



# COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the fiscal year  
ended June 30

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# COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the fiscal year  
ended June 30 **2015**



## **Fairfax County Public Schools, Virginia**

A component unit of the County of Fairfax, Virginia

Prepared by the Department of Financial Services

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

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## INTRODUCTORY SECTION (unaudited)

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









November 10, 2015

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, 2015. 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, 2015. The independent auditors' report is included as the first item in the financial section of this report.

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

# Profile of the School System

## OVERVIEW

The Virginia Department of Education (VDOE) is responsible for apportioning the Commonwealth of Virginia (State) into school divisions based on geographic area and school-age population. The school divisions are charged with promoting the realization of the standards of quality required by Article VIII, Section 2, of the Constitution of Virginia. FCPS, the school division for the County of Fairfax, Virginia (County), is located in the northeastern corner of the State and encompasses an area of 407 square miles, including land and water. The County is part of the Washington, D.C. metropolitan area, which includes part of Northern Virginia, the District of Columbia, and Maryland. FCPS is the largest educational system in the State and, according to the National Center for Education Statistics, is the 10th 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, chief academic officer, chief operating officer, chief of staff, and assistant superintendents manage the day-to-day operations of the school system.

School and Centers	
Elementary (K-6).....	139
Middle (6-8).....	3
Middle (7-8).....	20
Secondary (7-12).....	3
High (9-12).....	22
Alternate High.....	2
Special Education Centers.....	7
<b>Total.....</b>	<b>196</b>

FCPS is focused on meeting the needs of 185,914 students from preschool through twelfth grade, while managing 196 schools and centers. The schools and centers are divided into five regions and are supported by six departments that provide a broad range of services including curriculum development, building maintenance, computer services, ordering and delivery of instructional materials, recruitment, hiring, and payment of personnel. In fiscal year 2015, FCPS employed 24,181 full-time employees which 92.2 percent were school-based.

Over 85.6 percent of the school system’s approved operating budget (\$2.5 billion for fiscal year 2015) 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 (TJHSST), a Governor’s magnet school, FCPS attracts students from Northern Virginia 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 2015, the County provided 70.3 percent of funding and the state and federal governments provided 25.4 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.

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## Economic Condition and Outlook

### LOCAL ECONOMY

The local economy showed some signs of improvement compared to a year ago. Consumers spent more and fiscal year 2015 sales tax receipts grew 6.6 percent after falling 0.9 percent in fiscal year 2014. Transient occupancy tax increased a healthy 9.3 percent after falling in the previous two fiscal years. However, the County's economy is still very much impacted by constrained federal spending. After growing on average 16.2 percent per year from fiscal year 2007 through 2010, which propelled the local economy along the way, growth in federal procurement spending in the County moderated to 5.1 percent in fiscal year 2011, was level in fiscal year 2012 and declined 12.9 percent in fiscal year 2013. Fiscal year 2014 marks the first increase in total federal procurement spending in the County in three years, increasing a modest 2.5 percent.

Actual fiscal year 2015 business, professional, and occupational license (BPOL) tax receipts increased only a slight 0.4 percent over the fiscal year 2014 level which had fallen 2.7 percent primarily due to federal sequestration cuts. In fiscal year 2015, the combined consultant and business service occupations categories, which represent 43 percent of total BPOL receipts, decreased 1.9 percent from the fiscal year 2014 level. The remaining BPOL categories rose a combined 2.2 percent. The retail category, which represents 20 percent of total BPOL receipts, rose a strong 4.1 percent in fiscal year 2015.

The unemployment rate in the County as of August 2015 is 3.4 percent, down from 4.4 percent last August. During the first eight months of 2015, the number of home sales increased 10.7 percent. However, the average price of homes sold is up only 1.1 percent through August.

The commercial real estate market has not showed improvement as demonstrated by high office vacancy rates. According to the Economic Development Authority, the direct office vacancy rate in the County rose from 14.4 percent in 2013 to 16.3 percent as of year-end 2014. This is the highest rate since 1991 when it was 16.8 percent.

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## School Enrollment

### PROJECTED ENROLLMENT

FCPS enrollment projections begin by estimating each successive year's entering kindergarten class according to the historical trends between kindergarten enrollments and live births of the County and City of Fairfax 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 2016 is 188,545 in 196 schools and centers. This represents an increase of 1,760 students from the fiscal year 2015 Approved Budget. Since fiscal year 2011, FCPS has opened two new school buildings to accommodate student enrollment adjustments and population shifts. The cumulative cost of enrollment, demographic and new school adjustments is nearly \$150 million over the past five years.

## SPECIAL EDUCATION

In fiscal year 2016, an estimated 45,292 special education services will be provided to 25,662 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 \$23,044 compared to \$11,546 per pupil for general education.

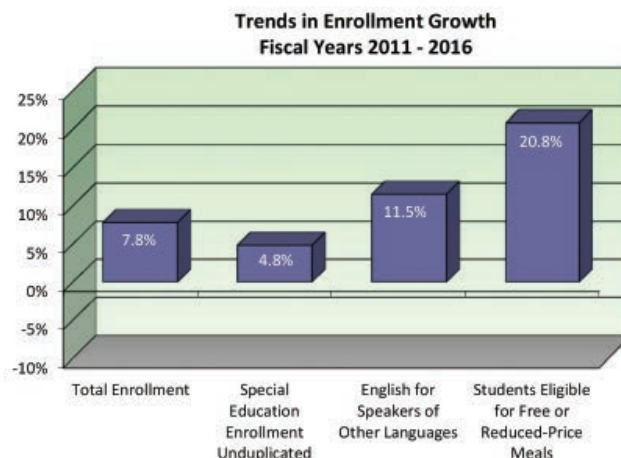
## ENGLISH FOR SPEAKERS OF OTHER LANGUAGES (ESOL)

FCPS students come from all the countries in the world and speak more than 200 different languages. FCPS teaches approximately 40 percent of the limited English proficient students in the State. In fiscal year 2016, ESOL services are projected to be provided to 31,989 students, an increase of 3,311 students, or 11.5 percent, since fiscal year 2011. On average, ESOL services cost \$3,307 per 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 2016, it is projected that 53,170 FCPS students will be eligible to participate. This represents a 20.8 percent increase over fiscal year 2011. The number of students eligible as a percentage of the total student population is projected to grow from 25.2 percent in fiscal year 2011 to 28.2 percent for fiscal year 2016.

The chart below represents the changes in FCPS enrollment from fiscal year 2011 through fiscal year 2016 projected student enrollment for the following student populations:



# 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 2015, 31 FCPS students were named winners of the Merit Scholarship awards and each received a \$2,500 scholarship. In addition, 237 FCPS students from 19 high schools have been named semifinalists by the National Merit Scholarship Corporation for 2016, an all-time high for FCPS. TJHSST has 163 semifinalists, also a record number for that school.

In the 2015 *U.S. News and World Report* ranking of America's Best High Schools, TJHSST is ranked as the number three gold medal school in the nation. Additionally, TJHSST was ranked number two for the best STEM school. In total, FCPS received eleven gold medal awards, two of which were ranked in the top 100 high schools nationally, two silver medals, and one bronze medal.

Based on the 2015 Washington Post rankings of more than 2,300 top U.S. high schools as measured by their participation in AP or IB exams, all Fairfax County high schools were designated as among the most demanding public schools in the nation. These high schools represent the top nine percent of high schools nationwide.

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 2015 have outperformed their counterparts in the State (1523) and across the nation (1462) on the SAT with an average score of 1669.

Bull Run Elementary School (Bull Run) is a state winner in the 2015 Samsung Solve for Tomorrow Contest, winning at least \$20,000 in Samsung technology. Bull Run will go on to represent Virginia in the national competition, and will have an opportunity to earn a technology package of up to \$120,000. Bull Run is one of only a few elementary schools represented across the nation in this prestigious contest for students in grades 6-12.

FCPS students earned 19 awards in the 2015 National Scholastic Art and Writing Awards program sponsored by the Alliance for Young Artists and Writers. A Falls Church High School student earned the highest honor in the Awards, the Portfolio Gold Medal award, which comes with a \$10,000 scholarship. The Scholastic Art and Writing Awards program is the largest, longest-running recognition program of its kind in the United States.

FCPS students recently participated in the fourth annual School Environmental Action Showcase at George Mason University. This event enables teams of students from across the region to participate in events showcasing their skills using science and technology to solve environmental problems. More than 800 participants competed in one or more of four key competitions. In the Caring for Our Watersheds regional competition, Lanier Middle School took second place with a project to reduce the use of disposable plastic bottles. A Dynamic Young Visionary Award, sponsored by the Fairfax County Federation of Teachers, was awarded to Hollin Meadows Elementary School for its work on increasing bee populations and to Longfellow Middle School for its work to enhance monarch butterfly habitat. Lanier Middle School took first place in the KidWind Regional Wind Turbine Challenge. In the Recyclable Mascot Competition, Robinson Secondary School took first place in the high school division; Rocky Run Middle School took first place in the middle school division, and Providence Elementary School first place in the elementary school division.

## TEACHER ACHIEVEMENT

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

A math teacher at Robinson Secondary School is one of five state finalists for the 2015 Presidential Award for Excellence in Mathematics and Science Teaching. The program is administered by the National Science Foundation on behalf of the White House and is regarded as the country's top honor for math and science teachers.

A teacher at London Towne Elementary School was one of three scholarship winners chosen nationwide to receive the 2015 Elementary Mathematics Specialist scholarship from the Association of Mathematics Teachers Education.

The 2015 Virginia History Teacher of the Year was awarded to a teacher at Orange Hunt Elementary School (Orange Hunt). The award is presented by the Virginia Department of Education in conjunction with the Gilder Lehrman Institute of American History, cable television channel History and Preserve America. The Orange Hunt library will receive a collection of history books and reference materials from the Gilder Lehrman Institute.

## Major Initiatives

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### STRATEGIC PLAN

In the fall of 2014, the School Board adopted the FCPS *Portrait of a Graduate*, which outlines what our community believes is important for our graduates to know and be able to do when they leave FCPS. As a result of community feedback and the work of a task force, five areas were identified for students to pursue in the lifelong pursuit of academic knowledge and interdisciplinary learning: communicator, collaborator, global citizen, creative and critical thinker, and self-directed and responsible individual. The *Portrait of a Graduate* is the center of FCPS' long-range strategic plan.

In July 2015 the School Board approved a long-term strategic plan called *Ignite*. The strategic plan provides a framework for decision-making that builds upon a common mission, vision, and guiding principles held by the School Board and the community. Input was gathered from more than 30,000 stakeholders. The four strategic goals include: student success, caring culture, premier work force, and resource stewardship, and are built on the foundation of FCPS' *Portrait of a Graduate*.

### NEW INITIATIVES

The School Board and Fairfax County Board of Supervisors established a joint budget development committee that developed recommendations to improve the budget process, identify opportunities for smart savings and smart services, improve financial management, and establish shared vision, priorities and goals.

### RESOURCE ALLOCATION

Over the last five fiscal years the School Board has been severely constrained due to revenue increases not keeping pace with enrollment growth, demographic changes and other significant cost drivers. From fiscal year 2010 to fiscal year 2011 funding from the County declined by 1.0 percent or \$16.3 million. In fiscal year 2012, funding from the County was held flat to the fiscal year 2011 level. For fiscal years 2013 and 2014, County funding increased by \$72.5 million, or 4.5 percent, and \$33.7 million, or 2.0 percent, respectively. County funding increased in fiscal year 2015 by \$51.5 million, or 3.0 percent.

The development of the fiscal year 2015 budget was challenging as a result of limited resources, increased student enrollment, shift in student demographics, and funding of state mandates. To meet the increase in student enrollment and demographic changes, an additional \$19.5 million including 264.9 positions was required. In addition, funding was provided for initiatives to include the following:

- Retirement rate increases of \$38.9 million
- Delayed salary step increases of \$30.6 million
- Health insurance rate increases of \$19.9 million
- Full-year impact of fiscal year 2014 Market Scale Adjustment of \$15.9 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.

FCPS has realized \$4.5 million in energy savings as a result of an energy conservation and management program, which began in February 2014. This effort began as one of many throughout FCPS to reduce operating costs and increase efficiency. FCPS has also earned the Environmental Protection Agency's Energy Star Certification for 146 buildings, and has the highest number of Energy Star-certified school buildings in the country.

## STATE MANDATE

### **Virginia Retirement System (VRS)**

In fiscal years 2011 and 2012, the General Assembly adopted significantly lower than actuarially recommended VRS employer contribution rates to mitigate State budget cuts to localities. Although this reduced all Virginia school systems' contributions to VRS, school systems were required to repay the underfunded amounts beginning in fiscal year 2013 through higher contribution rates. The State established legislation that increases required employer contributions until they reach the full actuarially determined rate by July 1, 2018. The State set specific percentages that employers must contribute as part of these state-mandated, phased-in rate increases: 79.69 percent in fiscal years 2015 and 2016; 89.84 percent in fiscal years 2017 and 2018; and 100 percent in fiscal year 2019 and beyond.

# 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 broad categories:

### **Reserve Policies**

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

### **Fund Balance Reserve Policies**

The School Board establishes fund balance reserves to address future requirements. Fund balance reserves represent funds available for School Board's action and may include reserves for budgeted beginning balance, textbook replacement, VRS, and employee compensation.

### **Position and Salary Policies**

There are three policies that include position growth, position reallocation, and salary increase. All position adjustments are subject to School Board approval. Principals and program managers can reallocate funds available as a result of vacant positions and unanticipated needs provided they maintain certain standards. FCPS maintains three salary scales: teacher scale, instructional assistant scale, and the unified scale.

### **Assumptions and Costing Guidelines for Other Budget Issues**

Included in this category are building maintenance, building renovation, carryover funding, equipment funds transfer, technology funding, utilities, vehicle and bus replacement, and vehicle services.

## BUDGETARY CONTROLS

The budget is controlled at certain legal, as well as administrative, levels. The legal level is placed at the individual fund level and the administrative controls are placed at the commitment item group for each office and school within a fund.

FCPS maintains an encumbrance accounting system as a technique of accomplishing budgetary control. Expenditure commitments, including purchase orders and contracts, are encumbered to ensure funds have been reserved and will be available when payment is due. Appropriations for all encumbrances, except for major capital projects, expire at the end of each fiscal year and are required to be reappropriated in the following fiscal year. FCPS ensures that all procurement is in compliance with legal purchasing regulations and all bid awards and contracts are properly approved.

## Long-Term Financial Planning

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The annual budget reflects FCPS' varied plans by allocating resources to carry out the goals defined through the divisionwide planning processes but it is the strategic governance initiative that sets the priorities and direction of the entire budget process. 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. The information drives the creation of the multiyear fiscal forecast.

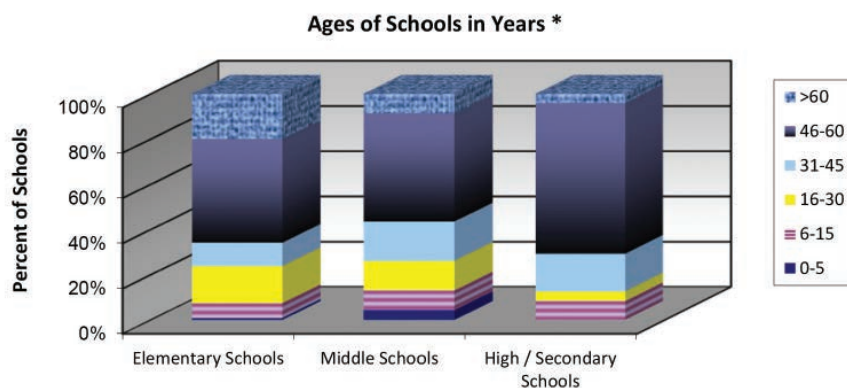
Technology Plan - outlines the multiyear strategic goals and demonstrates the effective use of technology throughout the school system. The technology plan supports the vision and mission for FCPS to provide a gifted-quality education to every child. The technology plan is aligned with the VDOE Educational Technology Plan for 2011-2016.

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 2016-2020), FCPS identifies capacity shortages that cannot be met by school boundary changes, program relocations, temporary facilities, or other internal building modifications designed to recapture underutilized or unused capacity. 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 2016-2020 Capital Improvement Plan totaling \$856 million, or roughly \$171 million per year includes proposals for four new elementary schools and renovation of 22 elementary schools, five middle schools, and six high schools.

Traditionally, the County has used the sale of municipal bonds to fund school capital facility expenditures. Every two years in November, school capital facility projects are part of a school bond referendum, which is added to the general election ballot. Funding approved in the 2013 School Bond Referendum and previous referenda will address approximately \$220 million of the five year requirement, leaving an unfunded balance of \$636 million. A bond referendum is expected in the fall of 2015.

The graph below reflects the ages of FCPS' elementary, middle, and high schools as of June 30, 2015:



\* From the year that each school opened through June 30, 2015 (does not reflect renovation dates)  
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, 2014. 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, 2014.

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

FCPS has won several awards for its budgeting reports, forecasting reports, and a separately issued CAFR for the Educational Employees' Supplementary Retirement System of Fairfax County pension plan. In addition, ASBO and GFOA awarded FCPS with the Meritorious Budget Award and the Distinguished Budget Presentation Award, respectively, for the fiscal year 2015 Approved Budget.

# Acknowledgements

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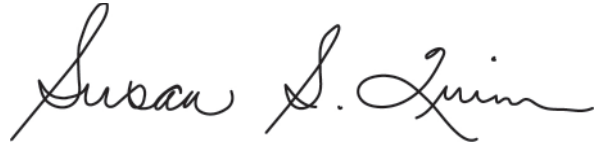
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We would like to express our sincere gratitude to the personnel in the Department of Financial Services who participated in the preparation of this CAFR and to our independent auditors, KPMG LLP. Appreciation is also extended to the School Board and 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 Operating Officer



Kristen Michael  
Assistant Superintendent, Financial Services

# School Board Members and Administration

As of October 20, 2015

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## SCHOOL BOARD

Pat Hynes  
Chairman  
Hunter Mill District

Sandy Evans  
Vice Chairman  
Mason District

Tamara Derenak Kaufax  
Lee District

Ryan McElveen  
Member at Large

Megan McLaughlin  
Braddock District

Ilryong Moon  
Member at Large

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

Benjamin Press  
Student Representative

## ADMINISTRATION

Karen K. Garza, Ph. D.  
Superintendent

Steven Lockard  
Deputy Superintendent

Francisco Duran  
Chief Academic Officer

Susan S. Quinn  
Chief Operating Officer

Marty K. Smith  
Chief of Staff

Sloan Presidio  
Assistant Superintendent  
Instructional Services

Jane Lipp  
Assistant Superintendent  
Special Services

Jeffrey Platenberg  
Assistant Superintendent  
Facilities and Transportation  
Services

Kristen Michael  
Assistant Superintendent  
Financial Services

Susan Marks  
Interim Assistant Superintendent  
Human Resources

Maribeth Luftglass  
Assistant Superintendent  
Information Technology

Matt Guilfoyle  
Executive Director  
Office of Communication and  
Community Relations

Christine Donohue  
Director  
Operations

John Foster  
Division Counsel

Douglas Tyson  
Assistant Superintendent  
Region 1

Fabio Zuluaga  
Assistant Superintendent  
Region 2

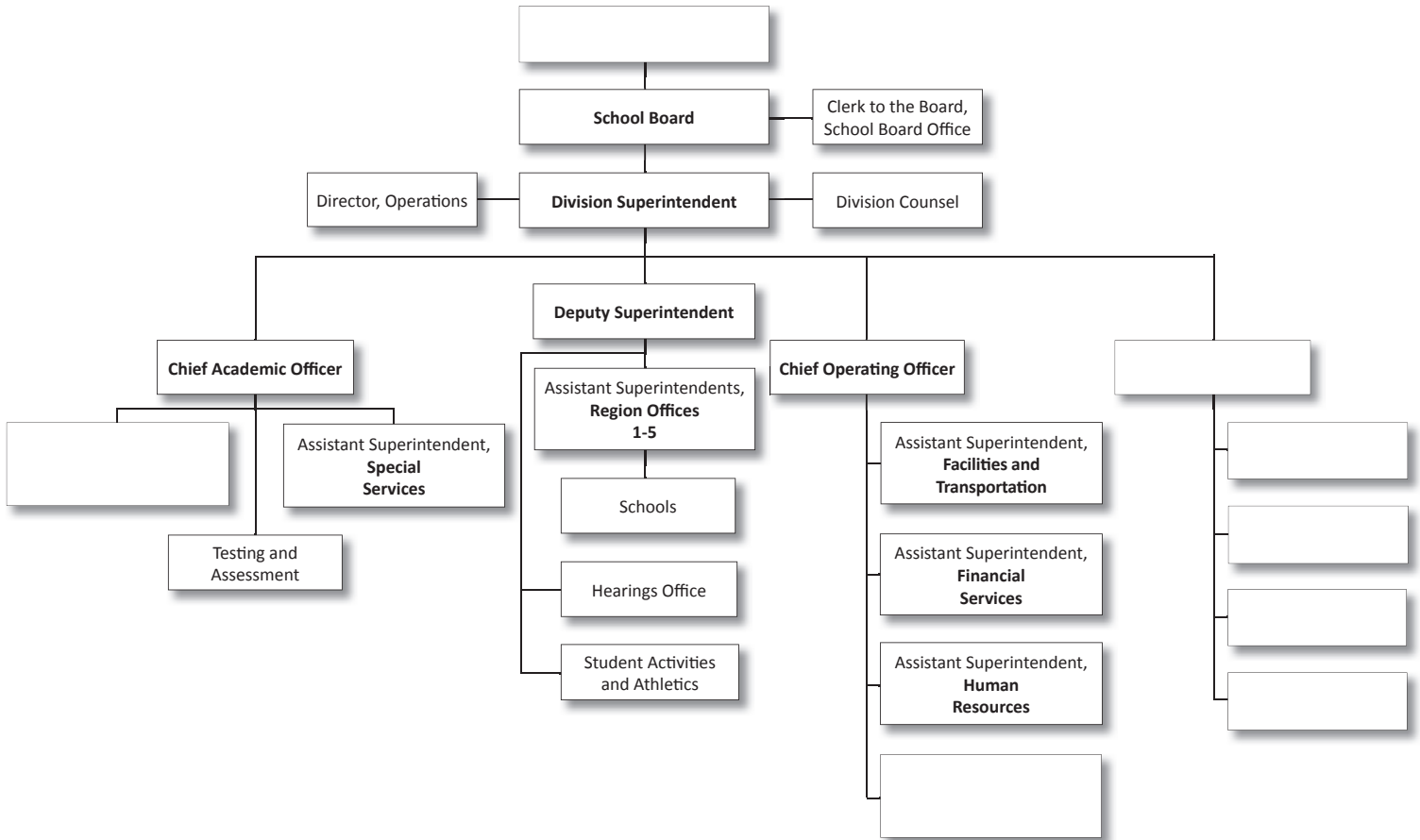
Terry Dade  
Assistant Superintendent  
Region 3

Angela Atwater  
Assistant Superintendent  
Region 4

Frances Ivey  
Assistant Superintendent  
Region 5

# Organizational Chart

As of October 20, 2015



# Award 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 FCPS for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2014. The Certificate of Achievement for Excellence in Financial Reporting is a prestigious, national award, which recognizes conformance with the highest standards for preparation of state and local government CAFRs.

In order to receive a Certificate of Achievement for Excellence in Financial Reporting, a governmental unit must publish a CAFR whose contents conform to program standards of creativity, presentation, understandability, and reader appeal. In addition, this report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements. FCPS has received the Certificate of Achievement for Excellence in Financial Reporting for twenty-one 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, 2014**

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, 2014*

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 'M. Pepera', written over a horizontal line.

Mark C. Pepera, MBA, RSBO, SFO  
President

A handwritten signature in black ink, appearing to read 'John D. Musso', written over a horizontal line.

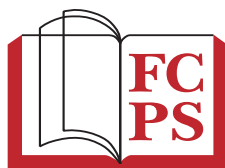
John D. Musso, CAE, RSBA  
Executive Director

## ASSOCIATION OF SCHOOL BUSINESS OFFICIALS AWARD

The Association of School Business Officials International (ASBO) awarded a Certificate of Excellence in Financial Reporting to FCPS for its CAFR for the fiscal year ended June 30, 2014. FCPS has received this award for twenty-one consecutive years.

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

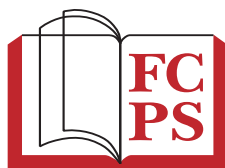
Participation in the Certificate of Excellence in Financial Reporting program validates FCPS' commitment to fiscal and financial integrity and enhances the credibility of FCPS' operations with the School Board and the community. The program reviews the accounting practices and reporting procedures used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





## FINANCIAL SECTION

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





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

## Independent Auditors' Report

The Board of Supervisors  
County of Fairfax, Virginia

The Fairfax County School Board:

### 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, 2015, 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, 2015, 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.

#### *Emphasis of Matter*

As discussed in Note 1.R to the financial statements, FCPS implemented Governmental Accounting Standards Board (GASB) Statement number 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27* and GASB Statement number 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. As a result of this

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the U.S. member firm of KPMG International Cooperative  
("KPMG International"), a Swiss entity.





The Fairfax County School Board  
November 10, 2015  
Page 2 of 2

implementation, FCPS has restated the beginning balance of net position in order to establish the net pension liability and deferred outflows of resources related to pensions. Our opinion is not modified with respect to this matter.

***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 75, the schedule of funding progress and schedule of employer contributions for other post-employment benefit trust funds on page 76, the schedule of changes in net pension liability and related ratios on page 77, the schedules of contributions and schedules of proportionate share of net pension liability and related ratios on pages 78-80, and the notes to the required supplementary information on page 81-82 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-xxi, the supplementary information on pages 87-103, and the statistical section on pages 106-129 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The 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 section 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**

Washington, DC  
November 10, 2015

A young boy with short, dark hair, wearing a black hoodie, is sitting at a wooden desk in a classroom. He is looking down at an open book he is reading. On the desk in front of him are several other books and papers. In the background, other students and a blue water bottle are visible, though they are out of focus. A green banner with white text is positioned at the top of the page.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited)

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



# Management's Discussion and Analysis (Unaudited)

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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, 2015. 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

### NEW SIGNIFICANT ACCOUNTING STANDARDS IMPLEMENTED

In fiscal year 2015, FCPS implemented Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27," and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68".

Statement No. 68 establishes standards of accounting and financial reporting, but not funding or budgetary standards, for FCPS' defined benefit pension plans. Statement No. 68 replaces the requirements of prior GASB statements impacting accounting and disclosure of pensions. The significant impact to FCPS of implementing Statement No. 68 is the reporting of net pension liability on the full accrual basis of accounting for the government-wide financial statements. There are also new note disclosure requirements and supplementary schedules required by Statement No. 68.

The measurement date for the pension liabilities is as of June 30, 2014. This date reflects a one year lag and was used so that these financial statements could be issued in an expedient manner. Activity (i.e., contributions made by FCPS) occurring during fiscal year 2015 are reported as deferred outflows of resources in accordance with Statement No. 71. In order to implement Statement No. 68, a prior period adjustment of (\$3,198.8) million was made to FCPS' July 1, 2014 beginning net position. This prior period adjustment decreased FCPS' net position by \$2,430.7 million to (\$768.1) million. Refer to Notes I.R and IV.D for more information regarding FCPS' pensions.

The implementation of Statement No. 68 had no impact on FCPS' governmental fund financial statements, which continue to report expenditures equal to the amount of FCPS' actuarially determined contribution (previously referred to as the "annual required contribution").

### GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

- Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$673.7 million (net position) at June 30, 2015. The negative unrestricted net position of (\$2,961.3) million is primarily the result of \$2,980.3 million in net pension liabilities.
- Total revenues of \$2,756.2 million were generated in fiscal year 2015. Expenses incurred were \$2,661.8 million, resulting in an increase in net position of \$94.4 million.
- General revenues, including the funds transferred from the County, totaled \$2,223.1 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 2015, program-specific revenues amounted to \$533.1 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 \$209.9 million, a decrease of \$53.8 million over the prior fiscal year.
- On June 30, 2015, the General Fund, which accounts for the main operating activities of FCPS, reported an ending fund balance of \$146.7 million, a decrease of \$10.6 million from June 30, 2014. The unassigned portion of the General Fund's fund balance was \$2.1 million, which is available for future spending at FCPS' discretion.
- The Capital Projects Fund ended fiscal year 2015 with a fund balance of \$37.6 million, a decrease of \$37.7 million over prior fiscal year. This is restricted for construction projects in progress or starting in the near future.

## OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of this CAFR comprises five sections: 1) 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, liabilities, and deferred inflows/outflows of resources, if applicable, with the difference as net position. Over time, increases or decreases in net position may serve as a useful indicator of FCPS' ability to cover costs and continue to provide services in the future.

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

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

## FUND FINANCIAL STATEMENTS

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

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

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

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

**Proprietary Funds** - Proprietary funds consist of FCPS internal service funds and are used to account for activities financed and operated in a manner similar to private-sector businesses. In other words, costs are recovered primarily through user charges. Proprietary fund financial statements provide both long-term and short-term financial information. The internal service funds are used to account for FCPS' health benefits and insurance activities on a cost reimbursement basis. Both internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for each of these internal service funds is provided in combined statements elsewhere in the CAFR. In prior years, the internal service fund was also used to account for FCPS' central procurement. The Central Procurement Fund closed at the end of fiscal year 2015, and all remaining activities transferred to the General Fund.

**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 the 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, 2015 and 2014:

<b>SUMMARY OF NET POSITION</b>				
<b>As of June 30</b>				
<b>(Dollars in Millions)</b>				
	<b>Governmental Activities</b>			<b>Percent</b>
	<b>2015</b>	<b>2014</b>	<b>Variance</b>	<b>Variance</b>
<b>ASSETS</b>				
Current and other assets	\$ 472.4	\$ 517.9	\$ (45.5)	(8.8) %
Capital assets, net	<u>2,306.2</u>	<u>2,203.1</u>	<u>103.1</u>	4.7
Total assets	<u>2,778.6</u>	<u>2,721.0</u>	<u>57.6</u>	2.1
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred pensions	<u>348.8</u>	<u>-</u>	<u>348.8</u>	100.0
Total deferred outflows of resources	<u>348.8</u>	<u>-</u>	<u>348.8</u>	100.0
<b>LIABILITIES</b>				
Current liabilities	118.7	114.8	3.9	3.4
Non-current liabilities	<u>3,153.6</u>	<u>170.2</u>	<u>2,983.4</u>	1,752.9
Total liabilities	<u>3,272.3</u>	<u>285.0</u>	<u>2,987.3</u>	1,048.2
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Capital lease reduction	4.6	5.3	(0.7)	(13.2)
Deferred pensions	<u>524.2</u>	<u>-</u>	<u>524.2</u>	100.0
Total deferred inflows of resources	<u>528.8</u>	<u>5.3</u>	<u>523.5</u>	9,877.4
<b>NET POSITION</b>				
Net investment in capital assets	2,226.7	2,126.7	100.0	4.7
Restricted	60.9	103.7	(42.8)	(41.3)
Unrestricted (deficit)	<u>(2,961.3)</u>	<u>200.3</u>	<u>(3,161.6)</u>	(1,578.4)
Total net position	<u>\$ (673.7)</u>	<u>\$ 2,430.7</u>	<u>\$ (3,104.4)</u>	(127.7)

Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$673.7 million (net position) at June 30, 2015. The unrestricted net position deficit of (\$2,961.3) million is primarily the result of \$2,980.3 million in net pension liabilities.

Net investments in capital assets are \$2,226.7 million which is net of the outstanding debt for capital leases in the amount of \$79.5 million.

Deferred outflows of resources are new to FCPS' statement of net position for fiscal year 2015. This classification balance, although similar to assets, is set apart because these items do not meet the technical definition of being an asset and are not available to pay actual liabilities. When all the recognition criteria are met, the deferred outflows of resources will become an expense. For fiscal year 2015, FCPS reported deferred outflows of resources of \$348.8 million related to the implementation of the new GASB pronouncements for pensions as noted earlier. The majority of the deferred outflows of resources reported are comprised of current year contributions to the retirement system. However, there may be some deferred outflows of resources attributable to the various components that impact pension expense, and can include amortization of changes due to actuarial assumptions, and differences between expected or actual experience.

Deferred inflows of resources are the counterpart to deferred outflows of resources on the statement of net position. Deferred inflows of resources are not technically liabilities and when all the recognition criteria are met, the deferred inflows of resources will become revenue or an increase to net position. For fiscal year 2015, FCPS reported deferred inflows of resources for deferred pension of \$524.2 million which represents a net amount attributable to the various components that impact pension expense, and can include amortization of changes due to actuarial assumptions, and differences between expected or actual experience. Deferred inflows of resources related to capital lease reduction due to revisions of capital lease agreements decreased in fiscal year 2015 to \$4.6 million from \$5.3 million in fiscal year 2014.

## STATEMENT OF ACTIVITIES

The following table provides a summary of the changes in FCPS' net position for the fiscal years ended June 30, 2015 and 2014:

<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>2015</b>	<b>2014*</b>	<b>Variance</b>	<b>Percent Variance</b>
<b>REVENUES</b>				
Program revenues:				
Charges for services	\$ 102.7	\$ 102.9	\$ (0.2)	(0.2) %
Operating grants and contributions	259.1	262.3	(3.2)	(1.2)
Capital grants and contributions	171.3	160.0	11.3	7.1
General revenues:				
Grants and contributions not restricted to specific purposes	2,221.4	2,149.5	71.9	3.3
Other	1.7	1.7	-	-
Total revenues	<u>2,756.2</u>	<u>2,676.4</u>	<u>79.8</u>	3.0
<b>EXPENSES</b>				
Instruction	2,220.2	2,216.2	4.0	0.2
Support programs	360.9	360.7	0.2	0.1
Food service	77.8	81.1	(3.3)	(4.1)
Interest on long-term debt	2.9	3.1	(0.2)	(6.5)
Total expenses	<u>2,661.8</u>	<u>2,661.1</u>	<u>0.7</u>	0.0
Increase in net position	94.4	15.3	79.1	517.0
Net position - July 1	2,430.7	2,415.4	15.3	0.6
Prior period adjustment	(3,198.8)	-	(3,198.8)	100.0
Net position - July 1, as restated	<u>(768.1)</u>	<u>2,415.4</u>	<u>(3,183.5)</u>	(131.8)
Net position - June 30	<u>\$ (673.7)</u>	<u>\$ 2,430.7</u>	<u>\$ (3,104.4)</u>	(127.7)

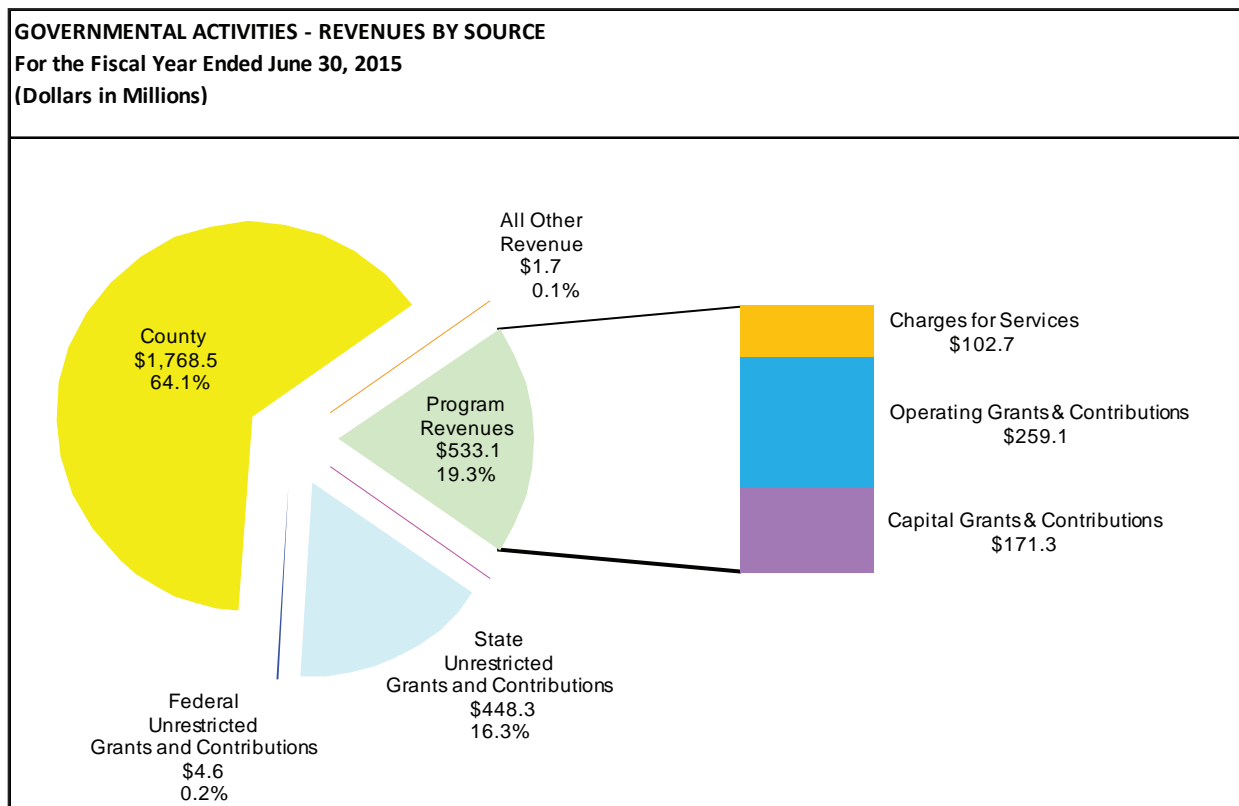
\*2014 amounts were not restated for the implementation of GASB Statement No. 68

Total revenues for FCPS' governmental activities were \$2,756.2 million in fiscal year 2015, representing an increase of \$79.8 million, or a 3.0 percent, over fiscal year 2014. The increase is primarily due to County and State funding increases of \$51.5 million and \$20.5 million, respectively.

The total expenses of FCPS' programs for fiscal year 2015 were \$2,661.8 million.

The prior period adjustment of (\$3,198.8) million is a result of the implementation of two new GASB accounting standards, "GASB Statement No. 68, "Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27," and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68".

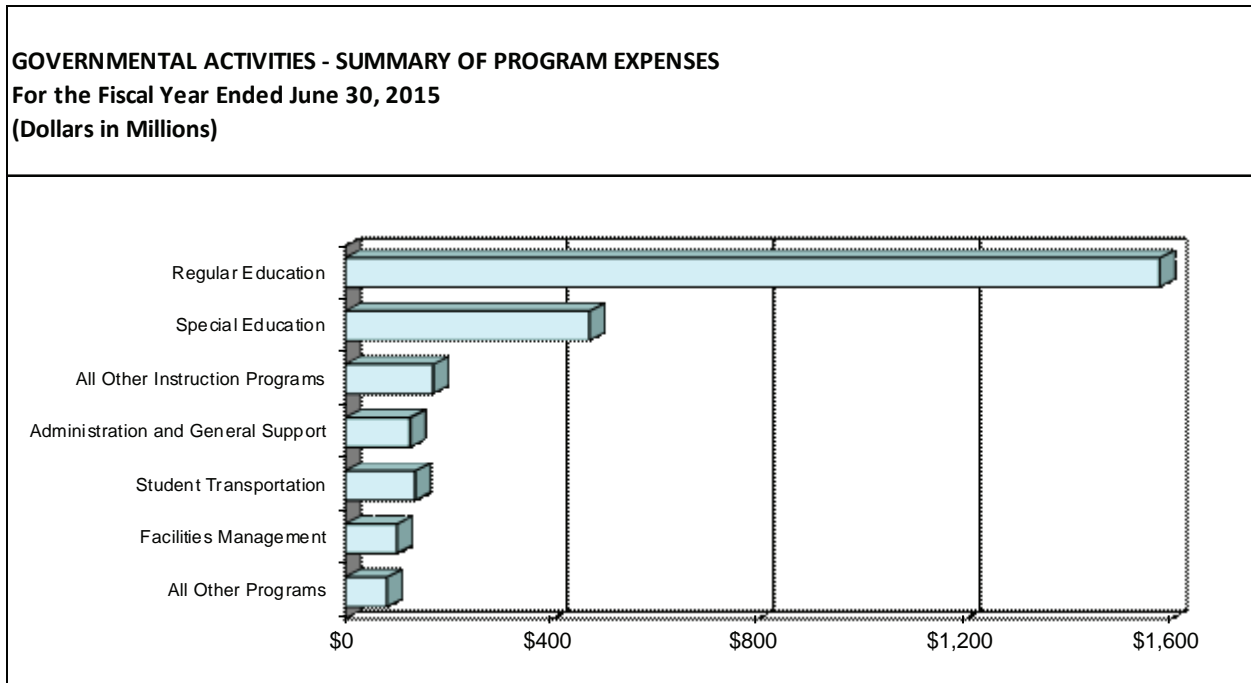
The following chart presents revenues by source for the fiscal year ended June 30, 2015:



The following items reflect the major increases and decreases in revenues during fiscal year 2015:

- \$51.5 million increase funding from the County
- \$11.1 million increase in Basic Aid
- \$9.4 million increase in state sales tax
- \$7.2 million increase in Standards of Quality fringe benefits (retirement, social security, group life)
- \$6.0 million increase in grant matching fund from the County
- \$1.4 million increase in state lottery funds
- (\$6.2) million decrease in one-time state compensation supplement
- (\$1.4) million decrease in school food services revenue

The following chart compares the total expenses of each of FCPS' programs for the fiscal year ended June 30, 2015:



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, 2015 and 2014:

<b>FUND BALANCES OF GOVERNMENTAL FUNDS</b>				
<b>As of June 30</b>				
<b>(Dollars in Millions)</b>				
	<b>2015</b>	<b>2014</b>	<b>Variance</b>	<b>Percent Variance</b>
General Fund				
Nonspendable	\$ 0.4	\$ 0.4	\$ -	- %
Committed	54.1	57.2	(3.1)	(5.4)
Assigned	90.1	97.5	(7.4)	(7.6)
Unassigned	2.1	2.1	-	-
Total General Fund	<u>146.7</u>	<u>157.2</u>	<u>(10.5)</u>	(6.7)
Capital Projects Fund				
Restricted	<u>37.6</u>	<u>75.3</u>	<u>(37.7)</u>	(50.1)
Total Capital Projects Fund	<u>37.6</u>	<u>75.3</u>	<u>(37.7)</u>	(50.1)
Nonmajor governmental funds				
Nonspendable	1.9	2.4	(0.5)	(20.8)
Restricted	<u>23.7</u>	<u>28.8</u>	<u>(5.1)</u>	(17.7)
Total nonmajor governmental	<u>25.6</u>	<u>31.2</u>	<u>(5.6)</u>	(17.9)
All governmental funds				
Nonspendable	2.3	2.8	(0.5)	(17.9)
Restricted	61.3	104.1	(42.8)	(41.1)
Committed	54.1	57.2	(3.1)	(5.4)
Assigned	90.1	97.5	(7.4)	(7.6)
Unassigned	2.1	2.1	-	-
Total governmental funds	<u>\$ 209.9</u>	<u>\$ 263.7</u>	<u>\$ (53.8)</u>	(20.4)

As of June 30, 2015, FCPS' governmental funds had a combined fund balance of \$209.9 million, compared with \$263.7 million at June 30, 2014, resulting in a decrease of (\$53.8) million. The following represents the fiscal year 2015 fund balance classification:

- \$2.2 million is nonspendable for prepaid items and inventories
- \$61.4 million is restricted for capital construction, grants, and food service
- \$54.1 million is committed by the School Board for fiscal years 2016 and 2017 operating budget requirements
- \$90.1 million is assigned for undelivered orders, fiscal year 2016 initiatives, and fiscal year 2017 operating budget requirements
- \$2.1 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 2015, general fund revenues, inclusive of other financing sources, totaled \$2,474.1 million, which represents an increase of \$79.5 million, or 3.3 percent, over the prior year. Expenditures for the General Fund, inclusive of other financing uses, increased by \$33.2 million, or 1.4 percent, over fiscal year 2014, totaling \$2,484.6 million. This resulted in a decrease in fund balance of \$10.5 million. From fiscal year 2014 to fiscal year 2015, actual student enrollment increased by 2,019. The per pupil cost increased slightly by \$47, from \$13,472 in fiscal year 2014 to \$13,519 in fiscal year 2015.

The Capital Projects Fund reported a total fund balance of \$37.6 million, a decrease of \$37.7 million, or 50.1 percent, from fiscal year 2014. Other revenues in this fund for fiscal year 2015 totaled \$3.6 million, the same as last fiscal year. Expenditures increased by \$13.5 million, or 6.5 percent from fiscal year 2014 due to the cyclical nature of construction projects and the timing of completion.

During fiscal year 2015, FCPS received \$155.0 million of bond proceeds from the County to fund capital projects. As of June 30, 2015, the unspent portion of this funding totaled \$72.7 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, 2015:

<b>GENERAL FUND BUDGET AND ACTUAL COMPARISON</b>				
<b>For the Fiscal Year Ended June 30, 2015</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	\$ 682.7	\$ 690.5	\$ 686.6	(3.9)
Total expenditures	2,468.8	2,537.1	2,432.6	(104.5)
Excess of expenditures over revenues	(1,786.1)	(1,846.6)	(1,746.0)	100.6
Total other financing sources, net of uses	1,740.2	1,735.5	1,735.5	-
Net change in fund balances	<u>\$ (45.9)</u>	<u>\$ (111.1)</u>	<u>\$ (10.5)</u>	<u>\$ 100.6</u>

During fiscal year 2015, the General Fund's final budget for revenues exceeded the original budget for revenues by \$7.8 million; final budget for expenditures were \$68.3 million, or 2.8 percent, higher than the original budget for expenditures. The budgeted total for other financing sources was less than the original budget by \$4.7 million.

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

- \$9.2 million increase in federal aid
- \$3.1 million increase in sales tax
- (\$4.5) million decrease in state aid

Final budget for expenditures increased by \$68.3 million over the original budget for expenditures due to carryover of undelivered orders, school balance carryover, and flexibility reserve funding from fiscal year 2014.

Actual revenues were less than final budget for revenues by \$3.9 million. Revenues did not meet projections as a result of \$8.3 million in unspent federal grant awards to be carried forward to fiscal year 2016 and \$1.1 million in other federal funding; \$1.6 million in reduced state funding. Revenues exceeded projections by \$3.8 million in sales tax receipts and \$3.3 million from various categories.

Actual expenditures came in under the final budget for expenditures by \$104.5 million, or 4.1 percent, primarily due to the following:

- \$56.9 million in carryover and other commitments
- \$18.9 million as a result of higher compensation turnover and vacant positions
- \$8.9 million in benefits savings (primarily health)
- \$8.3 million in unexpended multiyear federal grants
- \$2.1 million in fuel savings

## CAPITAL ASSETS AND LONG-TERM OBLIGATIONS

### CAPITAL ASSETS

As of June 30, 2015, FCPS' investment in capital assets for governmental activities totaled \$2,306.2 million, net of accumulated depreciation of \$1,698.4 million and amortization of \$4.3 million. This represents a net increase in capital assets of \$103.1 million, or 4.7 percent, over the prior year.

The following table summarizes capital assets as of June 30, 2015 and 2014:

<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>(net of depreciation)</b>	
	<b>2015</b>	<b>2014</b>
Land	\$ 46.8	\$ 46.8
Construction in progress	310.1	261.5
Equipment	92.3	89.6
Intangible Assets-Software/Licenses	8.0	1.5
Intangible Assets-Software in Development	0.3	7.6
Library collections	8.1	9.2
Buildings	678.5	702.2
Building improvements	1,122.8	1,050.7
Land improvements	39.3	34.0
<b>Total</b>	<b>\$ 2,306.2</b>	<b>\$ 2,203.1</b>

Net additions to capital assets during fiscal year 2015 include the following:

- \$72.7 million in multiyear major renovations and additions, including the conversion of a commercial office building into an elementary school
- \$11.5 million to acquire 114 school buses
- \$7.4 million to acquire new student information system
- \$6.9 million to acquire 477 copiers
- \$5.7 million to acquire other equipment and vehicles
- (\$1.1) million disposal of library collections and resource materials

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

### LONG-TERM OBLIGATIONS

As of June 30, 2015, FCPS reported total long-term obligations in the amount of \$3,153.6 million, compared to \$170.2 million at June 30, 2014. The following table summarizes FCPS' long-term obligations as of June 30, 2015 and 2014:

<b>LONG-TERM OBLIGATIONS</b>		
<b>As of June 30</b>		
<b>(Dollars in Millions)</b>		
	<u><b>2015</b></u>	<u><b>2014</b></u>
Accrued rent	\$ 0.4	\$ 0.5
Compensated absences	33.2	34.0
Capital leases	79.5	76.4
Actuarial claims payable	60.2	59.3
Net pension liabilities	<u>2,980.3</u>	<u>-</u>
Total	<u><u>\$3,153.6</u></u>	<u><u>\$170.2</u></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 primary source of revenue for FCPS comes from the County which in turn derives the majority of its revenue from real and personal property taxes. Although the County's economy continues to grow, it is underperforming the national economy. Specifically, residential real estate assessments are growing at only half the rate of last year and commercial real estate assessments are down from last year. Personal property tax revenue is projected to increase slightly in fiscal year 2016.

### FISCAL YEAR 2016 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 2016 budget challenging. Projected enrollment for fiscal year 2016 is 188,545 students across 196 schools and centers.

The fiscal year 2016 Approved Operating Expenditure Budget totals \$2.6 billion, an increase of \$53.9 million, or 2.2 percent, from the fiscal year 2015 Approved Budget. Student membership is expected to grow by 1,760 students from the 2014-2015 school year. A continued shift in special education toward greater levels of service is expected.

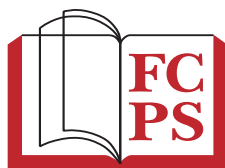
The following are highlights of the fiscal year 2016 expenditure budget:

- \$39.7 million for step increases averaging 2.5 percent for all eligible employees
- \$22.1 million, including 318.3 additional positions, to meet increased enrollment and changes in student demographics
- \$12.1 million for a 0.62 percent market sale adjustment for all employees
- \$10.4 million for full year impact of delayed step increase implemented in fiscal year 2015
- \$7.4 million for one-time expenditure to convert transportation public safety radios from analog to digital
- \$4.9 million, including 64.9 positions, for implementation of full-day Mondays at elementary schools
- \$4.9 million to implement later high school start times
- (\$27.0) million savings due to position turnover in fiscal year 2015
- (\$9.2) million savings due to health insurance rates that remain unchanged in calendar year 2015
- (\$6.0) million savings due to a decrease in the employer contribution rate for the Virginia Retirement System
- (\$5.3) million savings from reduced vehicle fuel prices and lower utilities costs from energy management programs

## CONTACTING FCPS MANAGEMENT

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

This CAFR can also be found on FCPS' website at: <http://www.fcps.edu/fs/comptroller/reports.shtml>





## BASIC FINANCIAL STATEMENTS

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





**FAIRFAX COUNTY PUBLIC SCHOOLS**  
**Statement of Net Position**  
**June 30, 2015**

**EXHIBIT A**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash on deposit with County of Fairfax, VA	\$ 310,785,976
Receivables:	
Accounts	8,455,250
Accrued interest	39,922
Due from intergovernmental units:	
Federal government	25,822,195
Commonwealth of Virginia	20,888,377
County of Fairfax, VA	169,149
Other	113,135
Inventories	1,825,116
Prepaid items	424,886
Restricted cash and investments	72,681,865
Net OPEB asset	31,151,922
Nondepreciable capital assets:	
Land	46,837,095
Construction in progress	310,065,859
Depreciable capital assets:	
Equipment	301,535,440
Library collections	31,334,836
Buildings and improvements	3,306,535,250
Accumulated depreciation	(1,698,431,600)
Intangible capital assets:	
Software and licenses	12,290,206
Software under development	378,394
Accumulated amortization	(4,325,385)
Total assets	<u>2,778,577,888</u>
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred pensions	<u>348,840,125</u>
 <b>LIABILITIES</b>	
Accounts payable	42,099,894
Accrued salaries and withholdings	42,156,980
Accrued interest payable	778,731
Unearned revenue	15,712,111
Contract retainages	15,448,085
Deposits	2,496,151
Non-current liabilities:	
Due within one year:	
Accrued rent	384,936
Compensated absences	23,209,786
Capital leases	8,123,837
Actuarial claims payable	29,078,772
Due beyond one year:	
Compensated absences	9,947,051
Capital leases	71,405,108
Net pension liability	2,980,288,442
Actuarial claims payable	31,160,088
Total liabilities	<u>3,272,289,972</u>
 <b>DEFERRED INFLOWS OF RESOURCES</b>	
Capital lease reduction	4,616,693
Deferred pensions	524,186,560
Total deferred inflows of resources	<u>528,803,253</u>
 <b>NET POSITION</b>	
Net investment in capital assets	2,226,691,150
Restricted for:	
Food and Nutrition Services	10,609,858
Grant programs	12,727,348
Capital Projects	37,627,092
Unrestricted (deficit)	(2,961,330,660)
Total net position	<u>\$ (673,675,212)</u>

See accompanying notes to the financial statements.

FAIRFAX COUNTY PUBLIC SCHOOLS  
 Statement of Activities  
 For the Fiscal Year Ended June 30, 2015

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	\$ 835,233,390	\$ 14,465,114	\$ 40,240,920	\$ -	\$ (780,527,356)
Middle school	222,466,883	7,180,033	2,514,789	-	(212,772,061)
High school	519,569,648	12,801,040	19,113,823	3,726,251	(483,928,534)
Special education	472,589,889	4,577,430	36,772,953	-	(431,239,506)
Adult and community education	8,226,686	5,780,689	1,625,925	-	(820,072)
Instructional support	162,143,134	2,587,362	48,435,005	-	(111,120,767)
Total instruction	<u>2,220,229,630</u>	<u>47,391,668</u>	<u>148,703,415</u>	<u>3,726,251</u>	<u>(2,020,408,296)</u>
Support programs:					
Administration and general support	125,688,754	4,741,264	75,730,839	-	(45,216,651)
Student transportation	135,467,449	5,793,655	-	-	(129,673,794)
Facilities management	99,773,747	5,137,203	-	167,587,037	72,950,493
Total support programs	<u>360,929,950</u>	<u>15,672,122</u>	<u>75,730,839</u>	<u>167,587,037</u>	<u>(101,939,952)</u>
Food service	<u>77,804,375</u>	<u>39,592,304</u>	<u>34,674,218</u>	<u>-</u>	<u>(3,537,853)</u>
Interest on long-term debt	<u>2,865,002</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,865,002)</u>
Total governmental activities	<u>\$ 2,661,828,957</u>	<u>\$ 102,656,094</u>	<u>\$ 259,108,472</u>	<u>\$ 171,313,288</u>	<u>(2,128,751,103)</u>
<b>General revenues:</b>					
Grants and contributions not restricted to specific purposes:					
Federal government					4,634,879
Commonwealth of Virginia					448,296,942
County of Fairfax, VA					1,768,498,393
Revenue from the use of money					20,870
Other					1,688,236
Total general revenues					<u>2,223,139,320</u>
Change in net position					
					94,388,217
Net position - July 1, 2014					
					2,430,735,837
Prior period adjustment					
					(3,198,799,266)
Net position - July 1, 2014, as restated					
					(768,063,429)
Net position - June 30, 2015					
					<u>\$ (673,675,212)</u>

See accompanying notes to the financial statements.

**FAIRFAX COUNTY PUBLIC SCHOOLS**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2015**

**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	\$ 175,000,860	\$ 12,142	\$ 11,633,441	\$ 186,646,443
Receivables:				
Accounts	177,728	-	66,700	244,428
Accrued interest	14	-	18,401	18,415
Due from intergovernmental units:				
Federal government	12,815,766	238,554	12,767,875	25,822,195
Commonwealth of Virginia	15,261,816	-	5,626,561	20,888,377
County of Fairfax, VA	91,000	-	78,149	169,149
Other	113,135	-	-	113,135
Inventories	-	-	1,825,116	1,825,116
Prepaid items	395,637	-	27,061	422,698
Interfund receivables	37,700	-	-	37,700
Restricted cash and investments	-	72,681,865	-	72,681,865
Total assets	<u>\$ 203,893,656</u>	<u>\$ 72,932,561</u>	<u>\$ 32,043,304</u>	<u>\$ 308,869,521</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 15,726,910	\$ 17,346,491	\$ 306,605	\$ 33,380,006
Accrued salaries and withholdings	40,888,822	14,742	1,253,416	42,156,980
Contract retainages	-	15,448,085	-	15,448,085
Deposits	-	2,496,151	-	2,496,151
Unearned revenue	581,967	-	4,896,221	5,478,188
Total liabilities	<u>57,197,699</u>	<u>35,305,469</u>	<u>6,456,242</u>	<u>98,959,410</u>
Fund balances:				
Nonspendable	395,637	-	1,852,177	2,247,814
Restricted	-	37,627,092	23,734,885	61,361,977
Committed	54,083,980	-	-	54,083,980
Assigned	90,075,518	-	-	90,075,518
Unassigned	2,140,822	-	-	2,140,822
Total fund balances	<u>146,695,957</u>	<u>37,627,092</u>	<u>25,587,062</u>	<u>209,910,111</u>
Total liabilities and fund balances	<u>\$ 203,893,656</u>	<u>\$ 72,932,561</u>	<u>\$ 32,043,304</u>	<u>\$ 308,869,521</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, 2015**

**EXHIBIT C-1**

Fund balances - total governmental funds		\$ 209,910,111
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	\$ 356,902,954	
Depreciable capital assets	3,639,365,497	
Accumulated depreciation	<u>(1,698,391,571)</u>	
Total		2,297,876,880
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.		
		31,151,922
Intangible assets used in governmental fund activities are not financial resources and, therefore, are not reported in the funds.		
Software and licenses	\$ 12,290,206	
Software under development	378,394	
Accumulated amortization	<u>(4,325,385)</u>	
Total		8,343,215
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	\$ 132,336,350	
Capital assets	40,029	
Accumulated depreciation	(40,029)	
Liabilities	<u>(79,413,356)</u>	
Total		52,922,994
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	\$ (778,731)	
Accrued rent	(384,936)	
Compensated absences	(32,936,152)	
Capital leases	<u>(79,528,945)</u>	
Total		(113,628,764)
Revisions of capital lease agreements resulting in a reduction of capital lease obligation are reported as deferred inflows in the statement of net position, but they are not financial resources and therefore are not reported in the funds.		
		(4,616,693)
The implementation of GASB statement 68, resulted in the reporting of net pension liability deferred outflows of resources and deferred inflows of resources in the statement of net position, however, they are not financial resources, therefore are not reported in the funds.		
Deferred outflows of resources	\$ 348,840,125	
Net pension liabilities	(2,980,288,442)	
Deferred inflows of resources	<u>(524,186,560)</u>	
Total		(3,155,634,877)
Net position of governmental activities		<u>\$ (673,675,212)</u>

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, 2015

	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Intergovernmental:				
Federal government	\$ 41,802,896	\$ 889,518	\$ 64,228,617	\$ 106,921,031
Commonwealth of Virginia	580,500,452	-	12,521,905	593,022,357
County of Fairfax, VA	1,769,098,393	167,441,692	2,607,314	1,939,147,399
Charges for services:				
Tuition and fees	8,829,539	-	8,228,697	17,058,236
Food sales	-	-	39,592,303	39,592,303
Revenue from the use of money and property	3,599,050	-	30,685	3,629,735
Recovered costs	42,426,048	-	-	42,426,048
Other	9,454,799	3,578,514	1,386,751	14,420,064
Total revenues	<u>2,455,711,177</u>	<u>171,909,724</u>	<u>128,596,272</u>	<u>2,756,217,173</u>
<b>EXPENDITURES</b>				
Current:				
Instruction:				
Regular education:				
Elementary school	777,415,076	-	32,924,197	810,339,273
Middle school	214,129,208	-	1,704,710	215,833,918
High school	497,849,673	-	6,228,737	504,078,410
Special education	452,766,121	-	5,733,254	458,499,375
Adult and community education	156,106	-	7,825,296	7,981,402
Instructional support	139,489,473	-	17,819,280	157,308,753
Support programs:				
Administration and general support	122,033,373	-	547,376	122,580,749
Student transportation	128,007,663	-	3,420,752	131,428,415
Facilities management	75,892,304	21,062,072	-	96,954,376
Food service	-	-	75,526,376	75,526,376
Capital outlay	28,415,604	200,964,985	471,403	229,851,992
Debt service:				
Principal	15,226,771	-	10,716	15,237,487
Interest	2,750,468	-	888	2,751,356
Total expenditures	<u>2,454,131,840</u>	<u>222,027,057</u>	<u>152,212,985</u>	<u>2,828,371,882</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,579,337</u>	<u>(50,117,333)</u>	<u>(23,616,713)</u>	<u>(72,154,709)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	12,469,898	18,020,974	30,490,872
Transfers out	(30,490,872)	-	-	(30,490,872)
Capital leases	18,339,546	-	-	18,339,546
Total other financing sources (uses)	<u>(12,151,326)</u>	<u>12,469,898</u>	<u>18,020,974</u>	<u>18,339,546</u>
Net change in fund balances	(10,571,989)	(37,647,435)	(5,595,739)	(53,815,163)
Fund balances - July 1, 2014	157,267,946	75,274,527	31,139,738	263,682,211
Increase in reserve for inventories	-	-	43,063	43,063
Fund balances - June 30, 2015	<u>\$ 146,695,957</u>	<u>\$ 37,627,092</u>	<u>\$ 25,587,062</u>	<u>\$ 209,910,111</u>

See accompanying notes to the financial statements.

**FAIRFAX COUNTY PUBLIC SCHOOLS**

**EXHIBIT D-1**

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances  
to the Statement of Activities**

**Governmental Funds**

**For the Fiscal Year Ended June 30, 2015**

Net change in fund balances - total governmental funds \$ (53,815,163)

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	\$ 229,851,992	
Depreciation expense	<u>(128,823,805)</u>	
Total		101,028,187

Donations of capital assets increase net position in the statement of activities, but do not appear in the governmental funds because they are not financial resources. 2,134,157

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. (322,840)

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. 15,237,487

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. (18,339,546)

In the government-wide statements, rent abatement charges impact accrued rent. In the governmental funds, this is not considered a current year expenditure. 160,212

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. 43,063

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. 835,183

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. (5,260,389)

Interest on capital leases is reported as expenditures in the governmental funds when it is due. However, in the statement of activities, interest is expensed as it accrues. This amount represents the net change in accrued interest on long-term debt. (113,646)

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 do not result in an expense in the statement of activities. 8,977,999

Capital lease obligation is reported as expenditure in governmental funds when they are due. In the government-wide statements, the effects of deferred inflows relating to capital lease obligation reductions is amortized over the life of each lease and expensed. 659,124

Contributions for pension benefits are reported as expenditure in governmental funds when they are due. In the government-wide statements, the effects of net pensions liability, deferred outflows of resources, and deferred inflows of resources relating to new pension accounting standards are expensed. 43,164,389

Change in net position of governmental activities \$ 94,388,217

See accompanying notes to the financial statements.



**FAIRFAX COUNTY PUBLIC SCHOOLS**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2015**

**EXHIBIT E**

	<u>Governmental Activities - Internal Service Funds</u>
<b>ASSETS</b>	
Current assets:	
Cash on deposit with County of Fairfax, VA	\$ 124,139,533
Receivables:	
Accounts	8,173,122
Accrued interest	21,507
Prepaid items	2,188
Total current assets	<u>132,336,350</u>
Noncurrent assets:	
Capital assets:	
Equipment	40,029
Accumulated depreciation	<u>(40,029)</u>
Total noncurrent assets	-
Total assets	<u>132,336,350</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Total deferred outflows of resources	<u>-</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	8,719,888
Unearned revenue	10,233,923
Compensated absences	154,480
Actuarial claims payable	29,078,772
Total current liabilities	<u>48,187,063</u>
Noncurrent liabilities:	
Compensated absences	66,205
Actuarial claims payable	<u>31,160,088</u>
Total noncurrent liabilities	<u>31,226,293</u>
Total liabilities	<u>79,413,356</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Total deferred inflows of resources	<u>-</u>
<b>NET POSITION</b>	
Invested in capital assets	-
Unrestricted	<u>52,922,994</u>
Total net position	<u>\$ 52,922,994</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, 2015

	Governmental Activities - Internal Service Funds
<b>OPERATING REVENUES</b>	
Charges for services	\$ 365,458,765
<b>OPERATING EXPENSES</b>	
Salaries and wages	3,378,976
Claims and benefits	355,103,208
Professional consultant services	11,973,095
Other operating expenses	329,400
Depreciation	993
Total operating expenses	<u>370,785,672</u>
Operating loss	(5,326,907)
<b>NONOPERATING REVENUES</b>	
Interest revenue	<u>66,518</u>
Change in net position	(5,260,389)
Total net position - July 1, 2014	58,183,383
Total net position - June 30, 2015	<u>\$ 52,922,994</u>

See accompanying notes to the financial statements.

FAIRFAX COUNTY PUBLIC SCHOOLS

EXHIBIT G

Statement of Cash Flows

Proprietary Funds

For the Fiscal Year Ended June 30, 2015

	<b>Governmental Activities - Internal Service Funds</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from interfund services provided	\$ 363,217,507
Payments to employees	(3,378,976)
Payments for claims and health benefits	(354,152,471)
Payments for professional services	(12,249,980)
Payments for other operating expenses	(329,400)
Net cash provided (used) by operating activities	<u>(6,893,320)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest received	123,546
Net cash provided by investing activities	<u>123,546</u>
Net (decrease) increase in cash and cash equivalents	(6,769,774)
Cash and cash equivalents - July 1, 2014	130,909,307
<b>Cash and cash equivalents - June 30, 2015</b>	<u>\$ 124,139,533</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>	
Operating income (loss)	\$ (5,326,907)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation expense	993
(Increase) in accounts receivable	(2,340,350)
(Increase) in prepaid items	(1,898)
(Decrease) in accounts payable	(274,987)
Increase in unearned revenue	99,092
Increase in compensated absences	41,430
Increase in actuarial claims payable	909,307
Total adjustments to operating income	<u>(1,566,413)</u>
Net cash provided (used) by operating activities	<u>\$ (6,893,320)</u>

See accompanying notes to the financial statements.

**FAIRFAX COUNTY PUBLIC SCHOOLS**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**June 30, 2015**

**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	\$ 1,494,642	\$ -
Cash with fiscal agent	938,015	20,262,454
Cash collateral for securities on loan	160,546,422	-
Short-term investments	17,655,629	-
Receivables:		
Accounts	-	531,507
Accrued interest	2,629,598	-
Securities sold	11,838,319	-
Investments, at fair value:		
U.S. government obligations	22,560,732	-
Mortgage-backed securities	103,791,491	-
Stocks	698,211,693	-
Real estate	169,974,902	-
Global asset allocation	218,806,384	-
Better beta derivatives	111,714,562	-
Hedge funds	184,428,812	-
Private equity limited partnership	47,414,464	-
Mutual funds	697,405,332	-
Inventories	-	429,036
Prepaid items	10,000	-
Capital assets:		
Equipment	153,637	-
Accumulated depreciation	(113,701)	-
Total assets	<u>2,449,460,933</u>	<u>\$ 21,222,997</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Total deferred outflows of resources	<u>-</u>	
<b>LIABILITIES</b>		
Accounts payable	1,913,934	556,464
Interfund payables	37,700	-
Payable for purchase of investments	11,339,057	-
Liability for collateral received under securities lending agreements	160,546,422	-
Due to student groups	-	20,666,533
Total liabilities	<u>173,837,113</u>	<u>\$ 21,222,997</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>\$ 2,275,623,820</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, 2015**

**EXHIBIT I**

	<b>Pension and Other Post-Employment Benefit Trust Funds</b>
<b>ADDITIONS</b>	
Contributions:	
Employer	\$ 100,421,396
Plan members	39,982,963
Total contributions	140,404,359
Investment earnings:	
From investing activities:	
Net appreciation in fair value of investments	2,142,952
Interest and dividends	37,472,620
Real estate income	7,548,133
Other	5,017
Gain from investing activities	47,168,722
Less Investment expenses:	
Investment management fees	12,634,130
Investment consulting fees	438,166
Investment custodial fees	196,739
Investment salaries	220,628
Total investment expenses	13,489,663
Net gain from investing activities	33,679,059
From securities lending activities:	
Securities lending income	439,036
Securities lending borrower rebates	130,392
Securities lending management fees	(142,154)
Net income from securities lending activities	427,274
Net investment income	34,106,333
Total additions	174,510,692
<b>DEDUCTIONS</b>	
Benefit payments	178,242,265
Refund of contributions	5,697,311
Administrative expenses	3,751,825
Total deductions	187,691,401
Change in net position	(13,180,709)
Net position - July 1, 2014	2,288,804,529
Net position - June 30, 2015	\$ 2,275,623,820

See accompanying notes to the financial statements.

# Notes to the Financial Statements

Fairfax County Public Schools June 30, 2015

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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 is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

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

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

FCPS' primary government includes all of its departments, boards, and associated agencies that are not legally separate. In accordance with standards established by 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.

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

### B. BASIS OF FINANCIAL STATEMENT PRESENTATION AND FUND ACCOUNTING

FCPS' financial statements are prepared in conformity with generally accepted accounting principles 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. Activities of the internal service funds are eliminated to avoid duplicate reporting of revenues and expenses, however, interfund services provided and used are not eliminated in the process of consolidation. In accordance with 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, 2015. 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, 2015, most programs were heavily dependent on general revenues. Facilities management was the only program where the revenue sources exceeded program expenses.

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

## 2. FUND FINANCIAL STATEMENTS

FCPS classifies funds as governmental, proprietary, and fiduciary. Separate financial statements are produced for each classification. Major governmental funds are reported in separate columns in the governmental 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. The Central Procurement Fund, an internal service fund, was closed and all remaining activities were transferred to the General Fund in fiscal year 2015.



- Capital Projects Fund—the fund used to track financial transactions involved with acquisition, construction, or renovation of school sites, buildings, and other major capital improvements.

FCPS reports the following nonmajor governmental fund type:

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

FCPS reports the following additional fund types:

- Internal Service Funds— these are proprietary funds which account for the financial transactions associated with the provision of goods and services by one department in FCPS to another on a cost reimbursement basis. The Health Benefits Fund presents the results of transactions associated with the comprehensive health benefits self-insurance program. The Insurance Fund reports activities connected with FCPS’ casualty liability obligations, including workers’ compensation.
- Pension and Other 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 pensions, compensated absences, capital lease commitments, and actuarial claims payable).

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

### 2. FUND FINANCIAL STATEMENTS

Governmental funds are accounted for using a current financial resources measurement focus and the modified accrual basis of accounting. Only current assets and current liabilities are included in the balance sheet. Revenue is recorded when susceptible to accrual, that is, when measurable and available for funding of current appropriations. 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 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.

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

#### D. 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 represents the majority of FCPS' available cash. Placing these funds in an investment pool administered by the County enhances investment returns. At June 30, 2015, all of the County's deposits were covered by the Federal Deposit Insurance Corporation (FDIC) or collateralized in accordance with the Virginia Security for Public Deposits Act (Act). The Act establishes a single body of law applicable to the pledge of security as collateral for public funds on deposit in banking institutions. This ensures that the procedure for securing public deposits is uniform throughout the State. Under the Act, banks holding public deposits must pledge certain levels of collateral and make monthly filings with the State Treasury Board.

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

Cash and cash equivalents in the statement of cash flows and the statement of fiduciary net position represent amounts in the investment pool administered by the County, as such they are considered to be demand deposits for the purpose of complying with GASB Statement No. 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, 2015
- Available cash in the Local School Activity Fund accounts, all of which are fully insured through the FDIC or are fully collateralized in accordance with the Act.

## F. INVESTMENTS

Cash on deposit with the County is maintained in an investment pool administered by the County. Money market investments that have a remaining maturity of one year or less at the time of purchase are reported at amortized cost, which approximates fair value. Other investments are reported at fair value 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 Food and Nutrition Services Fund are valued at cost. The consumption method of accounting for inventory is used in the government-wide statements. Under this method, inventory items are comprised of expendable supplies and are expensed as they are consumed. The purchase method of accounting for inventory is used in the governmental funds. Under this method, inventory items are expensed when purchased. 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, construction in progress, equipment, library collections, buildings, improvements, and intangible assets. An asset must have a useful life of more than a year to be capitalized. Equipment, buildings, and improvements with a value of \$5,000 or more are capitalized. Land, construction in progress, software in development, and library collections are generally capitalized regardless of value. The costs of routine maintenance and repairs that do not add to asset values or materially extend asset lives are not capitalized.

Capital assets are recorded at acquisition cost, or at estimated historical cost, if acquisition cost is not available. Donated assets are recorded at their 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:

<b>Capital Assets</b>	<b>Useful Lives (Years)</b>
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 are valued at historic cost. No indirect costs are incorporated into the valuations for internally generated software. The cost threshold for individual asset recognition is \$100,000. 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) is expensed. Software in the application development stage (Stage 2) amounted to \$378,394 at June 30, 2015. 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. PENSIONS

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

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

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

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

## L. DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

Pursuant to GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position," and GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities," FCPS recognizes deferred outflows and inflows of resources.

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

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

#### M. NET POSITION

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

- Net investment in capital assets which represents the portion of capital-related assets, net of accumulated depreciation, reduced by the outstanding capital lease obligations to acquire these assets
- Restricted, which represents the amount of net position that is externally restricted for food and nutrition services, grant programs, and capital projects
- Unrestricted, 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 is 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.

#### N. RECOVERED COSTS

Reimbursements from the City of Fairfax, Virginia (City) for operating City owned schools and providing educational services to City students are recorded as recovered costs in the governmental fund financial statements. During fiscal year 2015, reimbursements totaled \$42,426,048 for educational services.

#### O. USE OF ESTIMATES

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

#### P. TAX STATUS

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

#### Q. RESTRICTED ASSETS

Restricted assets are liquid assets that have third-party limitations on their use. FCPS reports restricted cash and investments in the Capital Projects Fund, which represents unspent amounts from the County's issuance of general obligation bonds. The County issues general obligation debt to finance the construction of school facilities on behalf of FCPS because the Code precludes school divisions issuing debt or levying taxes. When both restricted and unrestricted resources are available for use, FCPS' policy is to use restricted resources first, and then unrestricted resources, as they are needed. As of June 30, 2015, restricted cash and investments reported in the Capital Projects Fund totaled \$72,681,865.

## R. IMPLEMENTATION OF NEW ACCOUNTING PRONOUNCEMENTS

In fiscal year 2015, FCPS implemented the new pronouncements GASB Statement No. 68, “Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27,” and GASB Statement No. 71, “Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68”. Statement No. 68 establishes the standards for accounting and financial reporting regarding employee pension plans, including the recognition and measurement of liabilities, deferred inflows and outflows, expenses and expenditures. Statement No. 71 specifies the treatment of contributions made subsequent to the liability measurement date in the year of implementation. As a result of the change in accounting requirements, a prior period adjustment was required. The fiscal year 2014 restated balances are presented in the report. The details of the restatement are as follows:

	<u>Statement of Net Position (As Previously Reported)</u>	<u>Establishing Net Pension Liability</u>	<u>Restated Balances</u>
Net Position, July 1, 2014	\$ 2,430,735,837	\$ -	\$ 2,430,735,837
Deferred Outflows related to pensions	-	265,689,834	265,689,834
Net Pension Liability	-	(3,464,489,100)	(3,464,489,100)
Net Position, July 1, 2014, as restated	\$ 2,430,735,837	\$ (3,198,799,266)	\$ (768,063,429)

The following table provides a breakdown of the adjustments to the net position by each defined benefit plan:

	EFRC	FCERS	VRS	Total
Deferred Outflows of Resources for Employer Contributions Made in FY 2014	74,174,082	36,561,752	154,954,000	265,689,834
Net Pension Liability as of July 1, 2014	(658,505,887)	(355,103,213)	(2,450,880,000)	(3,464,489,100)
Adjustment to Net Position as of July 1, 2014	(584,331,805)	(318,541,461)	(2,295,926,000)	(3,198,799,266)

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

The following reconciliations accompany the governmental fund statements:

- Reconciliation of the Balance Sheet to the Statement of Net Position – this reconciliation explains the differences between total fund balances as reflected on the governmental funds balance sheet and net position for governmental activities as shown on the government-wide statement of net position.
- Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities – this reconciliation explains the differences between the total net change in fund balances as reflected on the governmental funds statement of revenues, expenditures, and changes in fund balances and the change in net position for governmental activities as shown on the government-wide statement of activities.

The reconciling differences are a result of the governmental funds using the current financial resources measurement focus and the modified accrual basis of accounting, while the government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting.



### III. DETAILED NOTES TO ALL FUNDS

#### A. NONFIDUCIARY DEPOSITS AND INVESTMENTS

##### 1. DEPOSIT AND INVESTMENT POLICIES

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

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

Oversight of investment activity is the responsibility of the County's Investment Committee, which is comprised of the County's chief financial officer and certain key County management and investment staff.

The County's policy calls for pooling, for investment purposes, all funds available to it and its component units that are not otherwise required to be kept separate. The County's investment policy, therefore, applies to the activities of the County's reporting entity, including FCPS, for both pooled and separate funds.

The Code authorizes the purchase of the following types of investments:

- Commercial paper
- US Treasury and agency securities
- US Treasury strips
- Certificates of deposit and bank notes
- Insured Deposits
- Demand Deposit Accounts
- Money market funds
- Bankers acceptances
- Repurchase agreements
- Medium term corporate notes
- Local government investment pool
- Asset-backed securities
- Hedged debt obligations of sovereign governments
- Securities lending programs
- Obligations of the Asian Development Bank
- 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 institution within the State that complies with the Code

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

## 2. INTEREST RATE RISK

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

As of June 30, 2015, the pooled investments allocated to the County’s component units, of which FCPS is designated a majority share, is presented below:

Investment Type	Fair Value	Weighted Average Maturity (Days)
Agency Notes	\$ 68,400,332	575
Commercial Paper	66,263,018	226
Corporate Notes	38,733,013	186
Money Market Funds	20,156,067	1
Negotiable Certificates of Deposit	197,298,331	77
VA Investment Pool	<u>10,578,910</u>	14
Total fair value	<u>\$ 401,429,672</u>	
Portfolio weighted average maturity		191

## 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 diversifies its pooled investment portfolio so that potential losses on individual securities will be minimized. Also, new investments are not placed in securities that have been assigned a negative short term rating by Moody’s Investors Service, Inc. (Moody’s) Watchlist or Standard and Poor’s, Inc. (S&P) Credit Watch. County policy specifies the following acceptable credit ratings for specific types of investments in the pooled portfolio:

- US government sponsored enterprise instruments shall be rated by both Moody’s and S&P with a minimum rating of Prime 1 and A-1, respectively.
- Prime quality commercial paper shall be rated by at least two of the following: Moody’s, with a rating of P-1; S&P, A-1; Fitch Investor’s Services, Inc. (Fitch), F-1; or Duff and Phelps, Inc., D-1.
- Mutual funds must have a rating of AAA or better by S&P, Moody’s, or another nationally recognized rating agency.

- Bank deposit notes must have a rating of at least A-1 by S&P and P-1 by Moody's.
- Banker's acceptances shall be rated by at least two of the following: Moody's, with a rating of P-1; S&P, A-1; Fitch, F-1; or by Duff and Phelps, Inc., D-1.
- Corporate notes must have a rating of at least Aa by Moody's and a rating of at least AA by S&P.

As of June 30, 2015, the County had investments in the following issuers with credit quality ratings as a percent of total investments in debt securities:

Credit Quality Rating *									
AA		A-1		AAA-m		Aaf/S1		Unrated	
U.S. Treasury and Agencies**	15.0%	Commercial paper	14.5%	Money Market Funds	4.4%	Virginia Investment Pool	2.3%	Demand Deposit Accounts	7.1%
Corporate Notes	8.6%	Negotiable CD	43.2%	-	-	-	-	Insured CD	1.4%
-	-	-	-	-	-	-	-	Collateralized CDs	3.5%
	23.6%		57.7%		4.4%		2.3%		12.0%

\* Credit quality ratings are determined using S&P's short term and long-term ratings, which approximates the greatest degree of risk as of June 30, 2015.  
 \*\* U.S.Treasury and Agencies AA+

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:

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

In addition, not more than five percent of the total pooled funds available for investment at the time of purchase may be invested in any one issuing or guaranteeing corporation for commercial paper, 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 may not recover its deposits. In accordance with the Act, all of the County's deposits are covered by the FDIC or collateralized in accordance with the Act, which provides for the pooling of collateral pledged by financial institutions with the Treasurer of Virginia to secure public deposits as a class. No specific collateral can be identified as security for one public depositor, and public depositors are prohibited from holding collateral in their names as security for deposits. If any member financial institution fails, the entire collateral pool becomes available to satisfy the claims of governmental entities. If the value of the pool's collateral is inadequate to cover a loss, additional amounts are

assessed on a pro rata basis to the members of the pool. The State Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying local governments of compliance by participating financial institutions. A multiple financial institution collateral pool that provides for additional assessments is similar to depository insurance, so funds deposited in accordance with the requirements of the Act are considered to be fully insured.

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

## B. FIDUCIARY INVESTMENTS

### 1. ERFC

#### Deposit and Investment Policies

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

#### Investment Policy

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

#### Rate of Return

For the year ended June 30, 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 1.49 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

#### Derivative Financial Instruments

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

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

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

During the fiscal year, ERFC invested in collateralized mortgage obligation (CMO) derivatives. These derivatives are securities created using the underlying cash flows from mortgage-backed securities as collateral. As of June 30, 2015, the fair value of the CMOs was \$512,304, which is included in the mortgage-backed securities classification on the fiduciary fund statements. The change in fair value during the fiscal year is reported in the net appreciation in fair value of investments.

In addition, ERFC had indirect investments in derivatives through its ownership interest in the Better Beta fund, one Private Equity manager, two of the Real Estate managers, three of the fixed income managers, and one of the Global Asset Allocation managers. These portfolios are commingled funds in which ERFC has a percentage ownership. Derivatives in these portfolios consisted of interest rate swaps and caps, which reduce the effect of interest rate fluctuations by converting floating rate financing into fixed rate loans for real estate investments. Futures, because they are more liquid than over the counter derivatives, have among the lowest transaction costs available, carry minimal counterparty risk and are de facto currency hedged. Non Deliverable Forward's (NDF's) obtain exposure to a currency and its interest rate where the actual purchase of onshore debt is difficult. The interest rate exposure comes through the difference between the spot foreign exchange rate and the forward foreign exchange rate, and through investing the US dollar cash used as collateral in short dated US bonds. Forward commodity contracts hedge changes in cash flows due to market price fluctuations related to the expected purchase of a commodity. Currency forwards are used for hedging non-USD denominated physical instruments back to the base currency. Options are contracts that give the buyer the right, but not the obligation, to buy or sell an underlying asset at a specific price on or before a certain date. Similarly, Swap Options are contracts that give the buyer the right, but not the obligation, to enter into an underlying swap. Credit Default Swaps (CDS) are contracts that offer guarantees against the nonpayment of loans. At June 30, 2015, exposure to interest rate swaps was (\$2,618,836), exposure to interest rate caps was \$1,252,599, exposure to futures contracts was \$2,952,108, exposure to NDFs was (\$6,532,743), exposure to forward commodity contracts was (\$199,397), exposure to currency forward contracts was (\$36,210,288), exposure to options was \$737,331, exposure to swap options was \$40,981, and exposure to CDSs was (\$52,891).

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, US Treasury or government agency securities, letters of credit issued by approved banks, and other securities of a quality specified in the securities lending agreement. Collateral must be provided in the amount of 102 percent of the market value for domestic securities and 105 percent for international securities. ERFC did not impose any restrictions during the period on the number of loans the custodian made on its behalf. The custodian provides for full indemnification to ERFC for any losses that might occur in the program due to the failure of a broker/dealer to return the borrowed security or a failure to pay ERFC for income of the securities while on loan. The fair value of collateral is monitored daily by the custodian.

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

Cash received as collateral for securities on loan is shown on the statement of fiduciary net position. On June 30, 2015, cash received as collateral and the related liability was \$160,546,422. As of June 30, 2015 the fair value of securities on loan for cash collateral was \$155,675,291. Securities received as collateral are not reported as assets and liabilities since ERFC does not have the ability to pledge or sell the collateral securities absent borrower default.

On June 30, 2015, the array of securities ERFC had on loan for cash and non-cash collateral took this form:

<b>Securities Lent</b>	<b>Cash Market Value</b>	<b>Cash Collateral</b>
Lent for cash and non-cash collateral:		
International bonds	\$ 463,013	\$ 517,398
Domestic corporate bonds	22,808,681	23,378,960
International stock	7,580,018	8,676,982
Domestic stock	124,424,783	127,565,905
Government	398,796	407,177
Total	<u>\$ 155,675,291</u>	<u>\$ 160,546,422</u>

#### Interest Rate Risk

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

As of June 30, 2015, ERFC had the following fixed income investments, none of which are highly sensitive to changes in interest rates:

<b>Investment Type</b>	<b>Amount</b>	<b>Modified Duration (Years)</b>
U.S. treasuries	\$ 102,759,104	5.67
Agencies	9,062,097	5.34
Credit	72,321,391	6.70
Corporate bonds	140,429,621	7.78
Mortgages	83,770,913	4.02
Asset-backed securities/CMBS	44,175,155	5.99
Emerging market	46,339,029	4.74
Foreign bonds	29,030,769	5.04
Convertible and preferred	26,728,867	5.76
Bank loans	6,211,341	0.26
Floating rate notes	8,043,207	0.26
Inflation linked bond	2,327,148	0.42
Cash and cash equivalents	16,954,446	(1.39)
Other	10,215,398	0.01
Total	<u>\$ 598,368,486</u>	
Weighted duration in years		5.52

#### Credit Risk

ERFC's policy on credit quality states that the average credit quality of the portfolio must be at least A. Up to 20 percent of the portfolio may be invested in below investment grade (that is, Moody's Baa or Standard & Poor's BBB ratings). If a security has a split rating, the lower rating will be considered in meeting the minimum quality standard. One of ERFC's fixed income managers may invest up to 35 percent in below investment grade securities. For this manager, if a security has a split rating, the higher rating shall be considered.

The percentage mix of credit quality ratings in ERFC's portfolio as of June 30, 2015, is portrayed below:

Investment Type	Credit Quality Rating							Non-Rated
	AAA	AA	A	BBB	BB	B	Below B	
Mortgage-backed securities	1.8 %	13.6 %	0.8 %	0.6 %	0.3 %	0.2 %	0.2 %	1.7 %
Convertible securities	0.1	0.3	0.9	1.1	1.1	0.7	-	-
Fixed income securities- uncategorized	1.9	0.8	0.3	1.6	0.9	0.6	0.3	0.2
Preferred securities	-	-	-	-	-	-	-	0.2
Domestic bonds	3.9	3.0	6.9	9.6	5.4	2.9	1.0	0.2
International bonds	2.0	0.6	4.2	6.8	1.3	0.6	-	0.4
U.S. government obligations	3.8	13.4	-	-	-	-	-	-
Bank loans	-	-	-	0.1	0.5	0.4	-	-
Cash and cash equivalents	0.7	-	-	-	-	-	-	2.2

#### Concentration of Credit Risk

ERFC's policy limits the securities of any one issue to 10% at cost and 15% at market of each fixed income portfolio. The policy allows an exception for government securities and its agencies. As of June 30, 2015, ERFC had four active fixed income managers and one passive fixed income manager. The active manager portfolios had values of \$201.0 million, \$83.4 million, \$174.7 million and \$53.5 million. The indexed portfolio had a value of \$85.7 million. The market value of the largest issue other than the US Government in the portfolios of the active managers was only 8.62 percent of that portfolio. Since the passive manager's portfolio is an indexed 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. However, ERFC's investments and deposits are not exposed to custodial credit risk since they are held by the agent in ERFC's name. Other investments such as mutual funds, a short-term investment pool and a cash collateral investment pool which invests cash collateral for securities on loan, are not exposed to custodial risk due to their non-physical form. As such, ERFC does not have a custodial credit risk policy.

The mix of investments held by the custodian on June 30, 2015, was as follows:

Investment Type	Market Value
U.S. government obligations	\$ 22,560,732
Bond and mortgage securities	103,791,491
Stocks	656,501,978
Real estate	169,974,902
Global asset allocation	218,806,384
Better beta	111,714,562
Hedge fund of funds	174,171,320
Private equity	47,414,464
Commingled fixed income funds	464,211,454
Commingled equity funds	190,918,853
Sub-total investments	2,160,066,140
Cash collateral for securities on loan	160,546,422
Total	\$ 2,320,612,562

## Foreign Currency Risk

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

The following chart provides a summary of ERFC's foreign currency risk as of June 30, 2015:

Currency	Cash and Cash Equivalents	Equity	Fixed Income Securities	Preferred Securities	Total U.S. Dollars
Australian dollar	\$ (20,188)	\$ 11,861,744	\$ 4,211,363	\$ -	\$ 16,052,919
Brazil real	(518,491)	2,209,472	16,866,257	100,245	18,657,483
British pound	59,720	-	-	-	59,720
Bulgarian lev	(39,890)	-	-	-	(39,890)
Canadian dollar	809,409	17,874,914	4,893,220	-	23,577,543
Chilean peso	(17,754)	-	126,530	-	108,776
Chinese yuan renminbi	(9,493)	-	-	-	(9,493)
Columbian peso	46,593	-	3,257,211	-	3,303,804
Czech koruna	107	-	92,392	-	92,499
Danish krone	1,235	1,956,173	14,059	-	1,971,467
Euro currency unit	1,581,127	68,816,220	7,802,281	2,634,089	80,833,717
German mark	-	-	45,264	-	45,264
Hong Kong dollar	99,166	13,460,034	561,211	6,904	14,127,315
Hungarian forint	909,070	-	-	-	909,070
Indian rupee	50,986	-	-	-	50,986
Indonesian rupiah	11,362	2,422	3,817,680	-	3,831,464
Israeli shekel	9	-	-	-	9
Japanese yen	462,984	50,468,556	807,728	-	51,739,268
Korean won	(16,831)	-	124,806	-	107,975
Malaysian ringgit	52,733	666,925	3,172,908	-	3,892,566
Mexican nuevo peso	474,209	1,260,751	13,089,625	-	14,824,585
New Taiwan dollar	80,380	5,529,640	-	-	5,610,020
New Turkish lira	-	224,055	3,228,669	-	3,452,724
New Zealand dollar	278,907	601,292	6,729,503	-	7,609,702
Norwegian krone	(515,887)	1,579,900	2,041,037	-	3,105,050
Peruvian nuevo sol	14,355	-	2,663,327	-	2,677,682
Philippines peso	114,681	23,700	-	-	138,381
Polish zloty	(1,100,260)	1,288,299	3,650,880	-	3,838,919
Pound sterling	81,153	39,168,238	3,603,442	-	42,852,833
Qatari riyal	-	1,186,705	-	-	1,186,705
Russian rouble	-	-	2,988,230	-	2,988,230
S African common rand	65,643	1,930,264	4,669,279	21,341	6,686,527
Singapore dollar	(3,952)	3,029,091	128,771	-	3,153,910
South Korea won	7,401	11,362,673	-	-	11,370,074
Swedish krona	223,236	5,737,829	-	-	5,961,065
Swiss franc	132,744	19,057,396	1,166,594	-	20,356,734
Thailand baht	9,140	698,779	-	-	707,919
Turkish Lira	2,034	-	-	-	2,034
<b>Total</b>	<b>\$ 3,325,638</b>	<b>\$ 259,995,072</b>	<b>\$ 89,752,267</b>	<b>\$ 2,762,579</b>	<b>\$ 355,835,556</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 (Trustees) of the Pooled Trust.

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

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

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

	Portfolio I		Portfolio II	
	Target Percentages		Target Percentages	
	of Total Assets	Allocation Range	of Total Assets	Allocation Range
Total Equity	54%	44% - 64%	32%	22% - 42%
Total Fixed Income	26%	21% - 31%	58%	48% - 68%
Total Real Assets	10%	5% - 15%	5%	0% - 10%
Diversified Hedge Funds	10%	5% - 15%	5%	0% - 10%
Cash	0%	0% - 10%	0%	0% - 10%

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

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

On June 30, 2015, the School OPEB Trust Fund had the following investments in the Pooled Trust:

<b>Investment Type</b>	<b>Fair Value</b>
Mutual funds	\$ 42,275,025
Stocks	41,709,715
Hedge funds	10,257,492
Receivable from sale of investment	1,694,731
<b>Total Investment</b>	<b>\$ 95,936,963</b>

#### Concentration of Credit Risk

The Pooled Trust does not have investments (other than US 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 Pooled Trust 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, 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 require one and one-eighth cent of every five cents collected in State sales tax to be distributed to school divisions based on school-age population. The receivable from the State in the nonmajor governmental funds represents FCPS' allocation of the Virginia Public School Authority Educational Technology Grants for qualified technology expenditures and the Virginia Department of Education grant for the State Operated Detention Homes.

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

Amounts due from governments as of June 30, 2015, were as follows:

<b>Fund</b>	<b>Federal Government</b>	<b>Commonwealth of Virginia</b>	<b>County</b>	<b>Other Jurisdictions</b>	<b>Total</b>
General Fund	\$ 12,815,766	\$ 15,261,816	\$ 91,000	\$ 113,135	\$ 28,281,717
Capital Projects Fund	238,554	-	-	-	238,554
Nonmajor Governmental	12,767,875	5,626,561	78,149	-	18,472,585
<b>Total</b>	<b>\$ 25,822,195</b>	<b>\$ 20,888,377</b>	<b>\$ 169,149</b>	<b>\$ 113,135</b>	<b>\$ 46,992,856</b>

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

Interfund transactions occur only at year-end for financial statement presentations. FCPS' General Fund advances money to other funds as needed to offset year-end cash deficits. The deficits occur due to timing differences between payments for expenditures and the receipt of cash to cover them. The \$37,700 advance to the fiduciary funds, specifically the OPEB Fund, results from temporary cash shortages in the fund.

The composition of interfund receivables and payables balances as of June, 30, 2015, was as follows:

<b>Fund</b>	<b>Interfund Receivables</b>	<b>Interfund Payables</b>
General Fund	\$ 37,700	\$ -
Fiduciary funds	-	37,700
<b>Total</b>	<b>\$ 37,700</b>	<b>\$ 37,700</b>

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, 2015 was as follows:

<b>Fund</b>	<b>Transfers In</b>	<b>Transfers Out</b>
General Fund	\$ -	\$ 30,490,872
Capital Projects	12,469,898	-
Nonmajor Governmental Funds	18,020,974	-
<b>Total</b>	<b>\$ 30,490,872</b>	<b>\$ 30,490,872</b>

#### E. CAPITAL ASSETS

A summary of capital asset activity for fiscal year 2015 is shown below:

<b>Governmental Activities</b>	<b>Balance June 30, 2014</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2015</b>
<b>Non-depreciable/non-amortizable capital assets:</b>				
Land	\$ 46,837,095	\$ -	\$ -	\$ 46,837,095
Construction in progress	261,520,672	164,720,506	(116,175,319)	310,065,859
Software in development	7,584,455	94,435	(7,300,496)	378,394
<b>Total non-depreciable/non-amortizable capital assets</b>	<b>315,942,222</b>	<b>164,814,941</b>	<b>(123,475,815)</b>	<b>357,281,348</b>
<b>Depreciable/amortizable capital assets:</b>				
Equipment	284,978,864	28,269,874	(11,713,298)	301,535,440
Library collections	34,500,761	2,099,501	(5,265,426)	31,334,836
Buildings	1,236,684,714	875,977	(68,412)	1,237,492,279
Building improvements	1,864,483,902	144,666,094	(33,188)	2,009,116,808
Land improvements	51,754,406	8,171,796	(39)	59,926,163
Software/licenses	4,865,424	7,424,782	-	12,290,206
<b>Total depreciable/amortizable capital assets</b>	<b>3,477,268,071</b>	<b>191,508,024</b>	<b>(17,080,363)</b>	<b>3,651,695,732</b>
<b>Accumulated depreciation/amortization:</b>				
Equipment	(195,394,535)	(24,784,870)	10,917,380	(209,262,025)
Library collections	(25,271,395)	(3,252,855)	5,265,426	(23,258,824)
Buildings	(534,488,645)	(24,509,846)	-	(558,998,491)
Building improvements	(813,850,434)	(72,436,283)	664	(886,286,053)
Land improvements	(17,777,429)	(2,848,778)	-	(20,626,207)
Software/licenses	(3,333,219)	(992,166)	-	(4,325,385)
<b>Total accumulated depreciation/amortization</b>	<b>(1,590,115,657)</b>	<b>(128,824,798)</b>	<b>16,183,470</b>	<b>(1,702,756,985)</b>
<b>Depreciable/amortizable capital assets, net</b>	<b>1,887,152,414</b>	<b>62,683,226</b>	<b>(896,893)</b>	<b>1,948,938,747</b>
<b>Total capital assets, net</b>	<b>\$ 2,203,094,636</b>	<b>\$ 227,498,167</b>	<b>\$ (124,372,708)</b>	<b>\$ 2,306,220,095</b>

Depreciation was charged to governmental programs during fiscal year 2015 as shown:

<u>Governmental Activities</u>	<u>Depreciation Expense</u>
Instruction:	
Regular education:	
Elementary school	\$ 40,453,297
Middle school	10,774,738
High school	25,164,316
Special education	22,888,945
Adult and community education	398,443
Instructional support	7,853,078
Support programs:	
Administration and general support	6,119,407
Student transportation	6,561,095
Facilities management	4,840,101
Food service	3,770,385
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.	993
Total	<u>\$ 128,824,798</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. Net pension liability, accrued rent, compensated absences, and capital leases are generally liquidated from the General Fund. Actuarial claims payable are liquidated in the internal service funds.

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

The table below summarizes the changes in the long term obligations of FCPS for the year ended June 30, 2015:

<u>Governmental Activities</u>	<u>Balance June 30, 2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2015</u>	<u>Due within One Year</u>
Accrued rent	\$ 545,148	\$ -	\$ (160,212)	\$ 384,936	\$ 384,936
Compensated absences	33,958,705	22,969,226	(23,771,094)	33,156,837	23,209,786
Capital leases	76,412,901	18,339,546	(15,223,502)	79,528,945	8,123,837
Actuarial claims payable	59,329,553	1,736,823	(827,516)	60,238,860	29,078,772
Net pension liability	-	2,980,288,442	-	2,980,288,442	-
Total	<u>\$ 170,246,307</u>	<u>\$ 3,023,334,037</u>	<u>\$(39,982,324)</u>	<u>\$ 3,153,598,020</u>	<u>\$ 60,797,331</u>

### 1. CAPITAL LEASES

FCPS entered into non-cancelable capital lease agreements as lessee for school buses, maintenance vehicles, trailers, computers, copiers, and an administrative building. These capital leases are recorded at the present value of their future minimum lease payments as of the inception date and expire at various times through fiscal year 2020, 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, 2015, were as follows:

Fiscal Year	Total
2016	\$ 16,092,026
2017	14,586,375
2018	10,920,526
2019	7,261,464
2020	5,709,692
2021-2025	17,344,750
2026-2030	17,345,375
2031-2035	17,339,875
Total Minimum Obligations	106,600,083
Portion representing interest	(27,071,138)
Present value of minimum lease payments	<u>\$ 79,528,945</u>

The following schedule lists the capital assets that were acquired under the capital leases that remained outstanding on June 30, 2015:

Asset Class	Acquisition Cost	Accumulated Depreciation	Net
Capital assets:			
Land	\$ 6,000,000	\$ -	\$ 6,000,000
Equipment:			
Buses	22,055,286	(6,691,977)	15,363,309
Computers	18,925,124	(13,483,010)	5,442,114
Copiers	31,565,365	(15,227,530)	16,337,835
Buildings	56,910,185	(12,266,488)	44,643,697
Total	<u>\$ 135,455,960</u>	<u>\$ (47,669,004)</u>	<u>\$ 87,786,956</u>

## 2. DEBT SERVICE RESPONSIBILITY

The Code prohibits FCPS from having borrowing or taxing authority. The County issues and services general obligation debt to finance the purchase or construction of school facilities. The debt is not secured by the assets purchased or constructed by FCPS, but by the full faith and credit and taxing authority of the County. Since FCPS is not obligated to repay principal or interest on any general obligation debt incurred on FCPS' behalf, the debt is recorded in the County's government-wide financial statements.

## G. OPERATING LEASES

FCPS has obligations under several long term, non-cancelable lease agreements in connection with real estate and equipment. Most of the real estate leases contain a provision for an annual increase ranging from three to five percent. A long term operating lease agreement was entered into in fiscal year 2010 that provided for an abatement of the rent for the first 18 months. In accordance with the provisions of GASB Statement No. 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 2015, \$160,212 was recognized as rent reduction with respect to this lease. During fiscal year 2015, the total expenditures for real estate operating leases amounted to \$4,663,671. In addition, FCPS has equipment leases for copiers. The expenditures on these leases totaled \$8,045.

On June 30, 2015, the future minimum operating lease commitments were as follows:

<b>Fiscal Year</b>	<b>Real Estate</b>	<b>Equipment</b>	<b>Total</b>
2016	5,264,371	5,386	5,269,757
2017	4,795,529	2,333	4,797,862
2018	4,938,439	2,333	4,940,772
2019	5,085,612	286	5,085,898
2020	5,237,176	-	5,237,176
2021-beyond	5,393,261	-	5,393,261
<b>Total</b>	<b><u>\$30,714,388</u></b>	<b><u>\$ 10,338</u></b>	<b><u>\$30,724,726</u></b>

#### H. CONSTRUCTION COMMITMENTS

On June 30, 2015, FCPS had contractual commitments of \$170,564,459 in the Capital Projects Fund for the construction of various projects.

#### I. FUND BALANCE

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

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

- **Restricted:** Fund balances that are constrained by external parties, constitutional provisions or enabling legislation.
- **Committed:** Fund balances that impose constraints by the action of the School Board.
- **Assigned:** Fund balances that are resources set aside for particular purposes by FCPS management, but are neither restricted nor committed. It is management's intent to obtain School Board approval in the following fiscal year.
- **Unassigned:** Fund balance of the general fund that is not constrained for any particular purpose.

The School Board 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:** The nonspendable fund balance of \$2,247,814 includes prepaid items and inventories of \$422,698 and \$1,825,116, respectively, among all governmental funds.

**Restricted:** The restricted fund balance of \$61,361,977 includes funds from Food Service, Adult and Community Education and Grant Programs, Summer School and Remediation and Capital Projects.

Committed: \$54,083,980 is committed by the School Board for fiscal years 2016 and 2017 operating budget requirements.

Assigned: The assigned fund balance of \$90,075,518 for school operations includes \$56,858,288 for outstanding encumbrances and other fiscal year balance carryovers; \$9,355,223 for fiscal year 2016 operating budget; and \$23,862,007 for fiscal year 2017 operating budget.

Unassigned: The unassigned fund balance totals \$2,140,822, which will be utilized by the School Board during future budget development.

	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>FUND BALANCES:</b>				
Nonspendable:				
Prepaid Items	\$ 395,637	\$ -	\$ 27,061	\$ 422,698
Inventories	-	-	1,825,116	1,825,116
	<u>395,637</u>	<u>-</u>	<u>1,852,177</u>	<u>2,247,814</u>
Restricted:				
Capital Projects	-	37,627,092	-	37,627,092
Adult and Community Education	-	-	397,679	397,679
Food Service	-	-	10,609,858	10,609,858
Grant Programs, Summer Fund and Remediation	-	-	12,727,348	12,727,348
	<u>-</u>	<u>37,627,092</u>	<u>23,734,885</u>	<u>61,361,977</u>
Committed:				
Set Aside for FY 2016 Budget	27,838,595	-	-	27,838,595
School Board Flexibility Reserve	8,000,000	-	-	8,000,000
Transportation Public Safety Radios	7,445,623	-	-	7,445,623
Centralized Textbook Replacement	6,059,244	-	-	6,059,244
Set Aside for FY 2017 Budget	3,976,588	-	-	3,976,588
Staffing Reserve to Address Class Size	763,930	-	-	763,930
	<u>54,083,980</u>	<u>-</u>	<u>-</u>	<u>54,083,980</u>
Assigned:				
Outstanding Encumbered Obligations	36,575,423	-	-	36,575,423
Schools/Projects Carryover	16,204,465	-	-	16,204,465
Department Critical Needs Carryover	4,078,400	-	-	4,078,400
Food Service Indirect Rate	934,244	-	-	934,244
Major Maintenance	3,550,970	-	-	3,550,970
Joint BOS/SB Initiatives and Reserves	1,668,540	-	-	1,668,540
Bus and Equipment Replacement	1,516,861	-	-	1,516,861
World Languages	214,608	-	-	214,608
Compensation Study & Website Content Mgmt System	1,470,000	-	-	1,470,000
Set Aside for FY 2017 Budget	23,862,007	-	-	23,862,007
	<u>90,075,518</u>	<u>-</u>	<u>-</u>	<u>90,075,518</u>
Unassigned				
	<u>2,140,822</u>	<u>-</u>	<u>-</u>	<u>2,140,822</u>
Total Fund Balance	<u>\$146,695,957</u>	<u>\$ 37,627,092</u>	<u>\$ 25,587,062</u>	<u>\$209,910,111</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 2015.

### 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 discount rate of .75% and 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 2015, there were no significant reductions in insurance coverage from the prior year.

Changes in the balances of liability claims during fiscal years 2014 and 2015 are as follows:

	Health Benefits	Insurance	Total
July 1, 2013 - liability balance	18,894,000	34,291,320	53,185,320
Claims and changes in estimates	327,515,454	12,032,499	339,547,953
Claims Payments	<u>(323,085,454)</u>	<u>(10,318,266)</u>	<u>(333,403,720)</u>
June 30, 2014 - liability balance	<u>23,324,000</u>	<u>36,005,553</u>	<u>59,329,553</u>
Claims and changes in estimates	343,229,129	11,832,649	355,061,778
Claims Payments	<u>(343,845,129)</u>	<u>(10,307,342)</u>	<u>(354,152,471)</u>
June 30, 2015 - liability balance	<u><u>22,708,000</u></u>	<u><u>37,530,860</u></u>	<u><u>60,238,860</u></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. PENSIONS

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

#### 1. ERFC

##### Plan Description

ERFC is a legally separate, single-employer pension plan established under the Code to provide pension benefits to all full-time educational and administrative support employees who are employed by FCPS and who are not covered by another County plan. The plan contains two primary defined benefit structures, ERFC and ERFC 2001. The original



structure, ERFC, became effective July 1, 1973, and is coordinated with the benefits that members expect to receive from VRS and Social Security. It remains in effect, however, it is closed to new members. Effective July 1, 2001, all newly hired full-time educational and administrative support employees are enrolled in ERFC 2001. This newer component incorporates a streamlined stand-alone retirement benefit structure.

**Benefits Provided**

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

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

ERFC and ERFC 2001 provide for a variety of benefit payment types. ERFC’s payment types include Service Retirement, Reduced Service, Disability, Death-in-Service, and Deferred Retirement. ERFC 2001’s payment types include Service Retirement, Death-in-Service, and Deferred Retirement. 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. Annual post-retirement cost-of-living increases of 3 percent are effective each March 31. Participants in their first full year of retirement receive a 1.49 percent increase. Participants who retire on or after January 1 receive no cost-of-living increase that first March. Additional details regarding benefit payment types can be found in the actuarial valuation and the Plan Documents.

At December 31, 2013, the date of the most recent actuarial valuation, ERFC’s membership was composed of:

Retirees and beneficiaries currently receiving benefits	10,156
Terminated employees entitled to benefits but not yet receiving them	3,509
Active plan members	21,643
Total	35,308

**Contributions**

The contribution requirements for ERFC and ERFC 2001 members are established and may be amended by the ERFC Board with the approval of the School Board. The requirements are based upon a fundamental financial objective of having rates of contribution that remain relatively level from generation to generation of employees. To determine the appropriate employer contribution rates and to assess the extent to which the fundamental financial objective is being achieved, ERFC has actuarial valuations prepared annually. The contribution requirements of members and the employer are established and may be amended by the ERFC Board, subject to School Board approval. Members are required to contribute 3 percent of annual salary. The employer is required to contribute at an actuarially determined rate which presently is 5.6 percent. Employer contributions to the pension plan were \$74,342,396 and \$74,174,082 for the years ended June 30, 2015 and June 30, 2014 respectively.

The actuarial valuations are used to set the employer contribution rate for the two-year period beginning 18 months after the valuation date. As such, the December 31, 2011 valuation recommended that the contribution rate for the two-year period beginning July 1, 2013 to June 30, 2015 be increased to 5.6 percent. Restructuring of the VRS employee contribution rate caused the School Board to decrease the ERFC member contribution rate to 3 percent beginning in fiscal year 2013.

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

At June 30, 2015, ERFC’s net pension liability was \$492,761,431 and was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2013 and rolled forward to June 30, 2014 measurement date. For the year ended June 30, 2015, FCPS recognized pension expense of \$52,557,894 and reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 16,127,403
Net difference between projected and actual earning on pension plan investments	-	128,000,865
FCPS contributions subsequent to the measurement date	74,324,396	-
Total	<u>\$ 74,324,396</u>	<u>\$ 144,128,268</u>

\$74,324,396 reported as deferred outflows of resources related to pensions resulting from FCPS contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended June 30:</b>	
2016	\$ (34,924,443)
2017	(34,924,443)
2018	(34,924,443)
2019	(34,924,443)
2020	<u>(4,430,496)</u>
	<u>\$ (144,128,268)</u>

**Actuarial Assumptions**

The total pension liability was determined by an actuarial valuation as of December 31, 2013, using the entry age actuarial cost method and rolled forward to the measurement date of June 30, 2014. Significant actuarial assumptions used in the valuation include:

Inflation	3.0%
Salary increases, including inflation	3.75% to 9.05%
Investment rate of return	7.5%

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

### Long Term Expected Rate of Return

The long term expected rate of return on pension plan investments was determined in conjunction with a formal study of experience during the period January 1, 2005 to December 31, 2009. The reasonable range at the time the study was performed was from 5.32 percent to 8.31 percent, meaning that there was at least a 50 percent chance that actual returns would fall within that range. The investment consultant's inflation expectation is 3 percent. The Fixed Income category is a blend of US Core Fixed, High Yield, and Non US fixed. The Global Asset Allocation category is a blend of Global Equity, Global Fixed Income, and Inflation Sensitive Assets (commodities).

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

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long Term Expected Real Rate of Return</b>
Domestic Large Cap Equity	16.00%	4.50%
Domestic Small Cap Equity	6.00%	4.75%
International Equity	14.00%	5.00%
Emerging Market Equity	3.00%	6.25%
Real Estate	7.50%	3.25%
Core Fixed Income	18.00%	1.21%
Investment Grade Credit	8.00%	2.00%
Emerging Market Debt (Local)	3.00%	4.00%
Global Asset Allocation	15.00%	4.01%
Absolute Return	8.00%	3.75%
Private Equity	1.50%	6.50%
<b>Total</b>	<b><u>100.00%</u></b>	

### Discount Rate

A single discount rate of 7.5 percent was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.5 percent. The projection of cash flows used to determine this single discount rate assumed that ERFC member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, ERFC's fiduciary net position was projected to be available to make all projected future benefit payments of current ERFC members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability	Increases (Decrease)		
	Total Pension	Plan Fiduciary Net	Net Pension
	Liability	Position	Liability
	(a)	(b)	(a) - (b)
<b>Balances at June 30, 2013</b>	\$ 2,615,278,713	\$ 1,956,772,826	\$ 658,505,887
<b>Changes for the year:</b>			
Service cost	75,787,752	-	75,787,752
Interest	192,723,577	-	192,723,577
Differences between expect and actual experience	(19,051,630)	-	(19,051,630)
Contributions - employer	-	74,174,082	(74,174,082)
Contributions - employee	-	40,018,590	(40,018,590)
Net investment income	-	304,640,803	(304,640,803)
Benefit payments, including refunds of employee contributions	(167,049,790)	(167,049,790)	-
Administrative expense	-	(3,629,320)	3,629,320
<b>Net changes</b>	<b>82,409,909</b>	<b>248,154,365</b>	<b>(165,744,456)</b>
<b>Balances at June 30, 2014</b>	<b>\$ 2,697,688,622</b>	<b>\$ 2,204,927,191</b>	<b>\$ 492,761,431</b>

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

Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following table presents ERFC's net pension liability, calculated using a single discount rate of 7.5 percent as well as what ERFC's net pension liability would be if it were calculated using a single discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
	6.5%	7.5%	8.5%
FCPS' ERFC net pension liability	\$ 813,126,598	\$ 492,761,431	\$ 226,956,209

#### Pension Plan Fiduciary Net Position

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

Information concerning ERFC as a whole, including pension plan's fiduciary net position, is available in FCPS' CAFR for the fiscal year ended June 30, 2015. Additionally, ERFC issues a publicly available annual financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the Educational Employee's Supplementary Retirement System of Fairfax County, 8001 Forbes Place, Suite 300, Springfield, VA 22151. The report is also available online ERFC's website.

## 2. FCERS

#### Plan Description

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

## Benefits Provided

Benefit provisions are established and may be amended by County ordinances. All benefits vest at five years of creditable service. Members who were hired before January 1, 2013 may elect to join Plan A or Plan B, and members who were hired on or after January 1, 2013 may elect to join Plan C or Plan D. To be eligible for normal retirement, an individual must meet the following criteria: (a) attain the age of 65 with five years of service, (b) for Plans A and B, attain the age of 50 with age plus years of service being greater than or equal to 80, or (c) for Plans C and D, attain the age of 55 with age plus years of service being greater than or equal to 85. The normal retirement benefit is calculated using average final compensation (i.e., the highest 78 consecutive two week pay periods or the highest 36 consecutive monthly pay periods) and years (or partial years) of creditable service at date of termination. In addition, if normal retirement occurs before Social Security benefits are scheduled to begin, an additional monthly benefit is paid to retirees. The plan provides that unused sick leave credit may be used in the calculation of average final compensation by projecting the final salary during the unused sick leave period. 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.

## Contributions

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

FCPS is required to contribute at an actuarially determined rate; the rate for the year ended June 30, 2015, 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 2014. 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. Employer contributions to the pension plan were \$38,866,051 and \$36,561,752 for the years ended June 30, 2015 and June 30, 2014, respectively.

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

At June 30, 2015, FCPS reported a liability of \$293,867,011 for its proportionate share of the net pension liability. The net pension liability was determined based on an actuarial valuation as of June 30, 2013, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014. At June 30, 2014, FCPS's proportion was 28.21 percent, an increase of 0.19 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, FCPS recognized pension expense of \$27,887,135. At June 30, 2015, FCPS reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ -
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	54,502,292
Changes in proportion applicable FCPS	1,940,707	-
FCPS contributions subsequent to the measurement date	<u>38,866,051</u>	-
<b>Total</b>	<u><u>\$ 40,806,758</u></u>	<u><u>\$ 54,502,292</u></u>

\$38,866,051 reported as deferred outflows of resources related to pensions resulting from FCPS contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended June 30:</b>	
2016	\$ (13,140,396)
2017	(13,140,396)
2018	(13,140,396)
2019	<u>(13,140,397)</u>
	<u><u>\$ (52,561,585)</u></u>

#### Actuarial Assumptions

The total pension liability for the year ended June 30, 2014 was determined as part of the July 1, 2013, actuarial valuation using the entry age actuarial cost method and rolled forward to the measurement date of June 30, 2014. Significant actuarial assumptions used in the valuation include:

Inflation	3.0%
Salary increases, including inflation	3.0% + merit
Investment rate of return, net of plan investment expenses	7.5%
Projected period of unfunded benefit payments	None
Municipal bond rate	N/A

Mortality rates with adjustments for mortality improvements were based on the RP 2000 Mortality tables projected to 2015 using Scale AA.

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2005 to June 30, 2010.

### Long Term Expected Rate of Return

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

Best estimates of arithmetic real rates of return for each major asset class included in the FCERS' target asset allocation as of June 30, 2014, are summarized below:

Asset Class	Long Term Expected Real Rate of Return
US Equities	4.5%
International Equities	5.1%
Core Fixed Income	2.0%
High Yield	3.2%
Absolute Return	6.0%
Real Estate	5.3%
Commodity	4.5%

### Discount Rate

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made according to FCERS' stated policy. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

	1% Decrease <u>6.5%</u>	Current Discount Rate <u>7.5%</u>	1% Increase <u>8.5%</u>
FCPS' proportionate share of the FCERS net pension liability	\$ 483,604,961	\$ 293,867,011	\$ 139,120,699

### Pension Plan Fiduciary Net Position

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

Information concerning FCERS as a whole, including pension plan's fiduciary net position, is available in the County CAFR for the fiscal year ended June 30, 2015. Additionally, FCERS issues a publicly available annual financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Employees' Retirement System, 10680 Main Street, Suite 280, Fairfax, Virginia 22030, or by calling (703) 279-8200.

The reports are also available online at FCERS' and Fairfax County's websites.

### 3. VRS

#### Plan Description

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

#### Benefits Provided

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

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

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

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



## Contributions

The contribution requirement for active employees is governed by Section 51.1-145 of the Code, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Employees are required to contribute 5.0 percent of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.0 percent member contribution may have been assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5.0 percent member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.0 percent member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. Each school division's contractually required contribution rate for the year ended June 30, 2015 was 14.50 percent of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013. The actuarial rate for the Teacher Retirement Plan was 18.20 percent. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Based on the provisions of Section 51.1-145 of the Code, as amended, the contributions were funded at 79.69 percent of the actuarial rate for the year ended June 30, 2015. Employer contributions to the pension plan were \$192,934,971 and \$154,954,000 for the years ended June 30, 2015 and June 30, 2014, respectively.

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

At June 30, 2015, FCPS reported a liability of \$2,193,660,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. FCPS' proportion of the net pension liability was based on FCPS' actuarially determined employer contributions to the pension plan for the year ended June 30, 2014 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2014, FCPS' proportion was 18.15 percent as compared to 17.79 percent at June 30, 2013.

For the year ended June 30, 2015, FCPS recognized pension expense of \$182,516,000. Since there was a change in proportionate share between June 30, 2013 and June 30, 2014, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between actual employer contributions and the proportionate share of employer contributions.

At June 30, 2015, FCPS reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ -
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	325,556,000
Changes in proportion and differences between FCPS contributions and proportionate share of contributions	40,774,000	-
FCPS contributions subsequent to the measurement date	192,934,971	-
<b>Total</b>	<b>\$ 233,708,971</b>	<b>\$ 325,556,000</b>

\$192,934,971 reported as deferred outflows of resources related to pensions resulting from FCPS' contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	\$ (72,395,000)
2017	(72,393,000)
2018	(72,393,000)
2019	(72,393,000)
2020	4,792,000
	<u>\$ (284,782,000)</u>

#### Actuarial Assumptions

The total pension liability for VRS was based on an actuarial valuation as of June 30, 2013, using the entry age normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

Actuarial Assumptions	
Inflation	2.5%
Salary increases, including inflation	3.5% to 5.95%
Investment rate of return, net of pension plan investment expense, including inflation (a)	7.0%
<p>(a) Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.</p>	

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

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

#### Long Term Expected Rate of Return

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

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

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

## Discount Rate

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

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

The following presents FCPS' proportionate share of the net pension liability using the discount rate of 7.00 percent, as well as what FCPS' proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0) percent or 1-percentage-point higher (8.0) percent than the current rate:

	<b>1% Decrease</b>	<b>Current Discount Rate</b>	<b>1% Increase</b>
	<b>6.0%</b>	<b>7.0%</b>	<b>8.0%</b>
FCPS' proportionate share of the VRS net pension liability	\$ 3,221,170,000	\$ 2,193,660,000	\$ 1,347,678,000

## Pension Plan Fiduciary Net Position

Detailed information about the VRS net position is available in the separately issued VRS 2014 Comprehensive Annual Financial Report (CAFR). A copy of the 2014 VRS CAFR may be downloaded from the VRS website, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

The following table presents a summary of pension amounts by each defined benefit plan as of June 30, 2015 to the Statement of Net Position:

	EFRC	FCERS	VRS	Total
Deferred Outflows of Resources:				
Employer Contributions Made in FY 2015	74,324,396	38,866,051	192,934,971	306,125,418
Changes in proportionate share of contributions	1,940,707	40,774,000	42,714,707	42,714,707
	<u>74,324,396</u>	<u>40,806,758</u>	<u>233,708,971</u>	<u>348,840,125</u>
Deferred Inflows of Resources:				
Differences between Expected and Actual Experience	16,127,403			16,127,403
Net Difference between projected and actual earnings on plan investments	128,000,865	54,502,292	325,556,000	508,059,157
	<u>144,128,268</u>	<u>54,502,292</u>	<u>325,556,000</u>	<u>524,186,560</u>
Net Pension Liability as of June 30, 2015	<u>(492,761,431)</u>	<u>(293,867,011)</u>	<u>(2,193,660,000)</u>	<u>(2,980,288,442)</u>

## 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, 2013, the date of the most recent actuarial valuation, plan membership consisted of:

Retirees and beneficiaries currently receiving benefits	9,137
Active plan members	<u>19,757</u>
Total	<u><u>28,894</u></u>

### 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 2015, FCPS contributed \$26,097,000 to the School OPEB Trust Fund, which included \$16,097,000 for current fiscal year costs and an additional \$10,000,000 to prefund benefits. The costs of administrating the plan are paid for by the School OPEB Trust Fund through the use of investment income and employer contributions.

### 3. ANNUAL OPEB COST

FCPS' annual OPEB cost is calculated based on the Annual Required Contribution (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 2015 and the two preceding fiscal years are below:

<b>Fiscal Year Ended June 30</b>	<b>Annual OPEB Cost</b>	<b>Percentage Contributed</b>	<b>Net OPEB Obligation (Asset)</b>
2013	31,133,000	110.7%	(13,392,985)
2014	16,744,000	152.4%	(22,173,923)
2015	17,119,000	152.4%	(31,151,922)

The changes in the net OPEB obligation during the year ended June 30, 2015, were as follows:

	<b>School OPEB Trust Fund</b>
Annual required contribution	\$ 17,384,000
Interest on net OPEB asset from prior year	(1,024,000)
Adjustment to annual required contribution	759,001
Annual OPEB cost	17,119,001
Contributions made	(26,097,000)
Decrease in net OPEB obligation	(8,977,999)
Net OPEB asset - July 1, 2014	(22,173,923)
Net OPEB asset - June 30, 2015	<u>\$ (31,151,922)</u>

#### 4. FUNDED STATUS AND FUNDING PROGRESS

As of July 1, 2013, the most recent actuarial valuation date, the projected Actuarial Accrued Liability (AAL) for benefits was \$283.7 million and the projected Actuarial Value of Assets (AVA) was \$71.2 million, resulting in an Unfunded Actuarial Accrued Liability (UAAL) of \$212.5 million. The covered payroll of active participating employees was \$1,153.0 million and the ratio of the UAAL to covered payroll was 18.4 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, 2013, actuarial valuation, the entry age normal actuarial cost method was used to estimate the UAAL as of June 30, 2015, as well as the fiscal year 2015 ARC. The actuarial assumptions included a 7.5 percent investment rate of return (net of administrative expenses) and certain annual health care cost trends. These rates incorporate a 4.0 percent payroll inflation assumption. The plan's UAAL is being amortized as a level percentage of projected pay over an open period of 30 years.

## 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

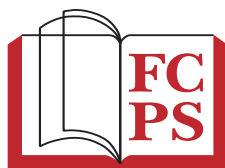
Short-term investments are reported at cost, which approximates fair value. All other investments are reported at fair value. Investment purchases and sales are recorded as of the trade date. These transactions are not finalized until the settlement date. Until finalized, these investment purchases and 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 (a) contributions to the plan are irrevocable, (b) assets are dedicated to providing benefits to retirees and beneficiaries, and (c) assets are legally protected from creditors of the employer or plan administrator. The assets are dedicated to the payment of benefits in accordance with the terms of the plan. Further information can be obtained by writing to VML/VACo Finance, 919 East Main Street, Suite 1100, Richmond, VA 23219.

## F. TERMINATION BENEFITS

### 1. PHSA

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, 2015, there were 97 participants receiving benefits under PHSA.







## REQUIRED SUPPLEMENTARY INFORMATION (unaudited)

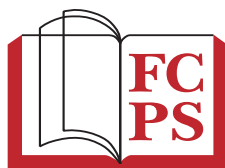
The Required Supplementary Information subsection includes:

Budgetary comparison schedule for the General Fund, which accounts for all revenues and expenditures of Fairfax County Public Schools that are not required to be accounted for in other funds

- Trend data, the schedule of funding progress and the schedule of employer contributions

Pensions, schedules of employer contribution, schedules of net pension liability for ERFC, FCERS and VRS

- 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, 2015**

**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	\$ 41,964,699	\$ 51,187,824	\$ 41,802,896	\$ (9,384,928)
Commonwealth of Virginia	579,669,004	578,248,680	580,500,452	2,251,772
Charges for services:				
Tuition and fees	8,419,212	8,419,212	8,829,539	410,327
Revenue from the use of money and property	2,981,144	2,981,130	3,599,050	617,920
Recovered costs	42,040,414	42,040,414	42,426,048	385,634
Other	7,601,145	7,601,145	9,454,799	1,853,654
Total revenues	<u>682,675,618</u>	<u>690,478,405</u>	<u>686,612,784</u>	<u>(3,865,621)</u>
<b>EXPENDITURES</b>				
Current:				
Instruction:				
Regular education:				
Elementary school	791,940,612	800,993,238	783,168,070	(17,825,168)
Middle school	221,843,456	223,636,925	215,044,048	(8,592,877)
High school	511,905,362	521,466,272	500,767,128	(20,699,144)
Special education	469,037,988	479,127,610	452,949,173	(26,178,437)
Adult and community education	228,624	230,509	156,106	(74,403)
Instructional support	140,327,230	146,639,483	144,180,317	(2,459,166)
Support programs:				
Administration and general support	115,180,740	133,806,039	125,757,900	(8,048,139)
Student transportation	141,348,919	145,464,202	134,505,780	(10,958,422)
Facilities management	76,988,540	85,734,815	76,119,958	(9,614,857)
Total expenditures	<u>2,468,801,471</u>	<u>2,537,099,093</u>	<u>2,432,648,480</u>	<u>(104,450,613)</u>
Deficiency of revenues under expenditures	<u>(1,786,125,853)</u>	<u>(1,846,620,688)</u>	<u>(1,746,035,696)</u>	<u>100,584,992</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in from County of Fairfax, VA	1,769,098,393	1,769,098,393	1,769,098,393	-
Transfers out to other governmental funds	(25,439,902)	(30,490,872)	(30,490,872)	-
Transfers out to County of Fairfax, VA	(3,475,323)	(3,143,814)	(3,143,814)	-
Total other financing sources (uses)	<u>1,740,183,168</u>	<u>1,735,463,707</u>	<u>1,735,463,707</u>	<u>-</u>
Net change in fund balances	<u>\$ (45,942,685)</u>	<u>\$ (111,156,981)</u>	<u>\$ (10,571,989)</u>	<u>\$ 100,584,992</u>

See accompanying notes to the required supplementary information.

**FAIRFAX COUNTY PUBLIC SCHOOLS** **EXHIBIT K**  
**Schedule of Funding Progress**  
**Other Post-Employment Benefit Trust Funds**  
**For the Fiscal Year Ended June 30, 2015**  
(Dollars in Thousands)

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

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** **EXHIBIT L**  
**Schedule of Employer Contributions**  
**Other Post-Employment Benefit Trust Funds**  
**For the Fiscal Year Ended June 30, 2015**

<b>Fiscal Year Ended June 30</b>	<b>Annual Required Contribution</b>	<b>Percentage Contributed</b>
2008	\$ 25,302,000	103.2 %
2009	37,522,000	97.7
2010	35,954,000	75.5
2011	38,163,000	119.2
2012	30,630,000	138.5
2013	31,142,000	110.7
2014	17,003,000	150.1
2015	17,384,000	150.1

Note: 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 Changes in Net Pension Liability and Related Ratios**  
**ERFC Pension Plan**  
**Last Ten Fiscal Years\***

	<u>2015</u>
<b>Total pension liability</b>	
Service Cost	\$ 75,787,752
Interest on the Total Pension Liability	192,723,577
Changes of benefit terms	-
Difference between expected and actual experience of the Total Pension Liability	(19,051,630)
Changes of assumptions	-
Benefits payments, including refunds of employee contributions	<u>(167,049,790)</u>
<b>Net Change in Total Pension Liability</b>	<b>\$ 82,409,909</b>
<b>Total pension liability - Beginning</b>	<b><u>2,615,278,713</u></b>
<b>Total pension liability - Ending (a)</b>	<b>\$ 2,697,688,622</b>
<b>Plan Fiduciary Net Position</b>	
Contributions - Employer	\$ 74,174,082
Contributions - Employee	40,018,590
Net Investment Income	304,640,803
Benefits payments, including refunds of employee contributions	(167,049,790)
Pension Plan Administrative Expense	(3,629,320)
Other	<u>-</u>
<b>Net Change in Plan Fiduciary Net Position</b>	<b>248,154,365</b>
<b>Plan Fiduciary Net Position - Beginning</b>	<b><u>1,956,772,826</u></b>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<b><u>\$ 2,204,927,191</u></b>
<b>Net Pension Liability - Ending (a) - (b)</b>	<b>492,761,431</b>
<b>Plan fiduciary net position as a percentage of Total Pension Liability</b>	<b>81.73%</b>
<b>Covered Employee Payroll</b>	<b>\$ 1,324,537,175</b>
<b>Net Pension Liability as a Percentage of Covered Employee Payroll</b>	<b><u>37.20%</u></b>

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

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

See accompanying notes to the required supplementary information.

**FAIRFAX COUNTY PUBLIC SCHOOLS**  
**Schedule of Contributions**  
**ERFC Pension Plan**  
**Last Ten Fiscal Years\***

	Actuarial Determined Contribution	Contributions in Relation to the Actuarial Determined Contribution	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a Percentage of Covered Payroll
2015	\$ 73,673,215	74,174,082	(500,867)	1,324,537,175	5.60 %

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

See accompanying notes to the required supplementary information.

**FAIRFAX COUNTY PUBLIC SCHOOLS**  
**Schedule of the FCPS's Proportionate Share of Net Pension**  
**Liability and Related Ratios**  
**FCERS Pension Plan**  
**Last Ten Fiscal Years\***

	<b>2015</b>
FCPS' proportion of net pension liability (asset)	28.21%
FCPS' proportion share of net pension liability (asset)	293,867,011
FCPS' covered-employee payroll	189,438,838
FCPS' proportionate share of net pension liability (asset) as a percentage of covered employee payroll	155.13%
Plan fiduciary net position as a percentage of the total <u>pension liability</u>	<u>78.33%</u>

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

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

See accompanying notes to the required supplementary information.

**FAIRFAX COUNTY PUBLIC SCHOOLS**  
**Schedule of Contributions**  
**FCERS Pension Plan**  
**Last Ten Fiscal Years\***

	Actuarial Determined Contribution	Contributions in Relation to the Actuarial Determined Contribution	Contribution Deficiency (Excess)	FCPS' Covered Employee Payroll	Contributions as a Percentage of Covered Payroll
2015	\$ 36,561,752	36,561,752	-	189,438,838	19.30 %

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

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

See accompanying notes to the required supplementary information.

**FAIRFAX COUNTY PUBLIC SCHOOLS**  
**Schedule of the FCPS's Proportionate Share of Net Pension Liability and Related Ratios**  
**VRS Pension Plan**  
**Last Ten Fiscal Years\***

	<b>2015</b>
FCPS' proportion of the net pension liability (asset)	18.15234%
FCPS' proportion share of the net pension liability (asset)	2,193,660,000
FCPS' covered employee payroll	1,330,241,479
FCPS' proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	164.91%
Plan fiduciary net position as a percentage of the total pension liability	70.88%

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

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

See accompanying notes to the required supplementary information.



**FAIRFAX COUNTY PUBLIC SCHOOLS**  
**Schedule of FCPS Contributions**  
**VRS Pension Plan**  
**Last Ten Fiscal Years\***

	Actuarial Determined Contribution	Contributions in Relation to the Actuarial Determined Contribution	Contribution Deficiency (Excess)	FCPS' Covered Employee Payroll	Contributions as a Percentage of Covered Payroll
2015	\$ 154,785,126	154,954,000	(168,874)	1,330,241,479	11.65 %

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

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

See accompanying notes to the required supplementary information.



# Notes to the Required Supplementary Information

Fairfax County Public Schools  
June 30, 2015

## 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.

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

- Transactions for capital leases, when initiated, are not budgeted as offsetting expenditures and other financing sources; and
- Transactions between FCPS and the County are budgeted as other financing sources (uses).

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

The budget is controlled at certain legal and administrative levels. The legal controls are placed at the individual fund level and the administrative controls are placed at the object level, which is at the expenditure category for each office and school within a fund. Management may amend the approved budget at the administrative level within the same fund. Amendments, changes, or transfers at the legal level require the specific approval of the School Board.

The following schedule reconciles the General Fund amounts on the statement of revenues, expenditures, and changes in fund balances, Exhibit D, to the amounts on the budgetary comparison schedule—budget and actual, Exhibit J for the fiscal year ended June 30, 2015:

	Actual - GAAP Basis (Exhibit D)	Basis Differences		Actual - Budget Basis (Exhibit J)
		Capital Leases	Transactions between FCPS and the County	
<b>General Fund</b>				
Total revenues	\$ 2,455,711,177	\$ -	\$ (1,769,098,393)	686,612,784
Total expenditures	(2,454,131,840)	18,339,546	3,143,814	(2,432,648,480)
Total other financing sources (uses)	(12,151,326)	(18,339,546)	1,765,954,579	1,735,463,707
Net change in fund balances	<u>\$ (10,571,989)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (10,571,989)</u>

## II. OPEB AND PENSION

### OPEB

Eight 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 is. 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 is.

### PENSIONS

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

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

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

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

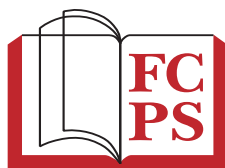
Information pertaining to FCPS retirement systems and the School OPEB Trust Fund can be found in notes IV.D and IV.E, respectively, in the notes to the financial statements.



## OTHER SUPPLEMENTARY INFORMATION

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

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





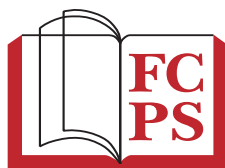


## NONMAJOR GOVERNMENTAL FUNDS

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

- Food and Nutrition Services Fund—used to account for the procurement, preparation, and serving of student breakfasts, snacks, and lunches. The primary revenue sources are receipts derived from food sales and the Federal school lunch program.
- Grants and Self-Supporting Programs Fund—used to account for Federal, State, non-profit, and private industry grants that support instructional programs. This fund is also used to account for the summer school program.

Adult and Community Education Fund—used to account for activities resulting from programs provided by the Office of Adult and Community Education. These programs include basic skills education, high school completion, English for Speakers of Other Languages, apprenticeship and occupational skills instruction, and various consumer education and special interest courses. The main revenue source is tuition charged to the participants.



FAIRFAX COUNTY PUBLIC SCHOOLS  
 Combining Balance Sheet  
 Nonmajor Governmental Funds  
 June 30, 2015

EXHIBIT M

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Food and Nutrition Services	Grants and Self-Supporting Programs	Adult and Community Education	
<b>ASSETS</b>				
Cash on deposit with County of Fairfax, VA	\$ 7,587,217	\$ 3,213,660	\$ 832,564	\$ 11,633,441
Receivables:				
Accounts	65,834	-	866	66,700
Accrued interest	9,321	6,494	2,586	18,401
Due from intergovernmental units:				
Federal government	5,847,794	6,470,840	449,241	12,767,875
Commonwealth of Virginia	-	5,626,561	-	5,626,561
County of Fairfax, VA	78,149	-	-	78,149
Inventories	1,825,116	-	-	1,825,116
Prepaid items	27,061	-	-	27,061
Total assets	<u>\$ 15,440,492</u>	<u>\$ 15,317,555</u>	<u>\$ 1,285,257</u>	<u>\$ 32,043,304</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 142,880	\$ 150,933	\$ 12,792	\$ 306,605
Accrued salaries and withholdings	724,001	173,586	355,829	1,253,416
Unearned revenue	2,111,576	2,265,688	518,957	4,896,221
Total liabilities	<u>2,978,457</u>	<u>2,590,207</u>	<u>887,578</u>	<u>6,456,242</u>
Fund balances:				
Nonspendable	1,852,177	-	-	1,852,177
Restricted	10,609,858	12,727,348	397,679	23,734,885
Total fund balances	<u>12,462,035</u>	<u>12,727,348</u>	<u>397,679</u>	<u>25,587,062</u>
Total liabilities and fund balances	<u>\$ 15,440,492</u>	<u>\$ 15,317,555</u>	<u>\$ 1,285,257</u>	<u>\$ 32,043,304</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, 2015

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Food and Nutrition Services	Grants and Self-Supporting Programs	Adult and Community Education	
<b>REVENUES</b>				
Intergovernmental:				
Federal government	\$ 33,674,484	\$ 29,678,955	\$ 875,178	\$ 64,228,617
Commonwealth of Virginia	1,041,978	10,504,852	975,075	12,521,905
County of Fairfax, VA	-	2,607,314	-	2,607,314
Charges for services:				
Tuition and fees	-	2,546,093	5,682,604	8,228,697
Food sales	39,592,303	-	-	39,592,303
Revenue from the use of money and property	19,809	6,266	4,610	30,685
Other	-	965,063	421,688	1,386,751
Total revenues	<u>74,328,574</u>	<u>46,308,543</u>	<u>7,959,155</u>	<u>128,596,272</u>
<b>EXPENDITURES</b>				
Current:				
Instruction:				
Regular education:				
Elementary school	-	32,924,197	-	32,924,197
Middle school	-	1,704,710	-	1,704,710
High school	-	6,071,234	157,503	6,228,737
Special education	-	5,733,254	-	5,733,254
Adult and community education	-	-	7,825,296	7,825,296
Instructional support	-	17,819,280	-	17,819,280
Support programs:				
Administration and general support	-	547,376	-	547,376
Student transportation	-	3,420,752	-	3,420,752
Food service	75,526,376	-	-	75,526,376
Capital outlay	133,546	161,302	176,555	471,403
Debt service:				
Principal	4,605	2,722	3,389	10,716
Interest	500	131	257	888
Total expenditures	<u>75,665,027</u>	<u>68,384,958</u>	<u>8,163,000</u>	<u>152,212,985</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,336,453)</u>	<u>(22,076,415)</u>	<u>(203,845)</u>	<u>(23,616,713)</u>
<b>OTHER FINANCING SOURCES</b>				
Transfers in	-	17,785,974	235,000	18,020,974
Total other financing sources	-	17,785,974	235,000	18,020,974
Net change in fund balances	(1,336,453)	(4,290,441)	31,155	(5,595,739)
Fund balances - July 1, 2014	13,755,425	17,017,789	366,524	31,139,738
Increase in reserve for inventories	43,063	-	-	43,063
Fund balances - June 30, 2015	<u>\$ 12,462,035</u>	<u>\$ 12,727,348</u>	<u>\$ 397,679</u>	<u>\$ 25,587,062</u>



FAIRFAX COUNTY PUBLIC SCHOOLS  
 Budgetary Comparison Schedule - Budget and Actual  
 Food and Nutrition Services Fund  
 For the Fiscal Year Ended June 30, 2015

EXHIBIT O

	Budget - Original	Budget - Final	Actual - Budget Basis	Variance from Final Budget
<b>REVENUES</b>				
Intergovernmental:				
Federal government	\$ 33,288,517	\$ 33,288,517	\$ 33,674,484	\$ 385,967
Commonwealth of Virginia	1,041,326	1,041,326	1,041,978	652
Charges for services:				
Food sales	43,639,906	42,691,664	39,592,303	(3,099,361)
Revenue from the use of money and property	42,932	42,932	19,809	(23,123)
Total revenues	<u>78,012,681</u>	<u>77,064,439</u>	<u>74,328,574</u>	<u>(2,735,865)</u>
<b>EXPENDITURES</b>				
Current:				
Food service	88,116,741	90,819,864	75,665,027	(15,154,837)
Total expenditures	<u>88,116,741</u>	<u>90,819,864</u>	<u>75,665,027</u>	<u>(15,154,837)</u>
Net change in fund balances	<u>\$ (10,104,060)</u>	<u>\$ (13,755,425)</u>	<u>\$ (1,336,453)</u>	<u>\$ 12,418,972</u>

**FAIRFAX COUNTY PUBLIC SCHOOLS**  
**Budgetary Comparison Schedule - Budget and Actual**  
**Grants and Self-Supporting Programs Fund**  
**For the Fiscal Year Ended June 30, 2015**

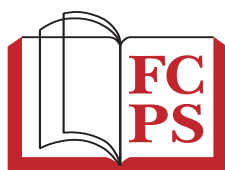
**EXHIBIT P**

	<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	\$ 30,956,896	\$ 40,908,225	\$ 29,678,955	\$ (11,229,270)
Commonwealth of Virginia	11,333,001	12,333,074	10,504,852	(1,828,222)
Charges for services:				
Tuition and fees	2,010,330	2,010,330	2,546,093	535,763
Revenue from the use of money and property	-	-	6,266	6,266
Other	380,107	1,186,930	965,063	(221,867)
Total revenues	<u>44,680,334</u>	<u>56,438,559</u>	<u>43,701,229</u>	<u>(12,737,330)</u>
<b>EXPENDITURES</b>				
Current:				
Instruction:				
Regular education:				
Elementary school	27,864,309	35,262,762	32,924,197	(2,338,565)
Middle school	774,801	2,101,989	1,704,710	(397,279)
High school	5,894,477	7,833,534	6,080,710	(1,752,824)
Special education	5,122,323	6,631,748	5,733,256	(898,492)
Instructional support	16,981,105	26,888,794	17,973,957	(8,914,837)
Support programs:				
Administration and general support	6,450,066	13,164,795	547,376	(12,617,419)
Student transportation	1,986,541	1,966,014	3,420,752	1,454,738
Total expenditures	<u>65,073,622</u>	<u>93,849,636</u>	<u>68,384,958</u>	<u>(25,464,678)</u>
Deficiency of revenues under expenditures	<u>(20,393,288)</u>	<u>(37,411,077)</u>	<u>(24,683,729)</u>	<u>12,727,348</u>
<b>OTHER FINANCING SOURCES</b>				
Transfers in from other governmental funds	17,785,974	17,785,974	17,785,974	-
Transfers in from County of Fairfax, VA	2,607,314	2,607,314	2,607,314	-
Total other financing sources	<u>20,393,288</u>	<u>20,393,288</u>	<u>20,393,288</u>	<u>-</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ (17,017,789)</u>	<u>\$ (4,290,441)</u>	<u>\$ 12,727,348</u>

**FAIRFAX COUNTY PUBLIC SCHOOLS**  
**Budgetary Comparison Schedule - Budget and Actual**  
**Adult and Community Education Fund**  
**For the Fiscal Year Ended June 30, 2015**

**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	\$ 1,654,623	\$ 1,654,623	\$ 875,178	\$ (779,445)
Commonwealth of Virginia	1,172,815	922,815	975,075	52,260
Charges for services:				
Tuition and fees	6,219,475	6,469,475	5,682,604	(786,871)
Revenue from the use of money and property	16,580	6,580	4,610	(1,970)
Other	386,516	396,516	421,688	25,172
Total revenues	<u>9,450,009</u>	<u>9,450,009</u>	<u>7,959,155</u>	<u>(1,490,854)</u>
<b>EXPENDITURES</b>				
Current:				
Instruction:				
Regular education:				
High school	157,503	157,503	157,503	-
Adult and community education	8,595,473	8,961,997	8,005,497	(956,500)
Total expenditures	<u>8,752,976</u>	<u>9,119,500</u>	<u>8,163,000</u>	<u>(956,500)</u>
Deficiency of revenues under expenditures	697,033	330,509	(203,845)	(534,354)
<b>OTHER FINANCING SOURCES</b>				
Transfers in from other governmental funds	235,000	235,000	235,000	-
Net change in fund balances	<u>\$ 932,033</u>	<u>\$ 565,509</u>	<u>\$ 31,155</u>	<u>\$ (534,354)</u>



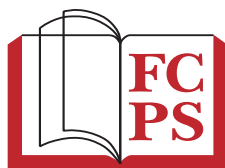
A young man with short brown hair and a small earring is shown in profile, playing a golden saxophone. He is wearing a blue and white patterned short-sleeved shirt. In the background, other band members are visible, some also playing saxophones. The scene is brightly lit, suggesting an indoor or outdoor performance setting.

## INTERNAL SERVICE FUNDS

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

Health Benefits Fund—a self-insurance fund used to account for the transactions associated with the comprehensive health benefits self-insurance program. This fund also provides for payment of eligible health care and dependent care expenses for employees participating in the flexible spending account program.

Insurance Fund—a self-insurance fund used to account for Fairfax County Public Schools' casualty liability obligations, including workers' compensation.





**FAIRFAX COUNTY PUBLIC SCHOOLS**  
**Combining Statement of Net Position**  
**Internal Service Funds**  
**June 30, 2015**

**EXHIBIT R**

	<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	\$ 72,707,046	\$ 51,432,487	\$ 124,139,533
Receivables:			
Accounts	8,041,786	131,336	8,173,122
Accrued interest	21,507	-	21,507
Prepaid items	-	2,188	2,188
Total current assets	<u>80,770,339</u>	<u>51,566,011</u>	<u>132,336,350</u>
Non-current assets:			
Capital assets:			
Equipment	-	40,029	40,029
Accumulated depreciation	-	(40,029)	(40,029)
Total non-current assets	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>80,770,339</u>	<u>51,566,011</u>	<u>132,336,350</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Total deferred outflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	8,426,931	292,957	8,719,888
Unearned revenue	10,233,923	-	10,233,923
Compensated absences	112,353	42,127	154,480
Actuarial claims payable	21,572,600	7,506,172	29,078,772
Total current liabilities	<u>40,345,807</u>	<u>7,841,256</u>	<u>48,187,063</u>
Non-current liabilities:			
Compensated absences	48,151	18,054	66,205
Actuarial claims payable	1,135,400	30,024,688	31,160,088
Total non-current liabilities	<u>1,183,551</u>	<u>30,042,742</u>	<u>31,226,293</u>
Total liabilities	<u>41,529,358</u>	<u>37,883,998</u>	<u>79,413,356</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET POSITION</b>			
Invested in capital assets	-	-	-
Unrestricted	39,240,981	13,682,013	52,922,994
Total net assets	<u>\$ 39,240,981</u>	<u>\$ 13,682,013</u>	<u>\$ 52,922,994</u>

FAIRFAX COUNTY PUBLIC SCHOOLS

EXHIBIT S

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

Internal Service Funds

For the Fiscal Year Ended June 30, 2015

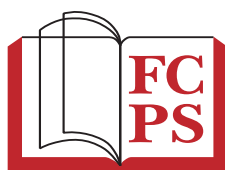
	Health Benefits	Insurance	Total Internal Service Funds
<b>OPERATING REVENUES</b>			
Charges for services	\$ 350,657,906	\$ 14,800,859	\$ 365,458,765
<b>OPERATING EXPENSES</b>			
Salaries and wages	2,447,865	931,111	3,378,976
Claims and benefits	343,269,097	11,834,111	355,103,208
Professional consultant services	10,766,183	1,206,912	11,973,095
Other operating expenses	23,973	305,427	329,400
Depreciation	-	993	993
Total operating expenses	<u>356,507,118</u>	<u>14,278,554</u>	<u>370,785,672</u>
Operating income (loss)	(5,849,212)	522,305	(5,326,907)
<b>NONOPERATING REVENUES</b>			
Interest revenue	66,518	-	66,518
Change in net position	(5,782,694)	522,305	(5,260,389)
Total net position - July 1, 2014	45,023,675	13,159,708	58,183,383
Total net position - June 30, 2015	<u>\$ 39,240,981</u>	<u>\$ 13,682,013</u>	<u>\$ 52,922,994</u>



**FAIRFAX COUNTY PUBLIC SCHOOLS**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**For the Fiscal Year Ended June 30, 2015**

**EXHIBIT T**

	<b>Health Benefits</b>	<b>Insurance</b>	<b>Total Internal Service Funds</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from interfund services provided	\$ 348,547,984	\$ 14,669,523	\$ 363,217,507
Payments to employees	(2,447,865)	(931,111)	(3,378,976)
Payments to vendors for inventory	-	-	-
Payments for claims and health benefits	(343,845,129)	(10,307,342)	(354,152,471)
Payments for professional services	(10,375,057)	(1,874,923)	(12,249,980)
Payments for other operating expenses	(23,973)	(305,427)	(329,400)
Net cash provided (used) by operating activities	<u>(8,144,040)</u>	<u>1,250,720</u>	<u>(6,893,320)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received	123,546	-	123,546
Net cash provided by investing activities	<u>123,546</u>	<u>-</u>	<u>123,546</u>
Net (decrease) increase in cash and cash equivalents	(8,020,494)	1,250,720	(6,769,774)
Cash and cash equivalents - July 1, 2014	80,727,540	50,181,767	130,909,307
<b>Cash and cash equivalents - June 30, 2015</b>	<u>\$ 72,707,046</u>	<u>\$ 51,432,487</u>	<u>\$ 124,139,533</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>			
Operating income (loss)	\$ (5,849,212)	\$ 522,305	\$ (5,326,907)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation expense	-	993	993
(Increase) in accounts receivable	(2,209,014)	(131,336)	(2,340,350)
(Increase) in prepaid items	-	(1,898)	(1,898)
(Decrease) Increase in accounts payable	391,127	(666,114)	(274,987)
Increase in unearned revenue	99,092	-	99,092
Increase in compensated absences	39,967	1,463	41,430
Increase (decrease) in actuarial claims payable	(616,000)	1,525,307	909,307
Total adjustments to operating income	<u>(2,294,828)</u>	<u>728,415</u>	<u>(1,566,413)</u>
Net cash provided (used) by operating activities	<u>\$ (8,144,040)</u>	<u>\$ 1,250,720</u>	<u>\$ (6,893,320)</u>







## FIDUCIARY FUNDS

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, 2015**

**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	\$ 1,494,142	\$ 500	\$ 1,494,642
Cash with fiscal agent	938,015	-	938,015
Cash collateral for securities on loan	160,546,422	-	160,546,422
Short-term investments	17,655,629	-	17,655,629
Receivables:			
Accrued interest	2,629,598	-	2,629,598
Securities sold	10,143,588	1,694,731	11,838,319
Investments, at fair value:			
U. S. government obligations	22,560,732	-	22,560,732
Mortgage-backed securities	103,791,491	-	103,791,491
Stocks	656,501,978	41,709,715	698,211,693
Real estate	169,974,902	-	169,974,902
Global asset allocation	218,806,384	-	218,806,384
Better beta derivatives	111,714,562	-	111,714,562
Hedge funds	174,171,320	10,257,492	184,428,812
Private equity mutual partnership	47,414,464	-	47,414,464
Mutual funds	655,130,307	42,275,025	697,405,332
Prepaid items	10,000	-	10,000
Capital assets:			
Equipment	153,637	-	153,637
Accumulated depreciation	(113,701)	-	(113,701)
Total assets	<u>2,353,523,470</u>	<u>95,937,463</u>	<u>2,449,460,933</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Total deferred outflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
<b>LIABILITIES</b>			
Accounts payable	1,913,934	-	1,913,934
Interfund payables	-	37,700	37,700
Payable for purchase of investments	11,339,057	-	11,339,057
Liability for collateral received under securities lending agreements	<u>160,546,422</u>	<u>-</u>	<u>160,546,422</u>
Total liabilities	<u>173,799,413</u>	<u>37,700</u>	<u>173,837,113</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>\$ 2,179,724,057</u>	<u>\$ 95,899,763</u>	<u>\$ 2,275,623,820</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, 2015**

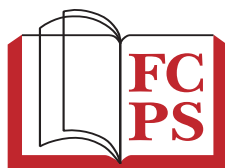
**EXHIBIT V**

	<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	\$ 74,324,396	\$ 26,097,000	\$ 100,421,396
Plan members	39,982,963	-	39,982,963
Total contributions	<u>114,307,359</u>	<u>26,097,000</u>	<u>140,404,359</u>
Investment earnings:			
From investing activities:			
Net appreciation in fair value of investments	42,160	2,100,792	2,142,952
Interest and dividends	37,472,575	45	37,472,620
Real estate income	7,548,133	-	7,548,133
Other	5,017	-	5,017
Gain from investing activities	<u>45,067,885</u>	<u>2,100,837</u>	<u>47,168,722</u>
Less investment expenses:			
Investment management fees	12,556,218	77,912	12,634,130
Investment consulting fees	438,166	-	438,166
Investment custodial fees	196,239	500	196,739
Investment salaries	220,628	-	220,628
Total investment expenses	<u>13,411,251</u>	<u>78,412</u>	<u>13,489,663</u>
Net gain from investing activities	<u>31,656,634</u>	<u>2,022,425</u>	<u>33,679,059</u>
From securities lending activities:			
Securities lending	439,036	-	439,036
Securities lending borrower rebates	130,392	-	130,392
Securities lending management fees	(142,154)	-	(142,154)
Net income from securities lending activities	<u>427,274</u>	<u>-</u>	<u>427,274</u>
Net investment gain	<u>32,083,908</u>	<u>2,022,425</u>	<u>34,106,333</u>
Total additions	<u>146,391,267</u>	<u>28,119,425</u>	<u>174,510,692</u>
<b>DEDUCTIONS</b>			
Benefit payments	162,145,265	16,097,000	178,242,265
Refund of contributions	5,697,311	-	5,697,311
Administrative expenses	3,751,825	-	3,751,825
Total deductions	<u>171,594,401</u>	<u>16,097,000</u>	<u>187,691,401</u>
Change in net position	(25,203,134)	12,022,425	(13,180,709)
Net position - July 1, 2014	2,204,927,191	83,877,338	2,288,804,529
Net position - June 30, 2015	<u>\$ 2,179,724,057</u>	<u>\$ 95,899,763</u>	<u>\$ 2,275,623,820</u>

FAIRFAX COUNTY PUBLIC SCHOOLS  
 Statement of Changes in Assets and Liabilities  
 Student Activity Fund  
 For the Fiscal Year Ended June 30, 2015

EXHIBIT W

	Balance June 30, 2014	Additions	Deductions	Balance June 30, 2015
<b>ASSETS</b>				
Cash with fiscal agent	\$ 19,934,374	\$ 156,604,004	\$ (156,275,924)	\$ 20,262,454
Accounts receivable	419,253	264,113	(151,859)	531,507
Inventories	369,270	128,940	(69,174)	429,036
Total assets	<u>\$ 20,722,897</u>	<u>\$ 156,997,057</u>	<u>\$ (156,496,957)</u>	<u>\$ 21,222,997</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 546,495	\$ 303,958	\$ (293,989)	\$ 556,464
Due to student groups	20,176,402	156,693,099	(156,202,968)	20,666,533
Total liabilities	<u>\$ 20,722,897</u>	<u>\$ 156,997,057</u>	<u>\$ (156,496,957)</u>	<u>\$ 21,222,997</u>







## STATISTICAL SECTION (unaudited)

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

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

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

<b>Governmental Activities</b>	<b>Fiscal Year</b>				
	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
Net investment in capital assets	\$ 2,226,691	\$ 2,126,682	\$ 2,026,739	\$ 1,986,758	\$ 1,941,947
Restricted (1)	60,964	103,699	137,390	-	8,940
Unrestricted	(2,961,330)	200,355	251,288	411,291	388,234
Total net position	<u>\$ (673,675)</u>	<u>\$ 2,430,736</u>	<u>\$ 2,415,417</u>	<u>\$ 2,398,049</u>	<u>\$ 2,339,121</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 2006-2015

TABLE 1

Fiscal Year					Governmental Activities
2010	2009	2008	2007	2006	
\$ 1,866,973	\$ 1,851,436	\$ 1,788,593	\$ 1,736,800	\$ 1,695,698	Net investment in capital assets
71,568	28,520	21,647	-	-	Restricted (1)
255,695	172,741	149,557	166,902	117,930	Unrestricted
<u>\$ 2,194,236</u>	<u>\$ 2,052,697</u>	<u>\$ 1,959,797</u>	<u>\$ 1,903,702</u>	<u>\$ 1,813,628</u>	Total net position

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

<b>Governmental Activities</b>	<b>Fiscal Year</b>				
	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
<b>Expenses (4)</b>					
Instruction	\$ 2,220,230	\$ 2,216,228	\$ 2,201,593	\$ 2,034,780	\$ 1,902,838
Support programs	360,930	360,657	340,158	328,736	332,906
Food service	77,804	81,128	82,418	79,303	73,756
Technology (4)	-	-	-	-	-
Interest on long-term debt (3)	2,865	3,043	3,372	3,390	4,088
Total expenses	<u>2,661,829</u>	<u>2,661,056</u>	<u>2,627,541</u>	<u>2,446,209</u>	<u>2,313,588</u>
<b>Program Revenues</b>					
Charges for services:					
Instruction	47,392	49,753	51,495	49,918	43,188
Support programs (4)	15,672	11,536	11,489	9,322	11,106
Food service (4)	39,592	41,567	43,563	47,547	47,458
Operating grants and contributions	259,109	262,295	253,061	235,073	229,644
Capital grants and contributions	171,313	160,008	167,136	161,268	141,171
Total program revenues	<u>533,078</u>	<u>525,159</u>	<u>526,744</u>	<u>503,128</u>	<u>472,567</u>
Total net (expense) revenue	<u>(2,128,751)</u>	<u>(2,135,897)</u>	<u>(2,100,797)</u>	<u>(1,943,081)</u>	<u>(1,841,021)</u>
<b>General Revenues and Other Changes in Net Position</b>					
Grants and contributions not restricted to specific purposes:					
Federal government (5)	4,635	4,739	6,324	6,224	7,574
Commonwealth of Virginia	448,297	427,765	426,778	383,205	365,912
County of Fairfax, VA	1,768,498	1,716,989	1,683,322	1,610,835	1,611,591
Revenue for the use of money (2)	21	19	74	60	692
Other	1,688	1,703	1,668	1,685	137
Special items (3)	-	-	-	-	-
Total general revenues and other changes in net position	<u>2,223,139</u>	<u>2,151,215</u>	<u>2,118,166</u>	<u>2,002,009</u>	<u>1,985,906</u>
<b>Change in Net Position</b>	<u>\$ 94,388</u>	<u>\$ 15,318</u>	<u>\$ 17,369</u>	<u>\$ 58,928</u>	<u>\$ 144,885</u>

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

(2) Revenue from the use of money varies from year to year primarily due to fluctuations in interest rates.

(3) 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					
2010	2009	2008	2007	2006	
\$ 1,884,182	\$ 1,962,020	\$ 1,925,025	\$ 1,627,142	\$ 1,529,004	<b>Governmental Activities</b>
322,682	333,639	347,875	469,971	443,187	<b>Expenses (4)</b>
68,957	71,118	67,872	-	-	Instruction
-	-	-	125,341	118,127	Support programs
3,942	4,238	4,611	6,030	1,974	Food service
<u>2,279,763</u>	<u>2,371,015</u>	<u>2,345,383</u>	<u>2,228,484</u>	<u>2,092,292</u>	Technology (4)
					Interest on long-term debt (6)
					Total expenses
					<b>Program Revenues</b>
21,413	46,984	48,122	52,114	49,159	Charges for services:
7,698	8,175	6,535	45,166	43,578	Instruction
47,207	49,280	45,794	-	-	Support programs (4)
225,774	179,396	167,889	165,195	152,119	Food service (4)
162,727	170,736	165,578	145,185	121,934	Operating grants and contributions
<u>464,819</u>	<u>454,571</u>	<u>433,918</u>	<u>407,660</u>	<u>366,790</u>	Capital grants and contributions
(1,814,944)	(1,916,444)	(1,911,465)	(1,820,824)	(1,725,502)	Total program revenues
					Total net (expense) revenue
					<b>General Revenues and Other Changes</b>
					<b>in Net Position</b>
					Grants and contributions not restricted to
6,506	8,828	7,099	10,343	4,343	specific purposes:
319,350	365,932	364,021	364,978	318,843	Federal government (5)
1,626,601	1,626,601	1,586,601	1,533,218	1,429,717	Commonwealth of Virginia
957	1,839	4,404	4,586	3,594	County of Fairfax, VA
3,069	6,144	5,435	5,436	4,673	Revenue for the use of money (2)
-	-	-	(7,663)	-	Other
<u>1,956,483</u>	<u>2,009,344</u>	<u>1,967,560</u>	<u>1,910,898</u>	<u>1,761,170</u>	Special items (3)
\$ 141,539	\$ 92,900	\$ 56,095	\$ 90,074	\$ 35,668	Total general revenues and other
					changes in net position
					<b>Change in Net Position</b>

- (4) 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.
- (5) The fiscal year 2006 impact aid payment was not received until fiscal year 2007 causing a small spike in Federal revenue.
- (6) 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.

Source: FCPS Comprehensive Annual Financial Reports 2006-2015

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

	Fiscal Year				
	2015	2014	2013	2012	2011
General Fund:					
Nonspendable	\$ 396	\$ 427	\$ 259	\$ 26,937	\$ 23,246
Restricted	-	-	-	-	-
Committed	54,084	57,205	90,651	126,092	47,993
Assigned	90,075	97,550	119,806	83,565	140,890
Unassigned	2,141	2,086	3,272	22,493	48,607
<b>Total General Fund</b>	<b>\$ 146,696</b>	<b>\$ 157,268</b>	<b>\$ 213,988</b>	<b>\$ 259,087</b>	<b>\$ 260,736</b>
All other governmental funds:					
Nonspendable	\$ 1,852	\$ 2,348	\$ 1,466	\$ 3,633	\$ 2,253
Restricted	61,362	104,066	137,974	114,292	31,461
Committed	-	-	-	-	-
Assigned	-	-	-	0	75,009
Unassigned	-	-	-	(975)	-
<b>Total all other governmental funds</b>	<b>\$ 63,214</b>	<b>\$ 106,414</b>	<b>\$ 139,440</b>	<b>\$ 116,950</b>	<b>\$ 108,723</b>

Source: FCPS Comprehensive Annual Financial Reports 2006-2015 and FCPS Final Budget Review Reports 2006-2015.

TABLE 3

Fiscal Year					
2010	2009	2008	2007	2006	
\$ 19,652	\$ 18,128	\$ 17,507	\$ 298	\$ -	General Fund:
-	-	-	-	-	Nonspendable
-	-	-	-	-	Restricted
136,247	75,569	63,528	76,505	74,746	Committed
33,858	24,447	27,776	52,099	15,540	Assigned
<u>\$ 189,757</u>	<u>\$ 118,144</u>	<u>\$ 108,811</u>	<u>\$ 128,902</u>	<u>\$ 90,286</u>	Unassigned
					Total General Fund
\$ 2,459	\$ 2,248	\$ 2,191	\$ 1,160	\$ 1,545	All other governmental funds:
27,598	15,365	13,957	11,789	16,725	Nonspendable
-	-	-	-	-	Restricted
94,276	36,466	12,922	-	-	Committed
-	-	-	-	-	Assigned
<u>\$ 124,333</u>	<u>\$ 54,079</u>	<u>\$ 29,070</u>	<u>\$ 12,949</u>	<u>\$ 18,270</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**

	Fiscal Year				
	2015	2014	2013	2012	2011
<b>Revenues</b>					
Intergovernmental	\$ 2,639,091	\$ 2,559,313	\$ 2,514,854	\$ 2,384,966	\$ 2,343,575
Charges for services	56,650	57,838	60,184	64,672	64,862
Revenue from the use of money and property	3,630	3,183	3,170	3,232	3,518
Recovered costs (1)	42,426	42,140	43,523	39,262	35,795
Other	14,420	13,900	23,179	15,600	11,136
Total revenues	<u>2,756,217</u>	<u>2,676,374</u>	<u>2,644,910</u>	<u>2,507,732</u>	<u>2,458,886</u>
<b>Expenditures</b>					
Current (5):					
Instruction	2,154,041	2,121,484	2,102,979	1,940,659	1,826,700
Support programs	350,964	345,640	325,273	313,294	311,628
Food service (5)	75,526	77,987	78,635	75,782	70,522
Technology (5)	-	-	-	-	-
Capital outlay (3)	229,852	214,819	154,625	174,390	174,358
Debt service: (3)					
Principal	15,238	14,407	12,834	13,474	22,759
Interest	2,751	3,273	3,372	3,390	4,317
Total expenditures	<u>2,828,372</u>	<u>2,777,610</u>	<u>2,677,718</u>	<u>2,520,989</u>	<u>2,410,284</u>
Excess (deficiency) of revenues over (under) expenditures	(72,155)	(101,236)	(32,808)	(13,257)	48,602
<b>Other financing sources (uses)</b>					
Transfers in	30,491	36,874	30,393	22,206	24,684
Transfers out	(30,491)	(36,874)	(30,393)	(22,206)	(24,684)
Capital leases and installment purchases (2)	18,340	11,148	10,294	19,680	7,058
Total other financing sources (uses)	<u>18,340</u>	<u>11,148</u>	<u>10,294</u>	<u>19,680</u>	<u>7,058</u>
<b>Special items (4)</b>	-	-	-	-	-
Net change in fund balances (6)	<u>\$ (53,815)</u>	<u>\$ (90,088)</u>	<u>\$ (22,514)</u>	<u>\$ 6,423</u>	<u>\$ 55,660</u>
Debt service as a percentage of noncapital expenditures (3)	0.7%	0.7%	0.6%	0.7%	1.2%

(1) FCPS provides educational services to the City of Fairfax's schools on a cost reimbursement basis. These revenues are reported as recovered costs.

(2) The items acquired by capital leases and installment purchases include computers, vehicles, buses, and energy saving packages. The amount of funding available for these purchases may vary dramatically over time depending on needs. The substantial increase in fiscal year 2010 was due to the fact fiscal year 2009 leases were postponed because the master lease agreement expired in fiscal year 2009.

(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

Fiscal Year					
2010	2009	2008	2007	2006	
\$ 2,349,368	\$ 2,336,434	\$ 2,277,965	\$ 2,206,411	\$ 2,024,051	<b>Revenues</b>
63,733	65,021	62,077	58,742	56,138	Intergovernmental
3,614	3,371	3,365	3,326	3,859	Charges for services
34,852	37,344	36,472	33,946	32,129	Revenue from the use of money and property
12,919	12,776	17,021	15,707	10,704	Recovered costs (1)
<u>2,464,486</u>	<u>2,454,946</u>	<u>2,396,900</u>	<u>2,318,132</u>	<u>2,126,881</u>	Other
					Total revenues
					<b>Expenditures</b>
					Current (5):
1,820,542	1,882,672	1,854,380	1,568,179	1,463,219	Instruction
311,695	313,837	334,251	451,946	433,847	Support programs
66,917	68,282	65,704	-	-	Food service (5)
-	-	-	120,840	110,777	Technology (5)
127,979	148,604	138,534	138,588	161,774	Capital outlay (3)
13,210	15,487	20,119	19,739	20,624	Debt service: (3)
3,950	4,448	4,620	4,776	5,149	Principal
<u>2,344,293</u>	<u>2,433,330</u>	<u>2,417,608</u>	<u>2,304,068</u>	<u>2,195,390</u>	Interest
					Total expenditures
120,193	21,616	(20,708)	14,064	(68,509)	Excess (deficiency) of revenues over (under) expenditures
					<b>Other financing sources (uses)</b>
30,445	45,227	38,998	43,807	38,992	Transfers in
(30,445)	(34,527)	(38,998)	(43,807)	(38,992)	Transfers out
21,496	1,996	16,404	15,618	15,960	Capital leases and installment purchases (2)
<u>21,496</u>	<u>12,696</u>	<u>16,404</u>	<u>15,618</u>	<u>15,960</u>	Total other financing sources (uses)
-	-	-	4,000	-	<b>Special items (4)</b>
<u>\$ 141,689</u>	<u>\$ 34,312</u>	<u>\$ (4,304)</u>	<u>\$ 33,682</u>	<u>\$ (52,549)</u>	Net change in fund balances (6)
0.8%	0.9%	1.1%	1.1%	1.3%	Debt service as a percentage of noncapital expenditures (3)

(4) 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 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.

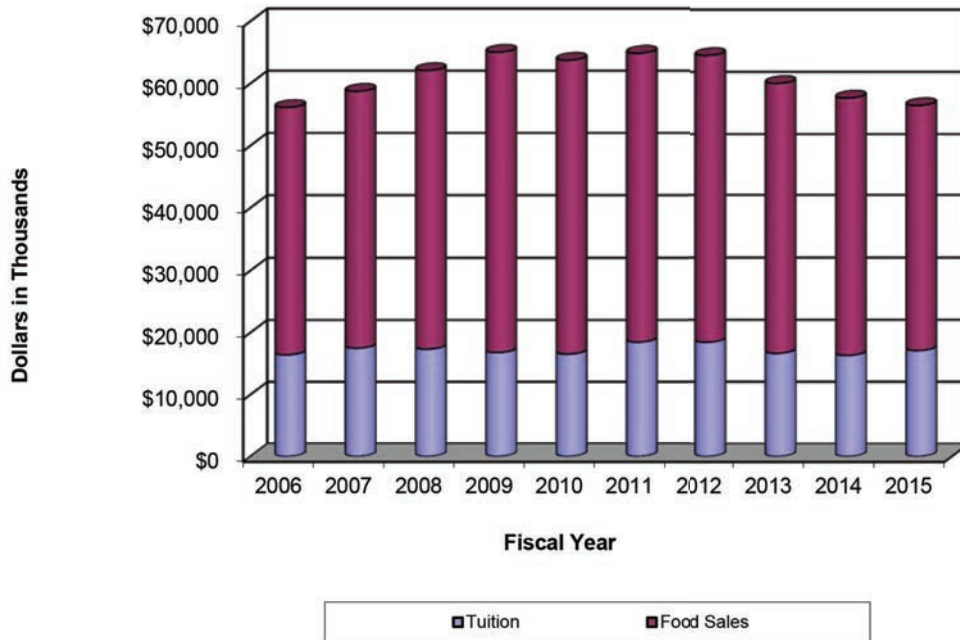
Source: FCPS Comprehensive Annual Financial Reports 2006-2015

**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>
2015	\$ 17,058	30.1 %	\$ 39,592	69.9 %	\$ 56,650
2014	16,271	28.1	41,567	71.9	57,838
2013	16,621	27.6	43,563	72.4	60,184
2012	18,409	28.5	46,263	71.5	64,672
2011	18,451	28.4	46,411	71.6	64,862
2010	16,526	25.9	47,207	74.1	63,733
2009	16,773	25.8	48,248	74.2	65,021
2008	17,325	27.9	44,752	72.1	62,077
2007	17,472	29.7	41,270	70.3	58,742
2006	16,391	29.2	39,747	70.8	56,138

**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 2006-2015

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

**TABLE 6**

Fiscal Year	Student	Student Lunch			Adult
	Breakfast	Elementary	Middle	High	Lunch
2015	1.75	2.90	3.00	3.00	3.90
2014	1.50	2.65	2.75	2.75	3.65
2013	1.50	2.65	2.75	2.75	3.65
2012	1.50	2.65	2.75	2.75	3.65
2011	1.50	2.65	2.75	2.75	3.65
2010	1.50	2.65	2.75	2.75	3.65
2009	1.50	2.40	2.50	2.50	3.40
2008	1.25	2.15	2.25	2.25	3.15
2007	1.10	2.00	2.10	2.10	3.00
2006	1.00	1.90	2.00	2.00	2.75

(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 2015			Fiscal Year 2006 (1)		
	Sales	Rank	Percentage of Total Sales	Sales	Rank	Percentage of Total Sales
Student	\$ 32,227	1	81.40 %	\$ 25,702	1	60.51 %
School-age child care (SACC)	2,577	2	6.51	2,036	5	4.79
Vending	2,522	3	6.37	4,634	3	10.91
Daycare	978	4	2.47	910	6	2.14
Senior nutrition	559	5	1.41	692	7	1.63
Adult	422	6	1.07	2,442	4	5.75
Catering/other	307	7	0.77	6,059	2	14.27
Total:	<u>\$ 39,592</u>		<u>100.00 %</u>	<u>\$ 42,475</u>		<u>100.00 %</u>

(1) Sales for fiscal year 2006 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 2006 CAFR.

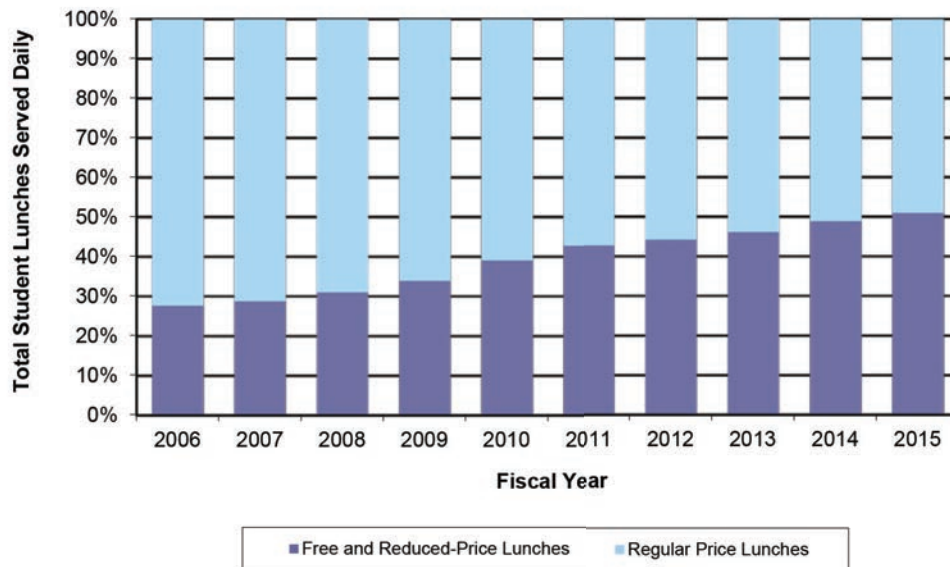
Source: FCPS - Office of Food and Nutrition Services

**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	
2015	19,193	81,526	41,549	2,635
2014	19,090	83,355	40,786	2,743
2013	17,171	85,006	39,258	2,877
2012	15,400	86,703	38,365	2,981
2011	12,825	85,154	36,414	3,000
2010	11,911	83,514	32,661	3,138
2009	10,456	83,385	28,302	3,421
2008	10,555	81,432	25,292	3,603
2007	10,889	82,273	23,726	3,975
2006	10,202	82,169	22,759	4,474

**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>		
2015	\$ 79,529	\$ -	\$ 79,529	0.10 %	70
2014	76,413	-	76,413	0.09	68
2013	84,948	-	84,948	0.11	76
2012	87,533	-	87,533	0.12	80
2011	81,327	-	81,327	0.11	75
2010	87,232	9,795	97,027	0.13	90
2009	77,232	11,509	88,741	0.12	84
2008	89,078	13,153	102,231	0.15	98
2007	91,216	14,730	105,946	0.16	102
2006	96,750	13,630	110,380	0.17	107

(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.

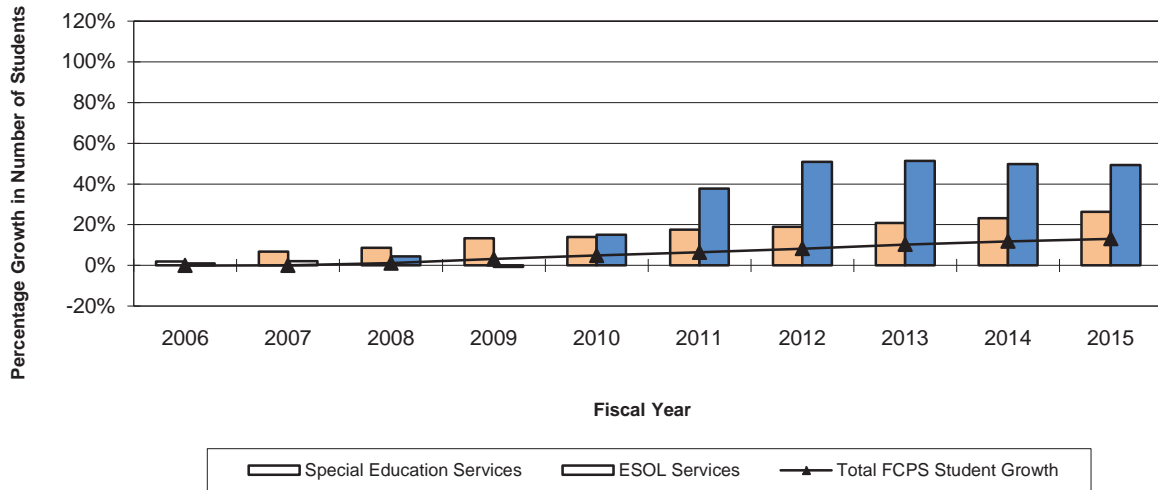
Source: FCPS Comprehensive Annual Financial Reports 2006-2015

**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>
2015	92,897	25,060	52,265	15,692	185,914
2014	93,281	23,847	51,472	15,295	183,895
2013	91,657	23,459	51,124	15,019	181,259
2012	89,049	23,508	50,583	14,778	177,918
2011	86,796	23,384	50,153	14,600	174,933
2010	84,012	24,250	49,972	14,157	172,391
2009	83,114	22,931	49,422	14,071	169,538
2008	81,341	22,744	48,723	13,499	166,307
2007	80,134	22,375	48,712	13,265	164,486
2006	80,389	22,600	48,630	12,665	164,284

**Total FCPS Student Growth from Fiscal Year 2005 Compared to Increased Services for Special Education and English for Speakers of Other Languages (ESOL)**



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

Source: FCPS Approved Budgets 2007-2016

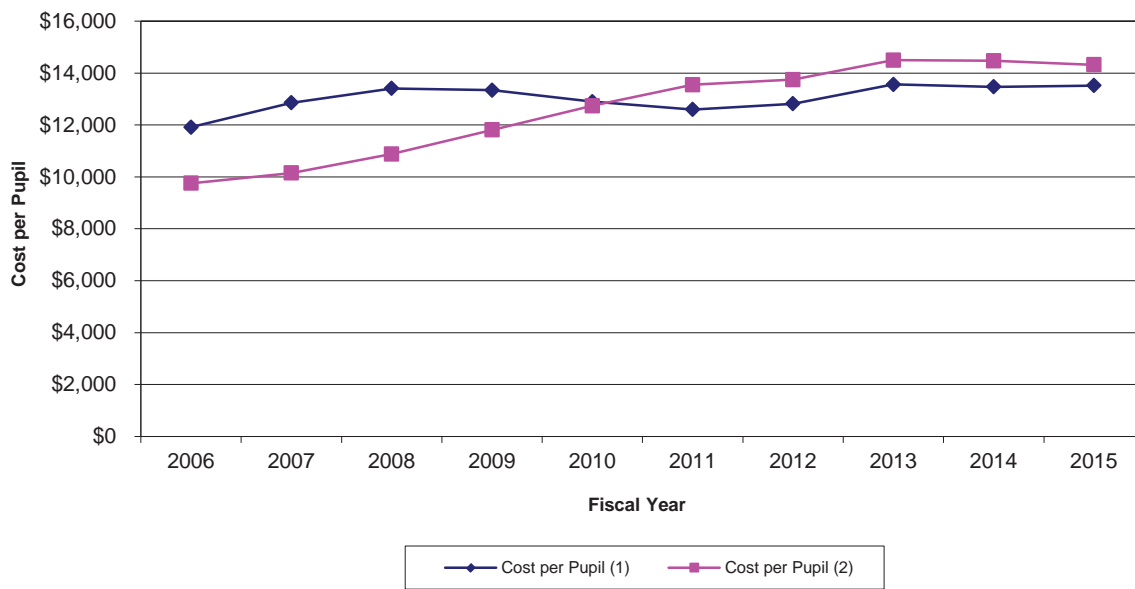


**FAIRFAX COUNTY PUBLIC SCHOOLS**  
**Cost per Pupil**  
**Last Ten Fiscal Years**  
**Unaudited**

**TABLE 11**

<b>Fiscal Year</b>	<b>Cost per Pupil (1)</b>	<b>Cost per Pupil (2)</b>
2015	\$ 13,519	\$ 14,318
2014	13,472	14,471
2013	13,564	14,496
2012	12,820	13,749
2011	12,597	13,032
2010	12,898	13,224
2009	13,340	13,985
2008	13,407	14,103
2007	12,853	13,548
2006	11,915	12,736

**Cost per Pupil Trend**



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

Source: Metropolitan/Washington Area Boards of Education Guides 2006-2015  
 FCPS Comprehensive Annual Financial Reports 2006-2015

**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>
2014	1,137,538	\$ 81,620,627	\$ 71,752	37.6	58.6 %	183,895	3.5 %
2013	1,130,924	80,982,075	71,607	37.3	58.2	181,259	3.7
2012	1,118,602	77,012,392	68,847	37.6	59.3	177,918	4.3
2011	1,100,692	71,145,429	64,637	37.6	58.0	174,933	4.2
2010	1,081,726	72,577,324	67,094	37.5	56.1	172,391	4.9
2009	1,074,227	74,380,758	69,241	37.3	58.1	169,538	4.8
2008	1,050,315	74,385,409	70,822	39.4	58.5	166,307	3.4
2007	1,041,507	70,500,650	67,691	39.1	59.0	164,486	2.2
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

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 Fairfax 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 2014 is estimated using percent change in per capita personal income from 2012 to 2013.
- (3) Median age and educational attainment information are obtained from the U.S. Census Bureau's American Fact Finder and Virginia Economic Development Partnership.
- (4) Public school enrollment is obtained from FCPS Approved Budgets 2006-2015.
- (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**

<b>Employer</b>	<b>Fiscal Year 2015 (1)</b>			<b>Fiscal Year 2006 (1)</b>		
	<b>Number of Employees (2)</b>	<b>Rank</b>	<b>Percent of Total County Employment (3)</b>	<b>Number of Employees (2)</b>	<b>Rank</b>	<b>Percent of Total County Employment (3)</b>
Fairfax County Public Schools	24,181	1	3.81 %	22,562	1	3.95 %
Federal Government	23,634	2	3.73	12,517	2	2.19
Fairfax County Government	12,326	3	1.94	10,999	3	1.92
Inova Health System	7,000-10,000	4	1.34	10,000-11,000	4	1.84
George Mason University	5,000-10,000	5	1.18			
Booz-Allen Hamilton	4,000-6,999	6	0.87	8,000-9,000	5	1.49
Federal Home Loan Mortgage	4,000-6,999	7	0.87	4,000-5,000	10	0.79
General Dynamics	4,000-6,999	8	0.87			
Science Applications International Corporation (4)	4,000-6,999	9	0.87	6,000-7,000	7	1.14
Northrup Grumman	1,000-3,999	10	0.39	8,000-9,000	6	1.49
AT&T	1,000-3,999	-	0.39			
Sprint Nextel				5,000-6,000	8	0.96
Lockheed Martin				5,000-6,000	9	0.96
<b>Totals</b>			<b>16.26 %</b>			<b>16.73 %</b>

- (1) Employment information for fiscal year 2015 excluding data for Fairfax County Government and FCPS, is from the first quarter of calendar year 2015 VEC. Employment information for fiscal year 2006 is from the fiscal year 2006 County of Fairfax CAFR.
- (2) Employment estimates for separate facilities of the same firm have been combined to create company totals. Employment ranges for the private sector are given to ensure confidentiality.
- (3) Percentages are based on the midpoint of the employment range. Average total County employment in fiscal year 2015 is estimated at 634,272, based on Business Statistics of the Fairfax Development Authority. Average total County employment for fiscal year 2006 was estimated at 571,401.
- (4) SAIC employment reported prior to the September 2013 split into two independent companies (SAIC and Leidos).

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

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

Function	Fiscal Year				
	2015	2014	2013	2012	2011
<b>School Based:</b>					
Principals	197.0	196.0	196.0	195.0	194.0
Assistant principals & directors	454.0	454.0	450.0	439.0	437.0
Teachers	15,086.8	15,221.3	14,986.0	14,574.2	14,230.4
Instructional assistants	2,600.3	2,719.6	2,678.5	2,537.6	2,419.2
Custodian	1,301.5	1,345.0	1,338.0	1,267.0	1,251.5
Other school based personnel	2,658.1	2,690.8	2,667.3	2,609.5	2,536.1
<b>Non-School Based:</b>					
Administration	1,125.6	1,158.1	1,120.6	1,044.2	1,014.7
Teachers (1)	27.5	38.0	40.5	40.0	30.0
Office assistants	251.6	274.1	274.6	282.9	279.9
Trades personnel	479.0	493.0	480.0	545.0	546.0
Total	<u>24,181.4</u>	<u>24,589.9</u>	<u>24,231.5</u>	<u>23,534.4</u>	<u>22,938.8</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
2010	2009	2008	2007	2006	
195.0	196.0	195.0	196.0	197.0	<b>School Based:</b> Principals
438.0	444.0	439.0	436.0	427.0	Assistant principals & directors
13,979.5	13,945.1	13,941.7	13,821.3	13,796.2	Teachers
2,334.9	2,228.0	2,243.2	2,154.9	2,121.3	Instructional assistants
1,327.5	1,432.0	1,410.5	1,396.5	1,384.0	Custodian
2,569.4	2,711.9	2,687.4	2,674.4	2,618.2	Other school based personnel
1,054.7	1,092.0	1,094.1	1,076.6	1,064.4	<b>Non-School Based:</b> Administration
54.5	27.5	28.0	37.7	36.6	Teachers (1)
311.1	343.8	358.3	355.2	369.2	Office assistants
587.0	594.0	597.0	595.0	586.6	Trades personnel
<u>22,851.6</u>	<u>23,014.3</u>	<u>22,994.2</u>	<u>22,743.6</u>	<u>22,600.5</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**

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**Combined SAT Scores -  
Critical Reading, Math and Writing**

<b>Fiscal Year</b>	<b>County of Fairfax, VA</b>	<b>Commonwealth of Virginia</b>	<b>National</b>
2015	1669	1523	1462
2014	1668	1520	1471
2013	1663	1517	1474
2012	1659	1510	1477
2011	1654	1516	1500
2010	1664	1521	1509
2009	1664	1521	1509
2008	1654	1522	1511
2007	1639	1520	1511
2006	1643	1525	1518

Source: FCPS - Office of Student Testing

**FAIRFAX COUNTY PUBLIC SCHOOLS**

**TABLE 16**

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

**Last Ten Fiscal Years**

**Unaudited**

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<b>Fiscal Year</b>	<b>Elementary</b>	<b>Middle</b>	<b>Secondary/ High</b>
2015	22.4	24.6	25.6
2014	21.4	24.3	25.0
2013	21.4	24.4	24.9
2012	21.5	24.4	25.1
2011	21.7	24.3	25.3
2010	21.2	24.1	24.9
2009	20.9	23.7	24.5
2008	20.7	23.0	24.1
2007	20.7	23.1	23.9
2006	20.7	23.3	23.8

Source: Metropolitan/Washington Area Boards of Education Guides 2006-2015

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

**TABLE 17**

Fiscal Year	Contract Length	Salary		
		Beginning Teacher	Maximum Teacher	Average Teacher
2015	194 days	\$ 46,756	\$ 100,898	\$ 66,782
2014	194 days	46,756	100,898	67,245
2013	194 days	45,161	96,039	64,813
2012	194 days	44,440	93,015	63,980
2011	194 days	44,000	92,094	64,249
2010	194 days	44,389	92,094	64,653
2009	194 days	44,789	92,094	66,237
2008	194 days	43,911	90,289	64,219
2007	194 days	42,400	88,394	62,638
2006	194 days	40,000	85,793	60,201

Source: Metropolitan/Washington Area Boards of Education Guides 2006-2015

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

**TABLE 18**

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Elementary schools	139	139	139	138	139	139	137	137	137	136
Middle schools	23	23	23	22	22	22	22	22	22	22
High/Secondary schools	25	25	25	25	25	25	25	25	25	25
Special education centers (1)	7	7	7	7	8	8	9	10	11	13
Alternative high schools	2	2	2	2	2	3	3	3	3	3
Central administrative centers	22	22	22	22	21	21	23	23	24	28
Buses (2)	1,685	1,586	1,541	1,588	1,534	1,633	1,658	1,691	1,664	1,667

(1) The decreases for fiscal years 2006 through 2012 are a result of a decision by FCPS to make certain centers part of their respective school rather than a separate unit within the school.  
(2) The bus count for fiscal year 2006 has been corrected to reflect the disposal of buses.

Source: FCPS - Office of the Comptroller



**FAIRFAX COUNTY PUBLIC SCHOOLS**  
**School Building Statistics (1)**  
**As of June 30, 2015**  
**Unaudited**

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

	<u>Year Opened</u>	<u>Site Acreage</u>	<u>Building Size (2)</u>	<u>Student Population (2)</u>	<u>Square Foot Per Population</u>
<b>Elementary Schools:</b>					
ALDRIN ES	1994	14	97,436	738	132
ANNANDALE TERRACE ES	1964	12	75,252	714	105
ARMSTRONG ES	1986	14	80,000	470	170
BAILEY'S ES, BAILEY'S UPPER ES	1952, 2014	13	225,340	1,363	159
BEECH TREE ES	1968	10	70,331	391	180
BELLE VIEW ES	1952	11	75,779	573	132
BELVEDERE ES	1954	11	76,611	719	107
BONNIE BRAE ES	1988	13	88,778	713	125
BRADDOCK ES	1959	12	83,283	879	95
BREN MAR PARK ES	1957	10	62,999	537	117
BROOKFIELD ES	1967	13	107,827	839	129
BUCKNELL ES	1954	10	65,470	284	231
BULL RUN ES	1999	41	98,590	885	111
BUSH HILL ES	1954	11	70,939	472	150
CAMELOT ES	1969	10	89,938	611	147
CAMERON ES	1952	8	92,473	522	177
CANTERBURY WOODS ES	1965	12	74,180	751	99
CARDINAL FOREST ES	1966	13	80,214	632	127
CENTRE RIDGE ES	1990	14	93,981	827	114
CENTREVILLE ES	1994	13	98,625	930	106
CHERRY RUN ES	1983	11	69,604	523	133
CHESTERBROOK ES	1926	14	76,713	692	111
CHURCHILL ROAD ES	1958	10	79,538	857	93
CLEARVIEW ES	1979	14	85,609	695	123
CLERMONT ES	1968	13	50,800	544	93
COATES ES	2009	14	89,439	793	113
COLIN L. POWELL ES	2003	17	110,220	959	115
COLUMBIA ES	1967	10	54,993	471	117
COLVIN RUN ES	2003	13	98,590	871	113
CRESTWOOD ES	1955	11	74,596	677	110
CROSSFIELD ES	1988	14	89,134	686	130
CUB RUN ES	1986	16	77,850	593	131
CUNNINGHAM PARK ES	1967	10	55,470	518	107
DEER PARK ES	1995	10	98,740	683	145
DOGWOOD ES	2001	14	98,900	823	120
DRANESVILLE ES	1988	13	88,778	769	115
EAGLE VIEW ES	2006	13	98,590	708	139
FAIRFAX VILLA ES	1965	12	70,248	629	92
FAIRHILL ES	1965	10	73,174	593	123
FAIRVIEW ES	1938	14	80,415	669	120
FLINT HILL ES	1954	10	73,532	705	104
FLORIS ES	1955	10	83,560	700	119
FOREST EDGE ES	1971	13	96,624	757	123
FORESTDALE ES	1964	10	69,535	573	121
FORESTVILLE ES	1980	8	82,972	591	140
FORT BELVOIR ES	1994	20	134,939	1,115	121
FORT HUNT ES	1969	13	87,481	564	155
FOX MILL ES	1979	14	75,784	643	118

**FAIRFAX COUNTY PUBLIC SCHOOLS**  
**School Building Statistics (1)**  
**As of June 30, 2015**  
**Unaudited**

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

	<u>Year Opened</u>	<u>Site Acreage</u>	<u>Building Size (2)</u>	<u>Student Population (3)</u>	<u>Square Foot Per Population</u>
<b>Elementary Schools (Cont'd):</b>					
FRANCONIA ES	1931	7	71,658	527	136
FRANKLIN SHERMAN ES	1952	11	65,965	406	128
FREEDOM HILL ES	1949	12	81,500	640	127
GARFIELD ES	1952	8	60,776	371	164
GLEN FOREST ES	1957	10	106,919	1,070	100
GRAHAM ROAD ES	1950	8	81,354	504	136
GREAT FALLS ES	1952	10	87,447	552	125
GREENBRIAR EAST ES	1968	10	90,547	1,003	80
GREENBRIAR WEST ES	1971	10	93,203	1,137	82
GROVETON ES	1972	13	103,281	787	131
GUNSTON ES	1954	10	80,736	532	152
HALLEY ES	1995	20	98,900	686	144
HAYCOCK ES	1954	10	72,853	879	83
HAYFIELD ES	1966	13	80,149	715	112
HERNDON ES	1961	14	97,146	940	103
HOLLIN MEADOWS ES	1965	10	73,353	652	113
HUNT VALLEY ES	1968	13	90,187	667	135
HUNTERS WOODS ES	1969	11	99,787	1,045	95
HUTCHISON ES	1975	39	106,408	984	108
HYBLA VALLEY ES	1964	10	92,489	947	81
ISLAND CREEK ES	2003	19	98,590	792	124
KEENE MILL ES	1961	11	66,087	746	89
KENT GARDENS ES	1957	11	77,900	922	84
KINGS GLEN ES	1969	8	72,702	440	165
KINGS PARK ES	1964	10	80,019	702	118
LAKE ANNE ES	1967	10	86,200	677	114
LANE ES	1995	20	98,625	838	118
LAUREL HILL ES	2009	15	98,950	910	109
LAUREL RIDGE ES	1970	13	112,320	823	136
LEES CORNER ES	1987	11	81,843	727	113
LEMON ROAD ES	1955	12	61,943	508	107
LITTLE RUN ES	1963	10	55,085	341	162
LONDON TOWNE ES	1969	13	104,620	894	117
LORTON STATION ES	2003	13	98,900	1,071	92
LOUISE ARCHER ES	1939	8	65,434	699	94
LYNBROOK ES	1956	11	85,553	694	128
MANTUA ES	1961	12	97,631	959	102
MARSHALL ROAD ES	1961	11	76,597	695	110
MASON CREST ES	2012	7	98,590	604	163
MCNAIR ES	2001	15	98,900	1,236	91
MOSBY WOODS ES	1963	12	102,129	1,011	101
MOUNT EAGLE ES	1949	6	68,721	401	147
MOUNT VERNON WOODS ES	1965	10	79,490	693	115
NAVY ES	1955	10	91,013	873	104
NEWINGTON FOREST ES	1983	13	77,850	607	128
NORTH SPRINGFIELD ES	1956	12	83,256	528	158
OAK HILL ES	1983	12	86,000	895	96
OAK VIEW ES	1968	10	88,815	782	114

**FAIRFAX COUNTY PUBLIC SCHOOLS**  
**School Building Statistics (1)**  
**As of June 30, 2015**  
**Unaudited**

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

	<u>Year Opened</u>	<u>Site Acreage</u>	<u>Building Size (2)</u>	<u>Student Population (3)</u>	<u>Square Foot Per Population</u>
<b>Elementary Schools (Cont'd):</b>					
OAKTON ES	1945	9	70,881	847	84
OLDE CREEK ES	1966	11	69,330	433	160
ORANGE HUNT ES	1974	14	92,049	801	115
PARKLAWN ES	1958	11	92,330	718	129
PINE SPRING ES	1955	11	65,941	606	109
POPLAR TREE ES	1990	11	94,664	593	160
RAVENSWORTH ES	1963	10	62,061	554	112
RIVERSIDE ES	1968	11	81,025	773	105
ROLLING VALLEY ES	1967	10	77,801	564	138
ROSE HILL ES	1957	11	100,132	752	133
SANGSTER ES	1988	14	88,552	894	99
SARATOGA ES	1989	14	103,570	752	138
SHREVEWOOD ES	1966	13	71,610	699	102
SILVERBROOK ES	1988	14	82,675	800	103
SLEEPY HOLLOW ES	1954	10	70,174	465	151
SPRING HILL ES	1965	13	108,607	955	96
SPRINGFIELD ESTATES ES	1957	11	78,947	769	87
STENWOOD ES	1963	10	71,213	530	89
STRATFORD LANDING ES	1963	10	71,785	892	80
SUNRISE VALLEY ES	1979	15	71,123	579	123
TERRA CENTRE ES	1980	12	69,000	542	127
TERRASET ES	1977	14	70,200	554	127
TIMBER LANE ES	1955	10	80,591	602	134
UNION MILL ES	1986	13	93,420	997	94
VIENNA ES	1921	15	51,494	433	119
VIRGINIA RUN ES	1989	21	90,800	730	124
WAKEFIELD FOREST ES	1955	14	65,062	546	119
WAPLES MILL ES	1991	14	92,470	850	109
WASHINGTON MILL ES	1963	12	73,331	649	113
WAYNEWOOD ES	1959	10	69,051	730	95
WEST SPRINGFIELD ES	1964	10	66,320	484	144
WESTBRIAR ES	1965	10	59,192	690	86
WESTGATE ES	1968	10	49,740	605	82
WESTLAWN ES	1951	9	95,743	765	125
WEYANOKE ES	1949	10	80,633	528	153
WHITE OAKS ES	1980	16	87,534	840	104
WILLOW SPRINGS ES	1990	21	90,014	983	92
WOLFTRAP ES	1968	10	70,670	585	121
WOODBURN ES	1952	10	64,735	507	128
WOODLAWN ES	1937	11	66,793	738	91
WOODLEY HILLS ES	1951	10	78,268	746	104
<b>Middle Schools:</b>					
CARSON MS	1998	33	178,723	1,430	125
COOPER MS	1962	20	125,310	727	172
FRANKLIN MS	1984	35	150,481	832	181
FROST MS	1964	21	139,806	1,099	127

**FAIRFAX COUNTY PUBLIC SCHOOLS**  
**School Building Statistics (1)**  
**As of June 30, 2015**  
**Unaudited**

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

	<u>Year Opened</u>	<u>Site Acreage</u>	<u>Building Size (2)</u>	<u>Student Population (3)</u>	<u>Square Foot Per Population</u>
<b>Middle Schools (Cont'd):</b>					
GLASGOW MS	2008	22	197,000	1,632	121
HERNDON MS	1927	27	200,388	1,056	190
HOLMES MS	1966	28	158,849	967	164
HUGHES MS	1980	25	130,400	1,001	130
IRVING MS	1960	21	156,838	909	173
KEY MS	1971	21	174,232	894	195
KILMER MS	1967	23	165,000	1,312	126
LIBERTY MS	2002	80	178,723	1,089	164
LONGFELLOW MS	1960	18	175,793	1,393	126
LUTHER JACKSON MS	1954	20	179,467	1,326	135
POE MS	1954	20	176,089	871	202
ROCKY RUN MS	1980	25	130,400	1,137	115
SANDBURG MS	1963	35	263,940	1,371	193
SOUTH COUNTY MS	2012	69	176,900	1,057	167
STONE MS	1991	25	157,263	843	187
THOREAU MS	1960	20	115,702	827	140
TWAIN MS	1961	24	156,225	930	168
WHITMAN MS	1965	20	166,633	969	172
<b>High and Secondary Schools (3):</b>					
ANNANDALE HS	1954	28	345,994	2,162	167
CENTREVILLE HS	1988	36	337,003	2,436	138
CHANTILLY HS	1972	35	402,996	2,692	150
EDISON HS	1962	43	351,000	1,905	184
FALLS CHURCH HS	1967	40	306,487	1,800	170
HAYFIELD SEC	1968	58	344,640	1,992	173
HERNDON HS	1967	40	292,442	2,267	129
JEFFERSON HS	1964	39	264,506	1,820	145
LAKE BRADDOCK SEC	1971	60	430,000	2,660	162
LANGLEY HS	1965	43	261,365	1,996	131
LEE HS	1959	25	336,068	1,803	186
MADISON HS	1959	31	314,342	2,059	153
MARSHALL HS	1962	47	241,559	1,910	126
MCLEAN HS	1955	31	282,767	2,050	138
MOUNT VERNON HS	1960	41	458,517	1,965	233
OAKTON HS	1967	59	304,777	2,267	134
ROBINSON SEC	1971	78	380,000	2,790	136
SOUTH COUNTY HS	2005	69	378,000	2,114	179
SOUTH LAKES HS	1978	60	345,000	2,378	145
STUART HS	1959	21	300,491	1,945	154
WEST POTOMAC HS	1960	45	389,012	2,464	158
WEST SPRINGFIELD HS	1966	39	289,770	2,247	129
WESTFIELD HS	2000	76	422,298	2,682	157
WOODSON HS	1962	95	354,000	2,359	150

(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 2015 Approved Budget.

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



**Fairfax County Public Schools**  
**2015 Comprehensive Annual Financial Report**

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