,946	2,255,298	521,352	76.88	1,211,140	43.05
12/31/2009	1,769,540	2,339,869	570,329	75.63	1,208,093	47.21
12/31/2010	1,822,603	2,384,061	561,458	76.45	1,191,290	47.13
12/31/2011	1,866,952	2,470,964	604,012	75.56	1,246,973	48.44
12/31/2012	1,935,292	2,566,128	630,836	75.42	1,297,537	48.62
<b>School Other Post-Employment Benefits Trust *</b>						
7/1/2007	\$ -	\$ 299,668	\$ 299,668	- %	\$ 1,302,665	23.00 %
7/1/2008	7,996	458,067	450,071	1.75	1,352,321	33.28
7/1/2009	17,520	466,324	448,804	3.76	1,377,000	32.59
7/1/2010	19,563	491,180	471,617	3.98	1,432,000	32.93
7/1/2011	40,051	431,303	391,252	9.27	1,005,000	38.93
7/1/2012	53,423	448,849	395,426	11.90	1,045,000	37.84

\* School Other Post-Employment Benefits Trust Fund was established during fiscal year 2008.

See accompanying notes to the required supplementary information.

**FAIRFAX COUNTY PUBLIC SCHOOLS**  
**Schedule of Employer Contributions**  
**Pension and Other Post-Employment Benefit Trust Funds**  
**For the Fiscal Year Ended June 30, 2013**

**EXHIBIT L**

Fiscal Year Ended June 30	Educational Employees' Supplementary Retirement System of Fairfax County		School Other Post-Employment Benefits Trust *	
	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed
2006	\$ 34,648,918	100.00 %	\$ -	- %
2007	36,644,001	100.00	-	-
2008	38,334,140	100.00	25,302,000	103.21
2009	37,281,658	107.33	37,522,000	97.65
2010	35,146,816	107.75	35,954,000	75.48
2011	47,118,111	100.00	38,163,000	119.21
2012	50,738,815	104.00	30,630,000	138.51
2013	67,734,634	100.00	31,142,000	110.69

\* School Other Post-Employment Benefits Trust Fund was established during fiscal year 2008.

See accompanying notes to the required supplementary information.

# Notes to the Required Supplementary Information

Fairfax County Public Schools  
June 30, 2013

## 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.

In February, the School Board reviews the proposed budget by holding public hearings and work sessions before adopting the advertised budget. The School Board then forwards the FCPS advertised budget to the County for inclusion in the County Executive's advertised budget.

In early April, the BOS holds public hearings regarding the proposed budget. After the BOS adopts the County's budget and determines the amount of funding to be transferred to FCPS, the School Board holds public hearings before approving FCPS' final budget in late May.

The approved budget governs the financial operations of the school system beginning on July 1.

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, Exhibit J for the fiscal year ended June 30, 2013:

General Fund	Actual - GAAP Basis (Exhibit D)	Basis Differences		Actual - Budget Basis (Exhibit J)
		Capital Leases	Transactions between FCPS and the County	
Total revenues	\$ 2,340,525,662	\$ -	\$ (1,683,922,285)	656,603,377
Total expenditures	(2,365,496,668)	10,265,153	3,776,923	(2,351,454,592)
Total other financing sources (uses)	(20,127,959)	(10,265,153)	1,680,145,362	1,649,752,250
Net change in fund balances	\$ (45,098,965)	\$ -	\$ -	\$ (45,098,965)

Annual budgets are adopted for all the funds except for the Capital Projects Fund, which is budgeted on a project-by-project basis. The modified accrual basis is used in budgeting for governmental funds and the budgets are consistent with accounting principles generally accepted in the United States of America (GAAP), 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.

## II. PENSION AND OTHER EMPLOYEE BENEFITS TREND DATA

Eight year historical trend information about the Educational Employees' Supplementary Retirement System of Fairfax County (ERFC) is presented as required supplementary information. Six years of trend information is presented about the School Other Post-Employee 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 assets, actuarial accrued liability (AAL), and unfunded actuarial accrued liability (UAAL), in isolation, can be misleading. Expressing plan net assets 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. Trends in the UAAL and annual covered payroll are both affected by inflation. Expressing the UAAL as a percentage of annual covered payroll approximately adjusts 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.

Information pertaining to the ERFC pension plan and the School OPEB Trust Fund can be found in notes IV.D.I and IV.E, respectively, in the notes to the financial statements.







## Other Supplementary Information

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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 post-employment benefit funds
- Statement of changes in assets and liabilities for the Student Activity Fund



# Nonmajor Governmental Funds

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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**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2013**

**EXHIBIT M**

	<u>Special Revenue Funds</u>			<b>Total Nonmajor Governmental Funds</b>
	<b>Food and Nutrition Services</b>	<b>Grants and Self-Supporting Programs</b>	<b>Adult and Community Education</b>	
<b>ASSETS</b>				
Cash on deposit with County of Fairfax, VA	\$ 15,000,071	\$ 360	\$ 778,008	\$ 15,778,439
Receivables:				
Accounts	79,841	-	-	79,841
Accrued interest	25,246	6,826	7,542	39,614
Due from intergovernmental units:				
Federal government	1,558,335	17,236,094	602,385	19,396,814
Commonwealth of Virginia	-	5,866,473	-	5,866,473
County of Fairfax, VA	276,363	3,615	-	279,978
Other	-	112,395	-	112,395
Inventories	1,439,480	-	-	1,439,480
Prepaid items	26,010	-	-	26,010
Total assets	<u>\$ 18,405,346</u>	<u>\$ 23,225,763</u>	<u>\$ 1,387,935</u>	<u>\$ 43,019,044</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 285,162	\$ 2,191	\$ 31,875	\$ 319,228
Accrued salaries and withholdings	347,329	391	329,372	677,092
Interfund payables	-	5,878,000	-	5,878,000
Unearned revenue	2,083,722	2,564,109	442,533	5,090,364
Total liabilities	<u>2,716,213</u>	<u>8,444,691</u>	<u>803,780</u>	<u>11,964,684</u>
Fund balances:				
Nonspendable	1,465,490	-	-	1,465,490
Restricted	14,223,643	14,781,072	584,155	29,588,870
Total fund balances	<u>15,689,133</u>	<u>14,781,072</u>	<u>584,155</u>	<u>31,054,360</u>
Total liabilities and fund balances	<u>\$ 18,405,346</u>	<u>\$ 23,225,763</u>	<u>\$ 1,387,935</u>	<u>\$ 43,019,044</u>

**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, 2013**

	<b>Special Revenue Funds</b>			<b>Total Nonmajor Governmental Funds</b>
	<b>Food and Nutrition Services</b>	<b>Grants and Self-Supporting Programs</b>	<b>Adult and Community Education</b>	
<b>REVENUES</b>				
Intergovernmental:				
Federal government	\$ 31,574,160	\$ 33,499,580	\$ 976,057	\$ 66,049,797
Commonwealth of Virginia	981,400	10,753,882	700,747	12,436,029
County of Fairfax, VA	-	4,548,169	-	4,548,169
Charges for services:				
Tuition and fees	-	2,164,838	6,038,010	8,202,848
Food sales	43,562,521	-	-	43,562,521
Revenue from the use of money and property	55,602	19,787	15,791	91,180
Other	-	1,237,890	281,662	1,519,552
Total revenues	<u>76,173,683</u>	<u>52,224,146</u>	<u>8,012,267</u>	<u>136,410,096</u>
<b>EXPENDITURES</b>				
Current:				
Instruction:				
Regular education:				
Elementary school	-	36,260,216	-	36,260,216
Middle school	-	1,474,456	-	1,474,456
High school	-	6,573,646	159,991	6,733,637
Special education	-	5,911,969	-	5,911,969
Adult and community education	-	-	7,693,443	7,693,443
Instructional support	-	18,089,797	-	18,089,797
Support programs:				
Administration and general support	-	375,674	-	375,674
Student transportation	-	2,975,769	-	2,975,769
Facilities management	-	-	-	-
Food service	78,634,957	-	-	78,634,957
Capital outlay	602,930	202,421	-	805,351
Total expenditures	<u>79,237,887</u>	<u>71,863,948</u>	<u>7,853,434</u>	<u>158,955,269</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,064,204)</u>	<u>(19,639,802)</u>	<u>158,833</u>	<u>(22,545,173)</u>
<b>OTHER FINANCING SOURCES</b>				
Transfers in	-	21,376,992	1,400,000	22,776,992
Capital leases	18,298	10,794	-	29,092
Total other financing sources	<u>18,298</u>	<u>21,387,786</u>	<u>1,400,000</u>	<u>22,806,084</u>
Net change in fund balances	<u>(3,045,906)</u>	<u>1,747,984</u>	<u>1,558,833</u>	<u>260,911</u>
Fund balances - July 1, 2012	18,830,555	13,033,088	(974,678)	30,888,965
Decrease in reserve for inventories	(95,516)	-	-	(95,516)
Fund balances - June 30, 2013	<u>\$ 15,689,133</u>	<u>\$ 14,781,072</u>	<u>\$ 584,155</u>	<u>\$ 31,054,360</u>

**FAIRFAX COUNTY PUBLIC SCHOOLS**  
**Budgetary Comparison Schedule - Budget and Actual**  
**Food and Nutrition Services Fund**  
**For the Fiscal Year Ended June 30, 2013**

**EXHIBIT O**

	<u>Budget - Original</u>	<u>Budget - Final</u>	<u>Actual - Budget Basis</u>	<u>Variance from Final Budget</u>
<b>REVENUES</b>				
Intergovernmental:				
Federal government	\$ 31,021,247	\$ 33,021,247	\$ 31,574,160	\$ (1,447,087)
Commonwealth of Virginia	836,574	836,574	981,400	144,826
Charges for services:				
Food sales	46,767,876	45,267,876	43,562,521	(1,705,355)
Revenue from the use of money and property	<u>56,503</u>	<u>56,503</u>	<u>55,602</u>	<u>(901)</u>
Total revenues	<u>78,682,200</u>	<u>79,182,200</u>	<u>76,173,683</u>	<u>(3,008,517)</u>
<b>EXPENDITURES</b>				
Current:				
Food service	<u>95,665,684</u>	<u>97,991,934</u>	<u>79,219,589</u>	<u>(18,772,345)</u>
Total expenditures	<u>95,665,684</u>	<u>97,991,934</u>	<u>79,219,589</u>	<u>(18,772,345)</u>
Net change in fund balances	<u><u>\$ (16,983,484)</u></u>	<u><u>\$ (18,809,734)</u></u>	<u><u>\$ (3,045,906)</u></u>	<u><u>\$ 15,763,828</u></u>

**FAIRFAX COUNTY PUBLIC SCHOOLS**  
**Budgetary Comparison Schedule - Budget and Actual**  
**Grants and Self-Supporting Programs Fund**  
**For the Fiscal Year Ended June 30, 2013**

**EXHIBIT P**

	<u>Budget - Original</u>	<u>Budget - Final</u>	<u>Actual - Budget Basis</u>	<u>Variance from Final Budget</u>
<b>REVENUES</b>				
Intergovernmental:				
Federal government	\$ 33,494,881	\$ 46,176,060	\$ 33,499,580	\$ (12,676,480)
Commonwealth of Virginia	10,008,839	10,414,142	10,753,882	339,740
Charges for services:				
Tuition and fees	1,969,447	1,969,447	2,164,838	195,391
Revenue from the use of money and property	-	-	19,787	19,787
Other	426,421	1,054,268	1,237,890	183,622
Total revenues	<u>45,899,588</u>	<u>59,613,917</u>	<u>47,675,977</u>	<u>(11,937,940)</u>
<b>EXPENDITURES</b>				
Current:				
Instruction:				
Regular education:				
Elementary school	31,603,975	43,240,746	36,277,770	(6,962,976)
Middle school	2,491,613	1,814,397	1,474,456	(339,941)
High school	5,865,680	7,761,707	6,596,901	(1,164,806)
Special education	5,539,770	7,723,848	5,911,969	(1,811,879)
Instructional support	17,313,283	23,801,402	18,240,615	(5,560,787)
Support programs:				
Administration and general support	6,579,884	9,936,677	375,674	(9,561,003)
Student transportation	3,617,498	3,441,036	2,975,769	(465,267)
Total expenditures	<u>73,011,703</u>	<u>97,719,813</u>	<u>71,853,154</u>	<u>(25,866,659)</u>
Deficiency of revenues under expenditures	<u>(27,112,115)</u>	<u>(38,105,896)</u>	<u>(24,177,177)</u>	<u>13,928,719</u>
<b>OTHER FINANCING SOURCES</b>				
Transfers in from other governmental funds	21,876,992	21,376,992	21,376,992	-
Transfers in from County of Fairfax, VA	4,548,169	4,548,169	4,548,169	-
Total other financing sources	<u>26,425,161</u>	<u>25,925,161</u>	<u>25,925,161</u>	<u>-</u>
Net change in fund balances	<u>\$ (686,954)</u>	<u>\$ (12,180,735)</u>	<u>\$ 1,747,984</u>	<u>\$ 13,928,719</u>



**FAIRFAX COUNTY PUBLIC SCHOOLS**  
**Budgetary Comparison Schedule - Budget and Actual**  
**Adult and Community Education Fund**  
**For the Fiscal Year Ended June 30, 2013**

**EXHIBIT Q**

	<u>Budget - Original</u>	<u>Budget - Final</u>	<u>Actual - Budget Basis</u>	<u>Variance from Final Budget</u>
<b>REVENUES</b>				
Intergovernmental:				
Federal government	\$ 825,382	\$ 1,885,692	\$ 976,057	\$ (909,635)
Commonwealth of Virginia	613,094	931,231	700,747	(230,484)
Charges for services:				
Tuition and fees	5,309,899	5,284,577	6,038,010	753,433
Revenue from the use of money and property	3,062	3,062	15,791	12,729
Other	<u>397,287</u>	<u>397,287</u>	<u>281,662</u>	<u>(115,625)</u>
Total revenues	<u>7,148,724</u>	<u>8,501,849</u>	<u>8,012,267</u>	<u>(489,582)</u>
<b>EXPENDITURES</b>				
Current:				
Instruction:				
Regular education:				
High school	-	160,681	159,991	(690)
Adult and community education	<u>7,548,724</u>	<u>7,739,863</u>	<u>7,693,443</u>	<u>(46,420)</u>
Total expenditures	<u>7,548,724</u>	<u>7,900,544</u>	<u>7,853,434</u>	<u>(47,110)</u>
Deficiency of revenues under expenditures	<u>(400,000)</u>	<u>601,305</u>	<u>158,833</u>	<u>(442,472)</u>
<b>OTHER FINANCING SOURCES</b>				
Transfers in from other governmental funds	<u>400,000</u>	<u>1,400,000</u>	<u>1,400,000</u>	<u>-</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ 2,001,305</u>	<u>\$ 1,558,833</u>	<u>\$ (442,472)</u>



# Internal Service Funds

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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.

- Central Procurement Fund—used to account for the centrally procured orders of textbooks, supplies, and equipment and their issuance to individual schools and offices.
- 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' casualty liability obligations, including workers' compensation.



**FAIRFAX COUNTY PUBLIC SCHOOLS**  
**Combining Statement of Net Position**  
**Internal Service Funds**  
**June 30, 2013**

**EXHIBIT R**

	<u>Central Procurement</u>	<u>Health Benefits</u>	<u>Insurance</u>	<u>Total Internal Service Funds</u>
<b>ASSETS</b>				
Current assets:				
Cash on deposit with County of Fairfax, VA	\$ 493	\$ 74,548,463	\$ 47,099,335	\$ 121,648,291
Receivables:				
Accounts	-	3,315,675	-	3,315,675
Accrued interest	-	132,555	-	132,555
Inventories	1,294,730	-	-	1,294,730
Interfund receivables	-	-	-	-
Total current assets	<u>1,295,223</u>	<u>77,996,693</u>	<u>47,099,335</u>	<u>126,391,251</u>
Non-current assets:				
Capital assets:				
Equipment	100,053	-	40,029	140,082
Accumulated depreciation	<u>(93,322)</u>	<u>-</u>	<u>(37,713)</u>	<u>(131,035)</u>
Total non-current assets	<u>6,731</u>	<u>-</u>	<u>2,316</u>	<u>9,047</u>
Total assets	<u>1,301,954</u>	<u>77,996,693</u>	<u>47,101,651</u>	<u>126,400,298</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Total deferred outflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	132,934	4,567,036	174,617	4,874,587
Interfund payables	831,100	-	-	831,100
Unearned revenue	-	9,454,098	-	9,454,098
Compensated absences	2,121	76,632	35,311	114,064
Actuarial claims payable	-	17,949,300	6,858,264	24,807,564
Total current liabilities	<u>966,155</u>	<u>32,047,066</u>	<u>7,068,192</u>	<u>40,081,413</u>
Non-current liabilities:				
Compensated absences	909	32,842	15,133	48,884
Actuarial claims payable	-	944,700	27,433,056	28,377,756
Total non-current liabilities	<u>909</u>	<u>977,542</u>	<u>27,448,189</u>	<u>28,426,640</u>
Total liabilities	<u>967,064</u>	<u>33,024,608</u>	<u>34,516,381</u>	<u>68,508,053</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET POSITION</b>				
Invested in capital assets	6,731	-	2,316	9,047
Unrestricted	328,159	44,972,085	12,582,954	57,883,198
Total net assets	<u>\$ 334,890</u>	<u>\$ 44,972,085</u>	<u>\$ 12,585,270</u>	<u>\$ 57,892,245</u>

**FAIRFAX COUNTY PUBLIC SCHOOLS**  
**Combining Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**Internal Service Funds**  
**For the Fiscal Year Ended June 30, 2013**

**EXHIBIT S**

	<u>Central Procurement</u>	<u>Health Benefits</u>	<u>Insurance</u>	<u>Total Internal Service Funds</u>
<b>OPERATING REVENUES</b>				
Charges for services	\$ 4,388,177	\$ 314,391,398	\$ 14,704,812	\$ 333,484,387
<b>OPERATING EXPENSES</b>				
Salaries and wages	78,780	1,948,345	895,228	2,922,353
Cost of goods sold	4,236,862	-	-	4,236,862
Claims and benefits	-	307,002,890	11,839,902	318,842,792
Professional consultant services	-	9,293,431	965,604	10,259,035
Other operating expenses	47,221	57,313	388,331	492,865
Depreciation	1,252	-	2,192	3,444
Total operating expenses	<u>4,364,115</u>	<u>318,301,979</u>	<u>14,091,257</u>	<u>336,757,351</u>
Operating income (loss)	24,062	(3,910,581)	613,555	(3,272,964)
<b>NONOPERATING REVENUES</b>				
Interest revenue	-	230,411	-	230,411
Change in net position	24,062	(3,680,170)	613,555	(3,042,553)
Total net position - July 1, 2012	310,828	48,652,255	11,971,715	60,934,798
Total net position - June 30, 2013	<u>\$ 334,890</u>	<u>\$ 44,972,085</u>	<u>\$ 12,585,270</u>	<u>\$ 57,892,245</u>

**FAIRFAX COUNTY PUBLIC SCHOOLS**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**For the Fiscal Year Ended June 30, 2013**

**EXHIBIT T**

	<u>Central Procurement</u>	<u>Health Benefits</u>	<u>Insurance</u>	<u>Total Internal Service Funds</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from interfund services provided	\$ 4,388,177	\$ 287,557,492	\$ 14,704,812	\$ 306,650,481
Payments to employees	(78,780)	(1,948,345)	(895,228)	(2,922,353)
Payments to vendors for inventory	(3,971,231)	-	-	(3,971,231)
Payments for claims and health benefits	-	(307,743,640)	(9,290,075)	(317,033,715)
Payments for professional services	-	(9,624,171)	(927,184)	(10,551,355)
Payments for other operating expenses	(49,708)	(51,320)	(388,331)	(489,359)
Net cash provided by (used in) operating activities	<u>288,458</u>	<u>(31,809,984)</u>	<u>3,203,994</u>	<u>(28,317,532)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Net advances from other funds	(288,900)	-	-	(288,900)
Net cash used in noncapital financing activities	<u>(288,900)</u>	<u>-</u>	<u>-</u>	<u>(288,900)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest received	-	176,781	-	176,781
Net cash provided by investing activities	<u>-</u>	<u>176,781</u>	<u>-</u>	<u>176,781</u>
Net (decrease) increase in cash and cash equivalents	(442)	(31,633,203)	3,203,994	(28,429,651)
Cash and cash equivalents - July 1, 2012	935	106,181,666	43,895,341	150,077,942
<b>Cash and cash equivalents - June 30, 2013</b>	<u>\$ 493</u>	<u>\$ 74,548,463</u>	<u>\$ 47,099,335</u>	<u>\$ 121,648,291</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>				
Operating income (loss)	\$ 24,062	\$ (3,910,581)	\$ 613,555	\$ (3,272,964)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation expense	1,252	-	2,192	3,444
Decrease in accounts receivable	-	210,368	-	210,368
Decrease in inventories	275,035	-	-	275,035
(Decrease) Increase in accounts payable	(14,921)	(324,747)	38,418	(301,250)
Decrease in unearned revenue	-	(27,044,274)	-	(27,044,274)
Increase in compensated absences	3,030	25,250	8,588	36,868
(Decrease) Increase in actuarial claims payable	-	(766,000)	2,541,241	1,775,241
Total adjustments to operating income (loss)	<u>264,396</u>	<u>(27,899,403)</u>	<u>2,590,439</u>	<u>(25,044,568)</u>
Net cash provided by (used in) operating activities	<u>\$ 288,458</u>	<u>\$ (31,809,984)</u>	<u>\$ 3,203,994</u>	<u>\$ (28,317,532)</u>





# Fiduciary Funds

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Pension and Other Post-Employment 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 Post-Employment Benefit (OPEB) Trust Funds—used to account for accumulating and investing assets for FCPS' post-employment health benefit subsidies for eligible retirees and their surviving spouses. The School OPEB Trust Fund is a single-employer other post-employment 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.



**FAIRFAX COUNTY PUBLIC SCHOOLS**  
**Combining Statement of Fiduciary Net Position**  
**Pension and Other Post-Employment Benefit Trust Funds**  
**June 30, 2013**

**EXHIBIT U**

	<b>Educational Employees' Supplementary Retirement System</b>	<b>School Other Post- Employment Benefits Trust</b>	<b>Total Pension and Other Post- Employment Benefit Trust Funds</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 935,395	\$ 500	\$ 935,895
Cash with fiscal agent	1,096,270	-	1,096,270
Cash collateral for securities on loan	66,498,968	-	66,498,968
Short-term investments	30,897,541	63	30,897,604
Receivables:			
Accrued interest	3,512,946	-	3,512,946
Securities sold	7,723,428	1,598,211	9,321,639
Other	55,372	-	55,372
Investments, at fair value:			
Mortgage-backed securities	3,973,060	-	3,973,060
Bonds	157,726,554	-	157,726,554
Stocks	611,777,493	23,833,752	635,611,245
Real estate	151,997,340	-	151,997,340
Global asset allocation	186,066,940	-	186,066,940
Better beta derivatives	90,595,119	-	90,595,119
Hedge funds	156,881,646	5,806,925	162,688,571
Private equity mutual partnership	25,221,028	-	25,221,028
Mutual funds	538,641,802	33,742,939	572,384,741
Prepaid items	15,000	-	15,000
Capital assets:			
Equipment	113,821	-	113,821
Accumulated depreciation	(100,176)	-	(100,176)
Total assets	<u>2,033,629,547</u>	<u>64,982,390</u>	<u>2,098,611,937</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Total deferred outflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
<b>LIABILITIES</b>			
Accounts payable	1,864,168	20,000	1,884,168
Interfund payables	-	37,700	37,700
Payable for purchase of investments	8,493,585	-	8,493,585
Liability for collateral received under securities lending agreements	66,498,968	-	66,498,968
Total liabilities	<u>76,856,721</u>	<u>57,700</u>	<u>76,914,421</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET POSITION</b>			
Held in trust for pension and other post-employment benefits	<u>\$ 1,956,772,826</u>	<u>\$ 64,924,690</u>	<u>\$ 2,021,697,516</u>

**FAIRFAX COUNTY PUBLIC SCHOOLS**  
**Combining Statement of Changes in Fiduciary Net Position**  
**Pension and Other Post-Employment Benefit Trust Funds**  
**For the Fiscal Year Ended June 30, 2013**

**EXHIBIT V**

	<b>Educational Employees' Supplementary Retirement System</b>	<b>School Other Post- Employment Benefits Trust</b>	<b>Total Pension and Other Post- Employment Benefit Trust Funds</b>
<b>ADDITIONS</b>			
Contributions:			
Employer	\$ 67,734,634	\$ 34,471,108	\$ 102,205,742
Plan members	38,428,367	-	38,428,367
Total contributions	<u>106,163,001</u>	<u>34,471,108</u>	<u>140,634,109</u>
Investment earnings:			
From investing activities:			
Net appreciation in fair value of investments	151,780,654	5,320,356	157,101,010
Interest and dividends	46,447,961	29	46,447,990
Real estate income	3,416,148	-	3,416,148
Other	42,998	-	42,998
Gain from investing activities	<u>201,687,761</u>	<u>5,320,385</u>	<u>207,008,146</u>
Less investment expenses:			
Investment management fees	10,277,505	44,278	10,321,783
Investment consulting fees	405,838	-	405,838
Investment custodial fees	190,485	375	190,860
Investment salaries	232,927	-	232,927
Total investment expenses	<u>11,106,755</u>	<u>44,653</u>	<u>11,151,408</u>
Net gain from investing activities	<u>190,581,006</u>	<u>5,275,732</u>	<u>195,856,738</u>
From securities lending activities:			
Securities lending	138,169	-	138,169
Securities lending borrower rebates	386,514	-	386,514
Securities lending management fees	(157,838)	-	(157,838)
Net income from securities lending activities	<u>366,845</u>	<u>-</u>	<u>366,845</u>
Net investment gain	<u>190,947,851</u>	<u>5,275,732</u>	<u>196,223,583</u>
Total additions	<u>297,110,852</u>	<u>39,746,840</u>	<u>336,857,692</u>
<b>DEDUCTIONS</b>			
Benefit payments	160,098,128	24,471,108	184,569,236
Refund of contributions	4,419,806	-	4,419,806
Administrative expenses	3,588,414	-	3,588,414
Total deductions	<u>168,106,348</u>	<u>24,471,108</u>	<u>192,577,456</u>
Change in net position	129,004,504	15,275,732	144,280,236
Net position - July 1, 2012	1,827,768,322	49,648,958	1,877,417,280
Net position - June 30, 2013	<u>\$ 1,956,772,826</u>	<u>\$ 64,924,690</u>	<u>\$ 2,021,697,516</u>

**FAIRFAX COUNTY PUBLIC SCHOOLS**  
**Statement of Changes in Assets and Liabilities**  
**Student Activity Fund**  
**For the Fiscal Year Ended June 30, 2013**

**EXHIBIT W**

	<u>Balance June 30, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2013</u>
<b>ASSETS</b>				
Cash with fiscal agent	\$ 19,442,588	\$ 1,307,293	\$ (1,451,059)	\$ 19,298,822
Accounts receivable	688,666	83,549	(318,930)	453,285
Inventories	345,198	102,498	(74,714)	372,982
Total assets	<u>\$ 20,476,452</u>	<u>\$ 1,493,340</u>	<u>\$ (1,844,703)</u>	<u>\$ 20,125,089</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 442,992	\$ 314,406	\$ (170,707)	\$ 586,691
Due to student groups	20,033,460	1,326,605	(1,821,667)	19,538,398
Total liabilities	<u>\$ 20,476,452</u>	<u>\$ 1,641,011</u>	<u>\$ (1,992,374)</u>	<u>\$ 20,125,089</u>





## Statistical Section (unaudited)

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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**

<b>Governmental Activities</b>	<b>Fiscal Year</b>				
	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
Net investment in capital assets	\$ 2,026,739	\$ 1,986,758	\$ 1,941,947	\$ 1,866,973	\$ 1,851,436
Restricted (1)	137,390	-	8,940	71,568	28,520
Unrestricted	251,288	411,291	388,234	255,695	172,741
Total net position	<u>\$ 2,415,417</u>	<u>\$ 2,398,049</u>	<u>\$ 2,339,121</u>	<u>\$ 2,194,236</u>	<u>\$ 2,052,697</u>

- (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 2004-2013



**TABLE 1**

<b>Fiscal Year</b>					
<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	
\$ 1,788,593	\$ 1,736,800	\$ 1,695,698	\$ 1,630,224	\$ 1,510,528	Net investment in capital assets
21,647	-	-	-	-	Restricted (1)
149,557	166,902	117,930	147,736	121,510	Unrestricted
<u>\$ 1,959,797</u>	<u>\$ 1,903,702</u>	<u>\$ 1,813,628</u>	<u>\$ 1,777,960</u>	<u>\$ 1,632,038</u>	Total net position

**FAIRFAX COUNTY PUBLIC SCHOOLS**  
**Changes in Net Position (8)**  
**Last Ten Fiscal Years**  
**(Dollars in Thousands)**  
**Unaudited**

Governmental Activities	Fiscal Year				
	2013	2012	2011	2010	2009
<b>Expenses (5)</b>					
Instruction	\$ 2,201,593	\$ 2,034,780	\$ 1,902,838	\$ 1,884,182	\$ 1,962,020
Support programs	340,158	328,736	332,906	322,682	333,639
Food service	82,418	79,303	73,756	68,957	71,118
Technology (5)	-	-	-	-	-
Interest on long-term debt (4)	3,372	3,390	4,088	3,942	4,238
Total expenses	<u>2,627,541</u>	<u>2,446,209</u>	<u>2,313,588</u>	<u>2,279,763</u>	<u>2,371,015</u>
<b>Program Revenues</b>					
Charges for services:					
Instruction	51,495	49,918	43,188	21,413	46,984
Support programs (5)	11,489	9,322	11,106	7,698	8,175
Food service (5)	43,563	47,547	47,458	47,207	49,280
Operating grants and contributions	253,061	235,073	229,644	225,774	179,396
Capital grants and contributions (1)	167,136	161,268	141,171	162,727	170,736
Total program revenues	<u>526,744</u>	<u>503,128</u>	<u>472,567</u>	<u>464,819</u>	<u>454,571</u>
Total net (expense) revenue	<u>(2,100,797)</u>	<u>(1,943,081)</u>	<u>(1,841,021)</u>	<u>(1,814,944)</u>	<u>(1,916,444)</u>
<b>General Revenues and Other Changes in Net Position</b>					
Grants and contributions not restricted to specific purposes:					
Federal government (6)	6,324	6,224	7,574	6,506	8,828
Commonwealth of Virginia	426,778	383,205	365,912	319,350	365,932
County of Fairfax, VA	1,683,322	1,610,835	1,611,591	1,626,601	1,626,601
Revenue for the use of money (2)	74	60	692	957	1,839
Other	1,668	1,685	137	3,069	6,144
Insurance recoveries (3)	-	-	-	-	-
Special items (4)	-	-	-	-	-
Total general revenues and other changes in net position	<u>2,118,166</u>	<u>2,002,009</u>	<u>1,985,906</u>	<u>1,956,483</u>	<u>2,009,344</u>
<b>Change in Net Position</b>	<u>\$ 17,369</u>	<u>\$ 58,928</u>	<u>\$ 144,885</u>	<u>\$ 141,539</u>	<u>\$ 92,900</u>

- (1) In fiscal year 2005, the notable increase of capital grants and contributions from fiscal year 2004 was due to the donation of South County Secondary from the County to FCPS.
- (2) Revenue from the use of money varies from year to year primarily due to fluctuations in interest rates.
- (3) The large insurance recoveries in fiscal year 2004 related to two school incidents, a fire and a flood. Beginning in fiscal year 2006, insurance recoveries were reported as a part of program revenues.
- (4) In fiscal year 2005, FCPS sold a parcel of land for \$11,700,000, which was purchased in 1989 for \$2,137,500, resulting in a gain. In fiscal year 2007, FCPS sold the Eleven Oaks Administrative Center, originally purchased for \$789,200 in 1952, for \$4,000,000, which resulted in a gain. Also, in fiscal year 2007, FCPS transferred land and associated property to the County, which had a net book value of \$10,874,069.

TABLE 2

Fiscal Year						
2008	2007	2006	2005	2004		
\$ 1,925,025	\$ 1,627,142	\$ 1,529,004	\$ 1,479,824	\$ 1,350,038	<b>Governmental Activities</b>	
347,875	469,971	443,187	460,612	435,721	<b>Expenses (5)</b>	
67,872	-	-	-	-	Instruction	
-	125,341	118,127	-	-	Support programs	
4,611	6,030	1,974	1,240	1,049	Food service	
2,345,383	2,228,484	2,092,292	1,941,676	1,786,808	Technology (5)	
					Interest on long-term debt (7)	
					Total expenses	
					<b>Program Revenues</b>	
48,122	52,114	49,159	45,114	43,255	Charges for services:	
6,535	45,166	43,578	40,234	39,109	Instruction	
45,794	-	-	-	-	Support programs (5)	
167,889	165,195	152,119	144,150	116,533	Food service (5)	
165,578	145,185	121,934	201,405	137,948	Operating grants and contributions	
433,918	407,660	366,790	430,903	336,845	Capital grants and contributions (1)	
(1,911,465)	(1,820,824)	(1,725,502)	(1,510,773)	(1,449,963)	Total program revenues	
					Total net (expense) revenue	
					<b>General Revenues and Other Changes in Net Position</b>	
7,099	10,343	4,343	4,303	3,824	Grants and contributions not restricted to specific purposes:	
364,021	364,978	318,843	316,510	282,525	Federal government (6)	
1,586,601	1,533,218	1,429,717	1,321,225	1,239,229	Commonwealth of Virginia	
4,404	4,586	3,594	1,272	429	County of Fairfax, VA	
5,435	5,436	4,673	3,523	2,965	Revenue for the use of money (2)	
-	-	-	300	2,345	Other	
-	(7,663)	-	9,562	-	Insurance recoveries (3)	
					Special items (4)	
1,967,560	1,910,898	1,761,170	1,656,695	1,531,317	Total general revenues and other changes in net position	
\$ 56,095	\$ 90,074	\$ 35,668	\$ 145,922	\$ 81,354	<b>Change in Net Position</b>	

(5) In fiscal year 2006, technology was created as a new program. In fiscal year 2008, FCPS revised its program categories and as part of this change, food service expenses were reported separately from support programs. In addition, technology was no longer a program and the related expenses were reported primarily as part of the instruction program beginning in fiscal year 2008.

(6) The fiscal year 2006 impact aid payment was not received until fiscal year 2007 causing a small spike in Federal revenue.

(7) Fluctuations in interest on long-term debt between fiscal years 2006 and 2008 are a result of 1) increased interest in fiscal year 2006 due to the central administrative building acquired by capital lease in fiscal year 2005 (net of the \$3.2 million in capitalized interest reclassified on the government-wide financial statements); and 2) FCPS began accounting for accrued interest on its outstanding capital leases and installment purchases beginning in fiscal year 2007.

(8) In FY 2013, net assets was changed to net position.

Source: FCPS Comprehensive Annual Financial Reports 2004-2013

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

	Fiscal Year				
	2013	2012	2011	2010	2009
General Fund:					
Nonspendable	\$ 259	\$ 26,937	\$ 23,246	\$ 19,652	\$ 18,128
Restricted	-	-	-	-	-
Committed	90,651	126,092	47,993	-	-
Assigned	119,806	83,565	140,890	136,247	75,569
Unassigned	3,272	22,493	48,607	33,858	24,447
<b>Total General Fund</b>	<b>\$ 213,988</b>	<b>\$ 259,087</b>	<b>\$ 260,736</b>	<b>\$ 189,757</b>	<b>\$ 118,144</b>
All other governmental funds:					
Nonspendable	\$ 1,466	\$ 3,633	\$ 2,253	\$ 2,459	\$ 2,248
Restricted	137,974	114,292	31,461	27,598	15,365
Committed	-	-	-	-	-
Assigned	-	-	75,009	94,276	36,466
Unassigned	-	(975)	-	-	-
<b>Total all other governmental funds</b>	<b>\$ 139,440</b>	<b>\$ 116,950</b>	<b>\$ 108,723</b>	<b>\$ 124,333</b>	<b>\$ 54,079</b>

Source: FCPS Comprehensive Annual Financial Reports from 2004-2013 and FCPS Final Budget Review Reports from 2004-2013.

**TABLE 3**

		<b>Fiscal Year</b>					
<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>			
\$ 17,507	\$ 298	\$ -	\$ -	\$ -	General Fund:		
-	-	-	-	-	Nonspendable		
-	-	-	-	-	Restricted		
63,528	76,505	74,746	87,596	116,521	Committed		
27,776	52,099	15,540	27,427	(6,354)	Assigned		
<u>\$ 108,811</u>	<u>\$ 128,902</u>	<u>\$ 90,286</u>	<u>\$ 115,023</u>	<u>\$ 110,167</u>	Unassigned		
					Total General Fund		
\$ 2,191	\$ 1,160	\$ 1,545	\$ 1,745	\$ 1,696	All other governmental funds:		
13,957	11,789	16,725	33,569	17,344	Nonspendable		
-	-	-	-	-	Restricted		
12,922	-	-	10,951	1,971	Committed		
-	-	-	-	-	Assigned		
<u>\$ 29,070</u>	<u>\$ 12,949</u>	<u>\$ 18,270</u>	<u>\$ 46,265</u>	<u>\$ 21,011</u>	Unassigned		
					Total all other governmental funds		

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

	<b>Fiscal Year</b>				
	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
<b>Revenues</b>					
Intergovernmental	\$ 2,514,854	\$ 2,384,966	\$ 2,343,575	\$ 2,349,368	\$ 2,336,434
Charges for services	60,184	64,672	64,862	63,733	65,021
Revenue from the use of money and property (7)	3,170	3,232	3,518	3,614	3,371
Recovered costs (1)	43,523	39,262	35,795	34,852	37,344
Other	23,179	15,600	11,136	12,919	12,776
Total revenues	<u>2,644,910</u>	<u>2,507,732</u>	<u>2,458,886</u>	<u>2,464,486</u>	<u>2,454,946</u>
<b>Expenditures</b>					
Current (5):					
Instruction	2,102,979	1,940,659	1,826,700	1,820,542	1,882,672
Support programs	325,273	313,294	311,628	311,695	313,837
Food service (5)	78,635	75,782	70,522	66,917	68,282
Technology (5)	-	-	-	-	-
Capital outlay (3), (6)	154,625	174,390	174,358	127,979	148,604
Debt service: (3)					
Principal	12,834	13,474	22,759	13,210	15,487
Interest (6)	3,372	3,390	4,317	3,950	4,448
Total expenditures	<u>2,677,718</u>	<u>2,520,989</u>	<u>2,410,284</u>	<u>2,344,293</u>	<u>2,433,330</u>
Excess (deficiency) of revenues over (under) expenditures	(32,808)	(13,257)	48,602	120,193	21,616
<b>Other financing sources (uses)</b>					
Transfers in	30,393	22,206	24,684	30,445	45,227
Transfers out	(30,393)	(22,206)	(24,684)	(30,445)	(34,527)
Capital leases and installment purchases (2)	10,294	19,680	7,058	21,496	1,996
Total other financing sources (uses)	<u>10,294</u>	<u>19,680</u>	<u>7,058</u>	<u>21,496</u>	<u>12,696</u>
<b>Special items (4)</b>					
Net change in fund balances (8)	<u>\$ (22,514)</u>	<u>\$ 6,423</u>	<u>\$ 55,660</u>	<u>\$ 141,689</u>	<u>\$ 34,312</u>
Debt service as a percentage of noncapital expenditures (3)					
	0.6%	0.7%	1.2%	0.8%	0.9%

- (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 large spike in fiscal year 2005 was related to the acquisition of the central administrative building. 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.
- (3) Prior to fiscal year 2007, capital outlays relating to capital leases and installment purchases were reported separately in expenditures. Annual debt service payments on capital leases and installment purchases were included in various functions in current expenditures. In fiscal year 2007, FCPS began reporting these outlays as part of capital outlay and separately reporting debt service payments. Amounts for capital outlays and debt service as a percentage of noncapital expenditures were restated in prior years.

**TABLE 4**

<b>Fiscal Year</b>					
<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	
					<b>Revenues</b>
\$ 2,277,965	\$ 2,206,411	\$ 2,024,051	\$ 1,917,509	\$ 1,776,235	Intergovernmental
62,077	58,742	56,138	54,511	51,933	Charges for services
3,365	3,326	3,859	232	2,625	Revenue from the use of money and property (7)
36,472	33,946	32,129	29,059	27,322	Recovered costs (1)
17,021	15,707	10,704	7,624	9,132	Other
<u>2,396,900</u>	<u>2,318,132</u>	<u>2,126,881</u>	<u>2,008,935</u>	<u>1,867,247</u>	Total revenues
					<b>Expenditures</b>
					Current (5):
1,854,380	1,568,179	1,463,219	1,428,744	1,307,520	Instruction
334,251	451,946	433,847	435,013	403,051	Support programs
65,704	-	-	-	-	Food service (5)
-	120,840	110,777	-	-	Technology (5)
138,534	138,588	161,774	205,055	149,338	Capital outlay (3), (6)
20,119	19,739	20,624	15,369	14,500	Debt service: (3)
4,620	4,776	5,149	1,241	1,049	Principal Interest (6)
<u>2,417,608</u>	<u>2,304,068</u>	<u>2,195,390</u>	<u>2,085,422</u>	<u>1,875,458</u>	Total expenditures
(20,708)	14,064	(68,509)	(76,487)	(8,211)	Excess (deficiency) of revenues over (under) expenditures
					<b>Other financing sources (uses)</b>
38,998	43,807	38,992	30,412	31,424	Transfers in
(38,998)	(43,807)	(38,992)	(30,778)	(31,764)	Transfers out
16,404	15,618	15,960	95,211	22,818	Capital leases and installment purchases (2)
<u>16,404</u>	<u>15,618</u>	<u>15,960</u>	<u>94,845</u>	<u>22,478</u>	Total other financing sources (uses)
-	4,000	-	11,700	-	<b>Special items (4)</b>
<u>\$ (4,304)</u>	<u>\$ 33,682</u>	<u>\$ (52,549)</u>	<u>\$ 30,058</u>	<u>\$ 14,267</u>	Net change in fund balances (8)
1.1%	1.1%	1.3%	0.9%	0.9%	Debt service as a percentage of noncapital expenditures (3)

- (4) In fiscal year 2005, FCPS sold a parcel of land for \$11,700,000, which was purchased in 1989 for \$2,137,500, resulting in a gain. In fiscal year 2007, FCPS sold the Eleven Oaks Administrative Center, originally purchased in 1952 for \$789,200, for \$4,000,000, which resulted in a gain. Also, in fiscal year 2007, FCPS transferred land and associated property, which had a net book value of \$10,874,069, to the County.
- (5) In fiscal year 2006, technology was created as a new program. In fiscal year 2008, FCPS revised its program categories and as part of this change, food service expenditures were reported separately from support programs. In addition, technology was no longer a program and the related expenditures were reported primarily as part of the instruction program beginning in fiscal year 2008.
- (6) The increase in interest in fiscal year 2006 related to the interest on the central administrative building acquired by capital lease in fiscal year 2005.
- (7) In fiscal year 2005, this line item only included revenue from the use of money; revenue from the use of property was inadvertently excluded.
- (8) 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.

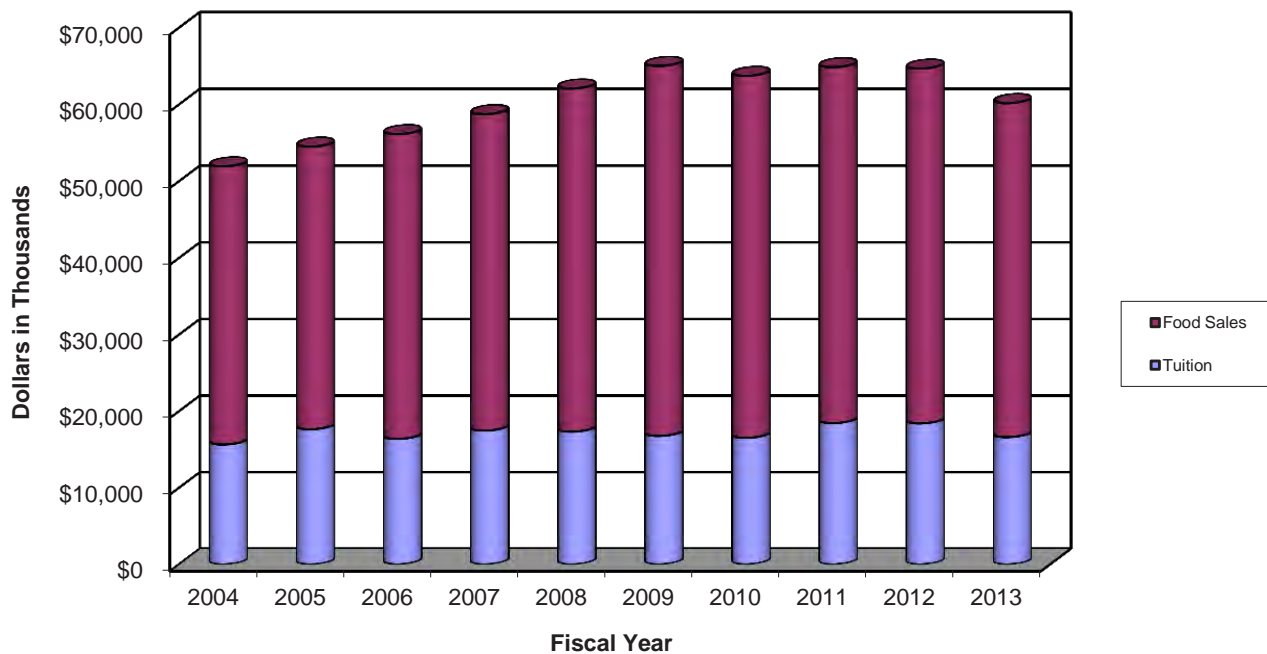
Source: FCPS Comprehensive Annual Financial Reports 2004-2013

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

**TABLE 5**

<u>Fiscal Year</u>	<u>Tuition</u>	<u>Percentage</u>	<u>Food Sales</u>	<u>Percentage</u>	<u>Total</u>
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
2007	17,472	29.7	41,270	70.3	58,742
2006	16,391	29.2	39,747	70.8	56,138
2005	17,645	32.4	36,866	67.6	54,511
2004	15,660	30.2	36,273	69.8	51,933

**Charges for Services Revenue by Source**



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

Source: FCPS Comprehensive Annual Financial Reports 2004-2013



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

**TABLE 6**

Fiscal Year	Student Breakfast	Student Lunch			Adult Lunch
		Elementary	Middle	High	
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
2007	1.10	2.00	2.10	2.10	3.00
2006	1.00	1.90	2.00	2.00	2.75
2005	1.00	1.70	1.80	1.80	2.50
2004	1.00	1.70	1.80	1.80	2.50

(1) These prices are based on the normal costs of the meals and do not include the costs charged to students who qualify for reduced-price meals.

Source: FCPS - Office of Food and Nutrition Services

**FAIRFAX COUNTY PUBLIC SCHOOLS**  
**Principal Food Service Sales by Client**  
**Current Fiscal Year and Ten Years Ago**  
**(Dollars in Thousands)**  
**Unaudited**

**TABLE 7**

Client	Fiscal Year 2013			Fiscal Year 2004 (1)		
	Sales	Rank	Percentage of Total Sales	Sales	Rank	Percentage of Total Sales
Student	\$ 31,830	1	73.07 %	\$ 22,797	1	59.30 %
Vending	2,798	2	6.42	4,728	3	12.30
Catering/other	2,657	3	6.10	5,573	2	14.50
School-age child care (SACC)	2,511	4	5.76	1,516	5	3.90
Daycare	1,557	5	3.57	863	6	2.30
Adult	1,362	6	3.13	2,312	4	6.00
Senior nutrition	848	7	1.95	652	7	1.70
Total:	<u>\$ 43,563</u>		<u>100.00 %</u>	<u>\$ 38,441</u>		<u>100.00 %</u>

(1) Sales for fiscal year 2004 includes sales from SACC and Senior Nutrition. These sales are between the County and FCPS and were reported as intergovernmental revenue in the fiscal year 2004 CAFR.

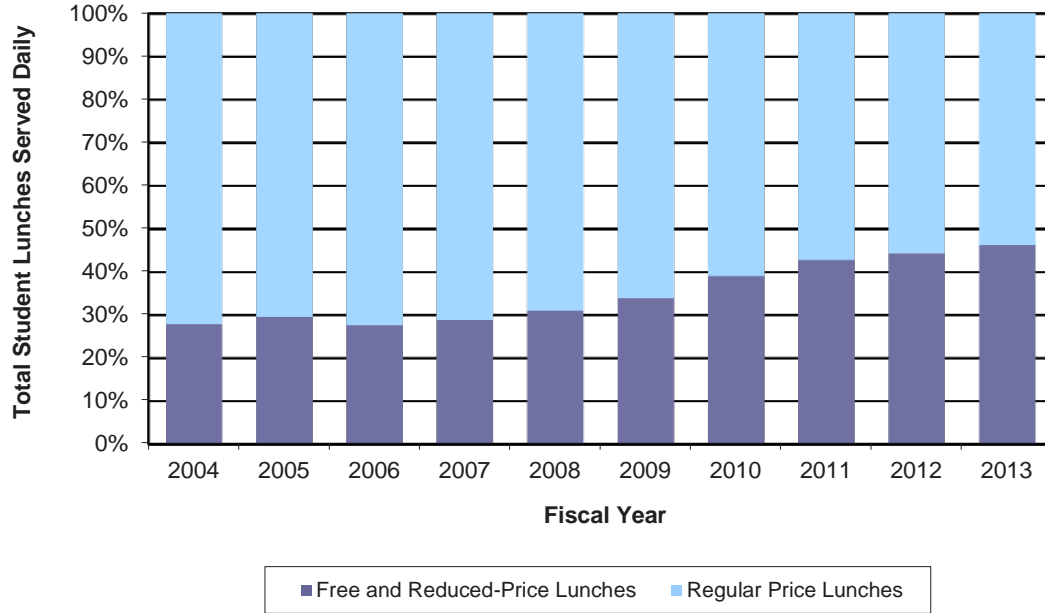
Source: FCPS - Office of Food and Nutrition Services

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

**TABLE 8**

Fiscal Year	Students Served Daily			Adult Lunches Served Daily
	Breakfasts	Lunches (1)	Free and Reduced-Price Lunches	
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
2007	10,889	82,273	23,726	3,975
2006	10,202	82,169	22,759	4,474
2005	10,830	81,672	24,134	4,476
2004	11,410	81,166	22,668	4,262

**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**  
**Ratios of Debt Outstanding (1)**  
**Last Ten Fiscal Years**  
**(Dollars in Thousands)**  
**Unaudited**

**TABLE 9**

<b>Fiscal Year</b>	<b>Governmental Activities (2)</b>			<b>Percent of Personal Income (3)</b>	<b>Debt Per Capita (3)</b>
	<b>Capital Leases</b>	<b>Installment Purchases</b>	<b>Total</b>		
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
2007	91,216	14,730	105,946	0.16	102
2006	96,750	13,630	110,380	0.17	107
2005 (4)	100,079	14,965	115,044	0.20	113
2004	36,297	-	36,297	0.07	36

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

(2) The Code of Virginia (Code) prohibits FCPS from issuing general obligation debt. As a result, the County issues general obligation bonds for FCPS and reports in its financial statements, 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.

(4) In fiscal year 2005, the major increase in capital leases resulted from the acquisition of the central administrative building. The addition of installment purchases related to the procurement of energy savings performance contracts.

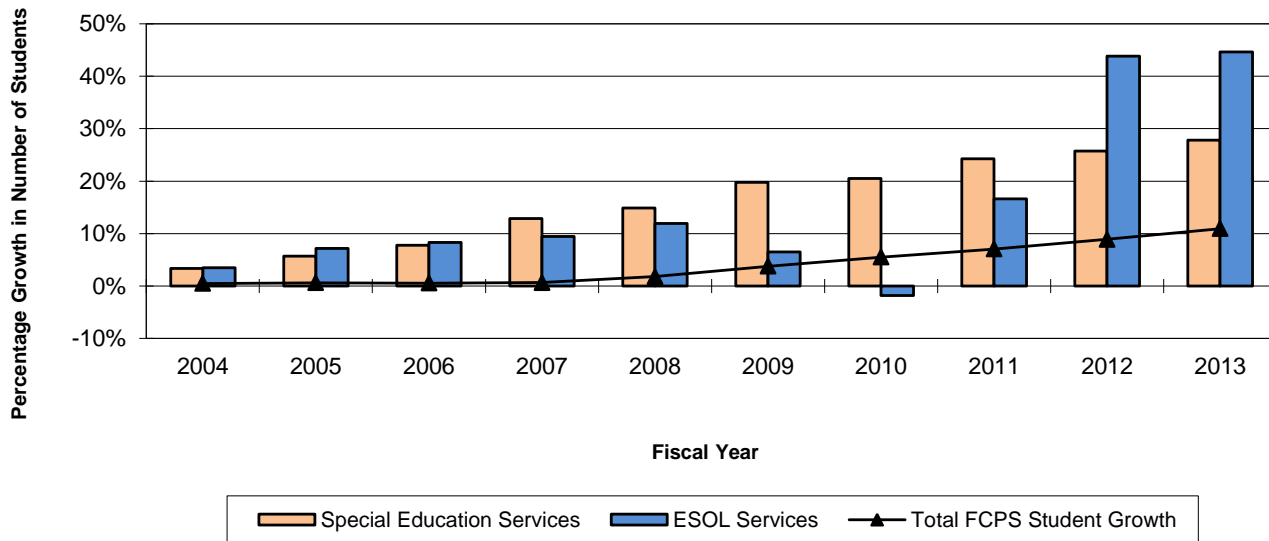
Source: FCPS Comprehensive Annual Financial Reports 2004-2013

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

**TABLE 10**

<b>Fiscal Year</b>	<b>Grades K-6 (1)</b>	<b>Grades 7-8</b>	<b>Grades 9-12 (2)</b>	<b>Special Education (3)</b>	<b>Total</b>
2013	91,657	23,459	51,124	15,019	181,259
2012	89,097	23,460	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
2007	80,134	22,375	48,712	13,265	164,486
2006	80,389	22,600	48,630	12,665	164,284
2005	80,736	23,087	48,165	12,420	164,408
2004	81,195	23,387	47,465	12,148	164,195

**Total FCPS Student Growth from Fiscal Year 2004 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 school-age services and preschool services.

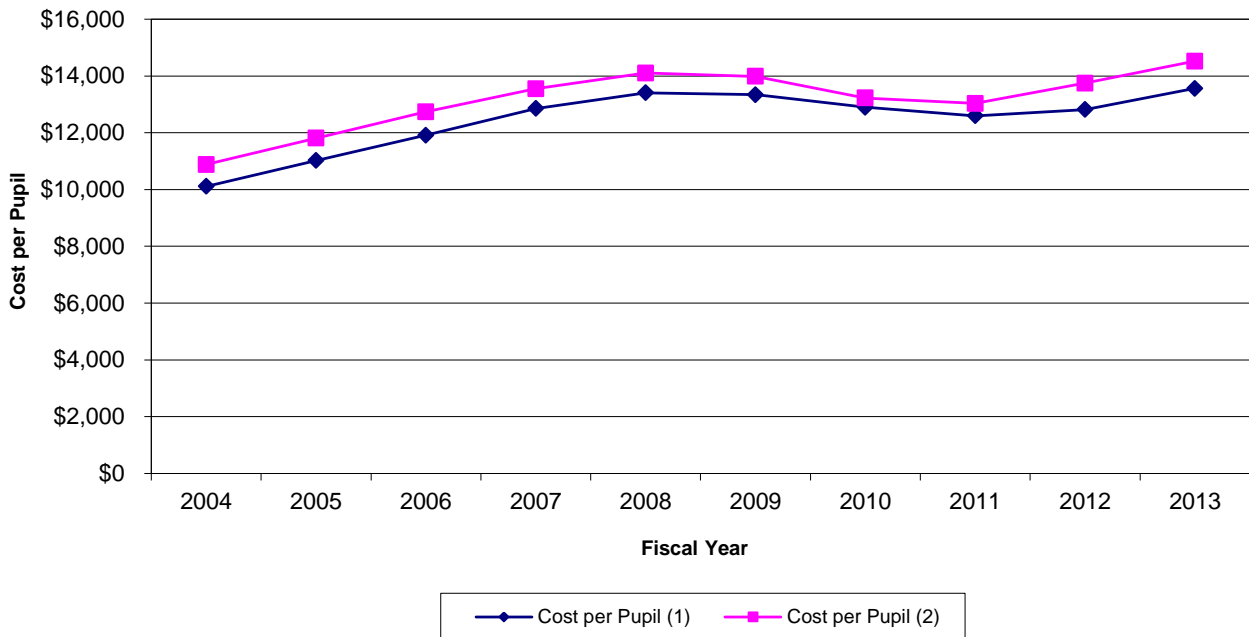
Source: FCPS Approved Budgets 2005-2014

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

**TABLE 11**

<b>Fiscal Year</b>	<b>Cost per Pupil (1)</b>	<b>Cost per Pupil (2)</b>
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
2007	12,853	13,548
2006	11,915	12,736
2005	11,022	11,810
2004	10,113	10,882

**Cost per Pupil Trend**



- (1) The regional formula for calculating the cost per pupil is based on Governmental 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 2004-2013  
 FCPS Comprehensive Annual Financial Reports 2004-2013

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

**TABLE 12**

<b>Calendar Year</b>	<b>Population (1)</b>	<b>Personal Income (000s) (2)</b>	<b>Per Capita Personal Income (2)</b>	<b>Median Age (years) (3)</b>	<b>Percent of People <math>\geq</math> 25 Years Old with a Bachelor's Degree (3)</b>	<b>Public School Enrollment (4)</b>	<b>Unemployment Rate (5)</b>
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
2006	1,037,311	67,111,947	64,698	38.4	58.7	164,284	2.2
2005	1,033,646	63,917,568	61,837	38.1	58.5	164,408	2.5
2004	1,022,298	58,830,183	57,547	37.6	57.4	164,195	2.7
2003	1,012,090	54,771,275	54,117	37.9	56.3	163,386	3.1

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 only the County 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 2010 has been updated to reflect actual reported figure, while 2012 has been estimated using percentage change in per capita personal income from 2009, 2010, and 2011.
- (3) Median age and educational attainment information are obtained from the U.S. Census Bureau's American Community Survey.
- (4) Public school enrollment is obtained from FCPS Approved Budgets 2004-2013.
- (5) Unemployment rates are obtained from the Virginia Employment Commission, Annual Unemployment Statistics for the calendar year, not seasonally adjusted.

**FAIRFAX COUNTY PUBLIC SCHOOLS**  
**Principal Employers in the County of Fairfax, Virginia**  
**Current Fiscal Year and Nine Years Ago**  
**Unaudited**

**TABLE 13**

Employer	Fiscal Year 2013 (1)			Fiscal Year 2004 (1)		
	Number of Employees (2)	Rank	Percent of Total County Employment (3)	Number of Employees (2)	Rank	Percent of Total County Employment (3)
Federal Government	24,421	1	4.14 %	17,259	3	3.17 %
Fairfax County Public Schools	24,232	2	4.11	21,069	1	3.87
Fairfax County Government	12,302	3	2.08	11,443	2	2.10
Booz-Allen Hamilton	7,000-10,000	4	1.44	9,000-10,000	6	1.19
Inova Health System	7,000-10,000	5	1.44	9,000-10,000	4	1.75
Federal Home Loan Mortgage	4,000-6,999	6	0.93	3,000-4,000	8	0.64
Lockheed Martin Corporation	4,000-6,999	7	0.93	2,000-3,000	-	0.46
Northrop Grumman	4,000-6,999	8	0.93	6,000-7,000	5	1.19
Science Applications International Corporation	4,000-6,999	9	0.93	6,000-7,000	7	1.19
Adminstaff	1,000-3,999	10	0.42	-	-	-
Computer Science Corporation	1,000-3,999	-	0.42	3,000-4,000	9	0.64
Gannett	1,000-3,999	-	0.42	2,000-3,000	-	0.46
Navy Federal Credit Union	1,000-3,999	-	0.42	3,000-4,000	10	0.64
<b>Totals</b>			<u>18.61 %</u>			<u>17.30 %</u>

(1) Employment information for fiscal year 2013, excluding data for Fairfax County Government and FCPS, is from the first quarter of calendar year 2013 VEC. Employment information for fiscal year 2004 is from the Fiscal Year 2004 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. The average total number of people employed in the County in fiscal years 2013 is estimated at 590,282, based on VEC's report for first quarter 2013. Average total County employment for fiscal year 2004 was estimated at 544,171.

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

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

Function	Fiscal Year				
	2013	2012	2011	2010	2009
<b>School Based:</b>					
Principals	196.0	195.0	194.0	195.0	196.0
Assistant principals	450.0	439.0	437.0	438.0	444.0
Teachers	14,986.0	14,574.2	14,230.4	13,979.5	13,945.1
Instructional assistants	2,678.5	2,537.6	2,419.2	2,334.9	2,228.0
Custodian	1,338.0	1,267.0	1,251.5	1,327.5	1,432.0
Other school based personnel	2,667.3	2,609.5	2,536.1	2,569.4	2,711.9
<b>Non-School Based:</b>					
Administration	1,120.6	1,044.2	1,014.7	1,054.7	1,092.0
Teachers (1)	40.5	40.0	30.0	54.5	27.5
Office assistants	274.6	282.9	279.9	311.1	343.8
Trades personnel	480.0	545.0	546.0	587.0	594.0
Total	<u>24,231.5</u>	<u>23,534.4</u>	<u>22,938.8</u>	<u>22,851.6</u>	<u>23,014.3</u>

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

Source: FCPS - Office of Budget Services



TABLE 14

Fiscal Year					Function
2008	2007	2006	2005	2004	
195.0	196.0	197.0	198.0	201.0	<b>School Based:</b> Principals
439.0	436.0	427.0	412.0	388.0	Assistant principals
13,941.7	13,821.3	13,796.2	13,728.1	13,540.3	Teachers
2,243.2	2,154.9	2,121.3	2,097.5	1,924.5	Instructional assistants
1,410.5	1,396.5	1,384.0	1,364.5	1,346.5	Custodian
2,687.4	2,674.4	2,618.2	2,425.7	2,395.4	Other school based personnel
1,094.1	1,076.6	1,064.4	1,027.3	966.0	<b>Non-School Based:</b> Administration
28.0	37.7	36.6	30.5	33.0	Teachers (1)
358.3	355.2	369.2	376.9	380.4	Office assistants
597.0	595.0	586.6	586.0	595.0	Trades personnel
<u>22,994.2</u>	<u>22,743.6</u>	<u>22,600.5</u>	<u>22,246.5</u>	<u>21,770.1</u>	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**

Fiscal Year	Combined SAT Scores - Critical Reading, Math and Writing (1)		
	County of Fairfax, VA	Commonwealth of Virginia	National
2013	1663	1517	1474
2012	1659	1510	1477
2011	1654	1516	1500
2010	1664	1521	1509
2009	1664	1521	1509
2008	1654	1522	1511
2007	1639	1520	1511
2006	1643	1525	1518
2005	1114	1030	1028
2004	1105	1024	1026

(1) The writing section of the SAT started in 2006, for a possible combined score of 2400. For the fiscal years prior to 2006, the maximum possible score was 1600.

Source: FCPS - Office of Student Testing

**FAIRFAX COUNTY PUBLIC SCHOOLS**

**TABLE 16**

**Average Class Size - Students per Classroom Teacher**

**Last Ten Fiscal Years**

**Unaudited**

Fiscal Year	Elementary	Middle	Secondary/ High
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
2007	20.7	23.1	23.9
2006	20.7	23.3	23.8
2005	20.8	23.9	24.0
2004	21.1	24.2	24.5

Source: Metropolitan/Washington Area Boards of Education Guides 2004-2013

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

**TABLE 17**

Fiscal Year	Contract Length	Salary		
		Beginning Teacher	Maximum Teacher	Average Teacher
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
2007	194 days	42,400	88,394	62,638
2006	194 days	40,000	85,793	60,201
2005	194 days	36,887	83,276	57,258
2004	195 days	35,813	80,851	55,265

Source: Metropolitan/Washington Area Boards of Education Guides 2004-2013

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

**TABLE 18**

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Elementary schools	139	138	139	139	137	137	137	136	136	136
Middle schools (3)	23	22	22	22	22	22	22	22	22	22
High/Secondary schools (3)	25	25	25	25	25	25	25	25	24	24
Special education centers (1)	7	7	8	8	9	10	11	13	15	20
Alternative high schools	2	2	2	3	3	3	3	3	3	3
Central administrative centers	22	22	21	21	23	23	24	28	27	27
Buses (2)	1,541	1,588	1,534	1,633	1,658	1,691	1,664	1,667	1,677	1,554

(1) The decreases for fiscal years 2005 through 2010 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.  
(2) The bus count for fiscal year 2006 and 2011 has been corrected to reflect the disposal of buses.  
(3) Fiscal year 2012 for High/Secondary schools has been corrected to reflect the completion of S. County MS, and change from S. County Secondary School to S. County HS.

Source: FCPS - Office of the Comptroller

**FAIRFAX COUNTY PUBLIC SCHOOLS**  
**School Building Statistics (1)**  
**As of June 30, 2013**  
**Unaudited**

**TABLE 19**  
**(Page 1 of 4)**

	<b>Year Opened</b>	<b>Site Acreage</b>	<b>Building Size (2)</b>	<b>Student Population (2)</b>	<b>Square Foot Per Population</b>
<b>Elementary Schools:</b>					
ALDRIN ES	1994	14	97,436	703	139
ANNANDALE TERRACE ES	1964	12	75,252	730	103
ARMSTRONG ES	1986	14	80,000	508	157
BAILEYS ES	1952	10	119,968	1317	91
BEECH TREE ES	1968	10	70,408	401	176
BELLE VIEW ES	1952	11	75,779	538	141
BELVEDERE ES	1954	11	76,611	664	115
BONNIE BRAE ES	1988	13	88,778	735	121
BRADDOCK ES	1959	12	83,283	753	111
BREN MAR PARK ES	1957	10	62,999	497	127
BROOKFIELD ES	1967	13	107,827	845	128
BUCKNELL ES	1954	10	65,470	278	236
BULL RUN ES	1999	41	98,590	876	113
BUSH HILL ES	1954	11	70,939	490	145
CAMELOT ES	1969	10	89,938	580	155
CAMERON ES	1952	8	92,473	560	165
CANTERBURY WOODS ES	1965	12	74,380	681	109
CARDINAL FOREST ES	1966	13	80,214	591	136
CENTRE RIDGE ES	1990	14	93,981	845	111
CENTREVILLE ES	1994	13	98,625	960	103
CHERRY RUN ES	1983	11	69,604	490	142
CHESTERBROOK ES	1926	14	76,713	700	110
CHURCHILL ROAD ES	1958	10	79,538	844	94
CLEARVIEW ES	1979	14	85,609	692	124
CLERMONT ES	1968	13	50,800	481	106
COATES ES	2009	14	89,439	775	115
COLIN L. POWELL ES	2003	17	110,220	1148	96
COLUMBIA ES	1967	10	54,993	460	120
COLVIN RUN ES	2003	13	98,590	884	112
CRESTWOOD ES	1955	11	74,596	616	121
CROSSFIELD ES	1988	14	89,134	745	120
CUB RUN ES	1986	16	77,850	671	116
CUNNINGHAM PARK ES	1967	10	55,470	476	117
DEER PARK ES	1995	10	98,740	675	146
DOGWOOD ES	2001	14	98,900	807	123
DRANESVILLE ES	1988	13	88,778	693	128
EAGLE VIEW ES	2006	13	98,590	930	106
FAIRFAX VILLA ES	1965	12	57,974	451	129
FAIRHILL ES	1965	10	73,174	628	117
FAIRVIEW ES	1938	14	80,415	665	121
FLINT HILL ES	1954	10	73,532	688	107
FLORIS ES	1955	10	83,560	712	117
FOREST EDGE ES	1971	13	96,624	792	122
FORESTDALE ES	1964	10	69,535	605	115
FORESTVILLE ES	1980	8	82,972	671	124
FORT BELVOIR ES	1994	20	134,939	1133	119
FORT HUNT ES	1969	13	87,481	614	142
FOX MILL ES	1979	14	75,784	617	123

**FAIRFAX COUNTY PUBLIC SCHOOLS**  
**School Building Statistics (1)**  
**As of June 30, 2013**  
**Unaudited**

**TABLE 19**  
**(Page 2 of 4)**

	<b>Year Opened</b>	<b>Site Acreage</b>	<b>Building Size (2)</b>	<b>Student Population (3)</b>	<b>Square Foot Per Population</b>
<b>Elementary Schools (Cont'd):</b>					
FRANCONIA ES	1931	7	71,658	553	130
FRANKLIN SHERMAN ES	1952	11	51,765	419	124
FREEDOM HILL ES	1949	12	81,500	635	128
GARFIELD ES	1952	8	60,776	368	165
GLEN FOREST ES	1957	10	106,919	1011	106
GRAHAM ROAD ES	1950	8	68,500	472	145
GREAT FALLS ES	1952	10	69,042	576	120
GREENBRIAR EAST ES	1968	10	80,000	876	91
GREENBRIAR WEST ES	1971	10	93,203	1002	93
GROVETON ES	1972	13	103,281	751	138
GUNSTON ES	1954	10	80,736	541	149
HALLEY ES	1995	20	98,900	752	132
HAYCOCK ES	1954	10	72,853	963	76
HAYFIELD ES	1966	13	80,149	668	120
HERNDON ES	1961	14	97,146	863	113
HOLLIN MEADOWS ES	1965	10	73,353	650	113
HUNT VALLEY ES	1968	13	90,187	611	148
HUNTERS WOODS ES	1969	11	99,787	1124	89
HUTCHISON ES	1975	39	106,408	909	117
HYBLA VALLEY ES	1964	10	76,819	860	89
ISLAND CREEK ES	2003	19	98,590	813	121
KEENE MILL ES	1961	11	66,087	683	97
KENT GARDENS ES	1957	11	77,900	917	85
KINGS GLEN ES	1969	8	72,702	472	154
KINGS PARK ES	1964	10	82,762	683	121
LAKE ANNE ES	1967	10	77,400	681	114
LANE ES	1995	20	98,625	804	123
LAUREL HILL ES	2009	15	98,950	905	109
LAUREL RIDGE ES	1970	13	112,320	813	138
LEES CORNER ES	1987	11	81,843	735	111
LEMON ROAD ES	1955	12	54,325	333	163
LITTLE RUN ES	1963	10	55,085	375	147
LONDON TOWNE ES	1969	13	104,620	897	117
LORTON STATION ES	2003	13	98,900	1005	98
LOUISE ARCHER ES	1939	8	65,434	826	79
LYNBROOK ES	1956	11	88,674	599	148
MANTUA ES	1961	12	97,631	961	102
MARSHALL ROAD ES	1961	11	76,597	664	115
MASON CREST ES	2012	7	98,590	470	210
MCNAIR ES	2001	15	112,450	973	116
MOSBY WOODS ES	1963	12	102,129	928	110
MOUNT EAGLE ES	1949	6	58,749	362	162
MOUNT VERNON WOODS ES	1965	10	79,490	705	113
NAVY ES	1955	10	91,013	814	112
NEWINGTON FOREST ES	1983	13	77,850	642	121
NORTH SPRINGFIELD ES	1956	12	83,256	550	151
OAKTON ES	1945	9	70,881	794	89
OLDE CREEK ES	1966	11	69,330	445	156

**FAIRFAX COUNTY PUBLIC SCHOOLS**  
**School Building Statistics (1)**  
**As of June 30, 2013**  
**Unaudited**

**TABLE 19**  
**(Page 3 of 4)**

	<b>Year Opened</b>	<b>Site Acreage</b>	<b>Building Size (2)</b>	<b>Student Population (3)</b>	<b>Square Foot Per Population</b>
<b>Elementary Schools (Cont'd):</b>					
OAK HILL ES	1983	12	86,000	871	99
OAK VIEW ES	1968	10	88,815	768	116
OAKTON ES	1945	9	70,881	794	89
OLDE CREEK ES	1966	11	69,330	445	156
ORANGE HUNT ES	1974	14	92,049	782	118
PARKLAWN ES	1958	11	92,330	759	122
PINE SPRING ES	1955	11	65,941	594	111
POPLAR TREE ES	1990	11	94,664	632	150
RAVENSWORTH ES	1963	10	62,061	523	119
RIVERSIDE ES	1968	11	81,025	721	112
ROLLING VALLEY ES	1967	10	77,801	557	140
ROSE HILL ES	1957	11	100,132	747	134
SANGSTER ES	1988	14	88,552	903	98
SARATOGA ES	1989	14	103,570	772	134
SHREVEWOOD ES	1966	13	71,610	650	110
SILVERBROOK ES	1988	14	82,675	756	109
SLEEPY HOLLOW ES	1954	10	70,174	432	162
SPRING HILL ES	1965	13	91,252	947	96
SPRINGFIELD ESTATES ES	1957	11	66,620	736	91
STENWOOD ES	1963	10	46,920	516	91
STRATFORD LANDING ES	1963	10	71,785	884	81
SUNRISE VALLEY ES	1979	15	71,123	618	115
TERRA CENTRE ES	1980	12	69,000	555	124
TERRASET ES	1977	14	70,200	488	144
TIMBER LANE ES	1955	10	80,591	567	142
UNION MILL ES	1986	13	80,087	795	101
VIENNA ES	1921	15	51,494	393	131
VIRGINIA RUN ES	1989	21	90,800	784	116
WAKEFIELD FOREST ES	1955	14	65,062	483	135
WAPLES MILL ES	1991	14	92,470	885	104
WASHINGTON MILL ES	1963	12	73,331	640	115
WAYNEWOOD ES	1959	10	69,051	729	95
WEST SPRINGFIELD ES	1964	10	69,538	482	144
WESTBRIAR ES	1965	10	59,192	552	107
WESTGATE ES	1968	10	49,740	607	82
WESTLAWN ES	1951	9	95,743	745	129
WEYANOKE ES	1949	10	80,633	556	145
WHITE OAKS ES	1980	16	87,534	808	108
WILLOW SPRINGS ES	1990	21	90,014	966	93
WOLFTRAP ES	1968	10	70,670	565	125
WOODBURN ES	1952	10	64,735	491	132
WOODLAWN ES	1937	11	66,793	747	89
WOODLEY HILLS ES	1951	10	77,851	712	109
<b>Middle Schools:</b>					
CARSON MS	1998	33	178,723	1363	131
COOPER MS	1962	20	235,310	795	158
FRANKLIN MS	1984	35	150,481	844	178
FROST MS	1964	21	127,981	1085	118

**FAIRFAX COUNTY PUBLIC SCHOOLS**  
**School Building Statistics (1)**  
**As of June 30, 2013**  
**Unaudited**

**TABLE 19**  
**(Page 4 of 4)**

	<b>Year Opened</b>	<b>Site Acreage</b>	<b>Building Size (2)</b>	<b>Student Population (3)</b>	<b>Square Foot Per Population</b>
<b>Middle Schools (Cont'd):</b>					
GLASGOW MS	2008	22	197,000	1453	136
HERNDON MS	1927	27	200,388	957	209
HOLMES MS	1966	28	158,849	839	189
HUGHES MS	1980	25	130,400	961	136
IRVING MS	1960	21	156,838	1018	154
KEY MS	1971	21	174,232	783	223
KILMER MS	1967	23	165,000	1187	139
LIBERTY MS	2002	80	178,723	1118	160
LONGFELLOW MS	1960	18	175,283	1274	138
LUTHER JACKSON MS	1954	20	154,818	1165	133
POE MS	1954	20	154,818	1165	187
ROCKY RUN MS	1980	25	130,400	1024	127
SANDBURG MS	1963	35	263,940	1278	207
STONE MS	1991	25	157,263	816	193
SOUTH COUNTY MS	2012	69	176,900	1053	168
THOREAU MS	1960	20	115,702	835	139
TWAIN MS	1961	24	156,225	887	176
WHITMAN MS	1965	20	156,872	967	162
<b>High and Secondary Schools (3):</b>					
ANNANDALE HS	1954	28	345,994	2361	147
CENTREVILLE HS	1988	36	337,003	2386	141
CHANTILLY HS	1972	35	402,996	2639	153
EDISON HS	1962	43	351,000	1676	209
FALLS CHURCH HS	1967	40	306,487	1682	182
HAYFIELD SEC	1968	58	344,640	1937	178
HERNDON HS	1967	40	304,921	2147	142
JEFFERSON TECH HS	1964	39	264,506	1824	145
LAKE BRADDOCK SEC	1971	60	430,000	2566	168
LANGLEY HS	1965	43	261,365	1946	134
LEE HS	1959	25	336,068	1802	186
MADISON HS	1959	31	314,342	1983	159
MARSHALL HS	1962	47	241,559	1652	146
MCLEAN HS	1955	31	282,767	2067	137
MOUNT VERNON HS	1960	41	458,517	1879	244
OAKTON HS	1967	59	304,777	2161	141
ROBINSON SEC	1971	78	380,000	2671	142
SOUTH COUNTY HS	2005	69	378,000	1999	189
SOUTH LAKES HS	1978	60	345,000	2293	150
STUART HS	1959	21	300,491	1729	174
WEST POTOMAC HS	1960	45	389,012	2239	174
WEST SPRINGFIELD HS	1966	39	302,795	2261	134
WESTFIELD HS	2000	76	422,298	2758	153
WOODSON HS	1962	95	354,000	2218	160

(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 FY 2013 Approved Budget.

(3) Does not include Bryant and Mountain View Alternative High Schools.



**Fairfax County Public Schools**  
**2013 Comprehensive Annual Financial Report**

8115 Gatehouse Road, Falls Church, VA 22042  
[www.fcps.edu](http://www.fcps.edu)