



COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the fiscal year
ended June 30 **2014**

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



www.fcps.edu

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For the fiscal year
ended June 30 **2014**



Fairfax County Public Schools, Virginia

A component unit of the County of Fairfax, Virginia

Prepared by the Department of Financial Services

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

DEPARTMENT OF FINANCIAL SERVICES

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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





FAIRFAX COUNTY
PUBLIC SCHOOLS

Karen K. Garza, Superintendent

8115 Gatehouse Road
Falls Church, Virginia 22042

November 10, 2014

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, 2014. 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. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. 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. KPMG LLP issued an unmodified opinion on FCPS' financial statements for the fiscal year ended June 30, 2014. The independent auditors' report is included as the first item in the financial section of this report.

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

Profile of the School System

OVERVIEW

The Virginia Department of Education (VDOE) is responsible for apportioning the Commonwealth of Virginia (State) into school divisions based on geographic area and school-age population. The school divisions are charged with promoting the realization of the standards of quality required by Article VIII, Section 2, of the Code of Virginia (Code). FCPS, the school division for the County of Fairfax, Virginia (County), is located in the northeastern corner of the State and encompasses an area of 407 square miles, including land and water. The County is part of the Washington, D.C. metropolitan area, which includes part of Northern Virginia, the District of Columbia, and Maryland. FCPS is the largest educational system in the State and, according to the National Center for Education Statistics, is the 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 12 assistant superintendents manage the day-to-day operations of the school system.

A major administrative reorganization took effect July 1, 2014. Schools and centers were reorganized from eight clusters to five regions. In addition to the creation of the region offices, three new executive level positions were created: a chief academic officer to oversee instruction and teaching; a chief operating officer to supervise human resources, information technology, facilities and transportation, and finance; and a chief of staff to oversee communications, government relations, and other programs.

Schools and Centers

Fiscal Year 2014

Elementary	139
Middle	23
Secondary	3
High	22
Alternative High.....	2
Special Education Centers	7
Total.....	196

FCPS is focused on meeting the needs of 183,895 students from preschool through twelfth grade, while managing 196 schools and centers. The schools and centers are divided into five regions, and each region is supported by an office that provides 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 2014, FCPS employed nearly 25,000 full-time employees, of which 93.0 percent were school-based.

Over 85.5 percent of the school system's operating budget (\$2.5 billion for fiscal year 2014) was allocated to instructional programs. In addition to core instructional programs designed to meet the varied needs of the student body and to enhance academic achievement, FCPS offers a variety of instructional programs. Such programs include Head Start, Foreign Language Immersion, International Baccalaureate (IB), Advanced Placement (AP), and Advanced Academics. Through the

instructional programs offered at Thomas Jefferson High School for Science and Technology, a Governor's magnet school, FCPS attracts students from 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 six 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 2014, the County provided 69.8 percent of funding and the state and federal governments provided 24.3 percent of funding. Capital funding for public school facilities is provided primarily by the sale of general obligation bonds issued by the County. Accordingly, FCPS is a component unit of the County and is included as an integral part of the County's financial statements.

Economic Condition and Outlook

LOCAL ECONOMY

The County has benefited from its proximity to the federal government. However, the prolonged effects from sequestration cuts have affected business investment, hiring, income growth, and overall economic activity. This is evident by the increased office vacancy rate, which was 14.4 percent at the end of 2013, the highest on record since 1992. The increased office vacancy rate has negatively impacted commercial real estate property values, which were flat in the last two years and are projected to decrease this year.

The local labor market continues to stall. Through July 2014, the number of jobs in Northern Virginia expanded at an annual rate of 1.0 percent, which is significantly lower than the 2.4 percent average annual rate experienced from 2004 through 2007, prior to the recession.

The weak labor market has also been a weight on the housing market. August was the 6th consecutive month with year-over-year declines in home sales. Through August 2014, the number of home sales in the County decreased by 11.7 percent. The supply of homes on the market is up 55 percent over last August. The average sales price of homes sold in the County is up 1.7 percent for the first 8 months of 2014 compared to the same period of 2013.

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

The projected student enrollment for fiscal year 2015 is 186,785 in 196 schools and centers. This represents an increase of 2,160 students from the fiscal year 2014 Approved Budget. Since fiscal year 2010, FCPS has opened four new school buildings to accommodate student enrollment adjustments and population shifts. The cumulative cost of enrollment, demographic and new school adjustments is nearly \$170 million over the past five years.

SPECIAL EDUCATION

In fiscal year 2015, an estimated 45,123 special education services will be provided to 25,697 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 \$22,789 compared to \$11,356 per pupil for general education.

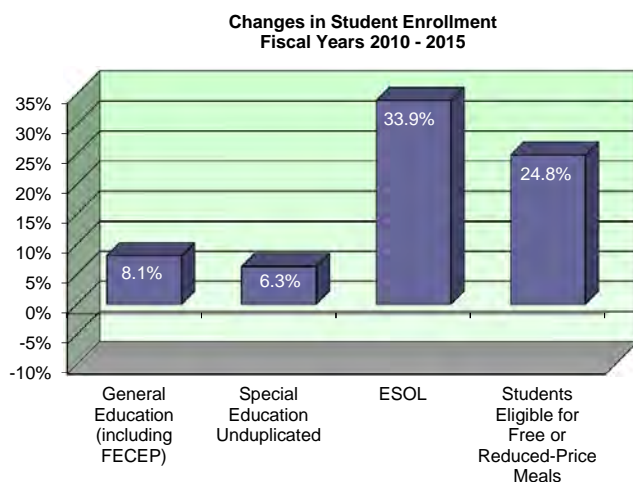
ENGLISH FOR SPEAKERS OF OTHER LANGUAGES (ESOL)

FCPS students come from more than 205 countries and speak over 168 different languages. FCPS teaches approximately 40 percent of the limited English proficient students in the State. In fiscal year 2015, ESOL services are projected to be provided to 32,103 students, an increase of 8,131 students, or 33.9 percent, since fiscal year 2010. On average, a student for who English is a secondary language costs \$3,454 more to educate than a general education student.

FREE AND REDUCED-PRICE MEALS

The federal free and reduced-price meals program is one of the fastest growing segments of the FCPS student population. Families qualifying for free and reduced-price meals must meet established federal guidelines of income and household size. In fiscal year 2015, it is projected that 52,654 FCPS students will be eligible to participate. This represents a 24.8 percent increase over fiscal year 2010. The number of students eligible as a percentage of the total student population is projected to grow from 24.5 percent in fiscal year 2010 to 28.2 percent for fiscal year 2015.

The chart below represents the changes in FCPS enrollment from fiscal year 2010 through fiscal year 2015 projected student enrollment for the following student populations:



Source: FCPS Fiscal Year 2015 Approved Budget

Accomplishments

STUDENT ACHIEVEMENT

Individual students and groups annually earn honors and awards in all academic, extracurricular, and athletic areas in regional, state, and national competitions. During the spring of 2014, 31 FCPS students were named winners of the Merit Scholarship awards and each received a \$2,500 scholarship. In addition, the National Merit Scholarship Corporation

announced that 205 FCPS seniors, from 19 high schools, have been named semifinalists in the 2015 National Merit Scholarship program. Thomas Jefferson High School for Science and Technology had 129 semifinalists.

In the 2014 U.S. News and World Report ranking of America's Best High Schools, Thomas Jefferson High School for Science and Technology (TJHSST) is ranked as the number four gold medal school in the nation. Additionally, TJHSST was ranked number one for the best STEM school. In total, FCPS received ten gold medal awards, three of which were ranked in the top 100 high schools nationally, and two silver medals.

Based on the 2014 Washington Post rankings of more than 2,000 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 2014 have outperformed their counterparts in the State (1520) and across the nation (1471) on the SAT with an average score of 1668.

TEACHER ACHIEVEMENT

FCPS teachers were recognized nationally and by the State for their accomplishments during the 2013-2014 school year. A Hayfield Secondary school teacher received the Milken National Educator Award, which recognizes individuals who promote excellence and innovation in public education. A Crestwood Elementary school teacher was named the 2014 Virginia Teacher of the Year, one of four finalists for the 2014 National Teacher of the Year and also received the Washington Post's Agnes Meyer outstanding teacher award. A TJHSST school teacher was recognized as the 2014 Virginia History Teacher of the Year and was the eleventh educator to be honored as the Commonwealth's top history teacher.

Major Initiatives

RESOURCE ALLOCATION

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

The combined pressures of limited revenue and increased student enrollment over the past five fiscal years have severely constrained the School Board. Funding from the County was held flat from fiscal year 2009 to fiscal year 2010 and declined by 1.0 percent or \$16.3 million for fiscal year 2011. In fiscal year 2012, funding from the County was held flat to the fiscal year 2011 level. For fiscal years 2013 and 2014, County funding increased by \$72.5 million, or 4.5 percent and \$33.7 million, or 2.0 percent, respectively.

The development of the fiscal year 2014 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 \$21.7 million including 299 positions was required. In addition, funding was provided for compensation to include the following:

- Market Scale Adjustment and Retirement Contribution Shift \$38.6 million
- Health Insurance Rate Changes \$13.3 million
- Retirement Rate Changes \$4.1 million

ENVIRONMENTAL STEWARDSHIP

FCPS places a high priority on protecting the environment and proactively supports responsible environmental stewardship in all aspects of school operations. Through an adopted policy, the School Board supports FCPS' best practices to include carbon reduction, classroom environment, indoor and outdoor air quality, water use and management, recycling, ground and landscaping practices, purchasing, and performance measures to monitor and reduce greenhouse gas emissions. During fiscal year 2014, 24 schools were awarded Schoolyard Stewardship funding to engage students in activities related to environmental stewardship and to encourage the conservation and preservation of natural resources within their schoolyard and community.

In February 2014, FCPS contracted with Cenergistic, Inc., to provide an energy management, conservation, and education program. This five-year contract will enable FCPS to reduce energy consumption through the close monitoring of utility usage, changes to energy use practices, and the education of students and staff regarding energy conservation.

STATE MANDATE

Virginia Retirement System (VRS)

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

Financial Policies

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

INTERNAL CONTROLS

The internal control system is designed to provide reasonable, but not absolute, assurance about the achievement of FCPS' objectives with regard to the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with the applicable laws and regulations.

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

BUDGET PROCESS AND DEVELOPMENT

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

BUDGET POLICIES

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

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

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

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

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

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

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

BUDGETARY CONTROLS

The budget is controlled at certain legal and administrative levels. The legal level is placed at the individual fund level and the administrative controls are placed at lower levels for each office and school within a fund.

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

Long-Term Financial Planning

The annual budget reflects FCPS' varied plans by allocating resources to carry out the goals defined through the division wide planning processes. The major planning activities are:

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

Environmental Scans - conducted periodically to identify local, state, and national factors that influence planning.

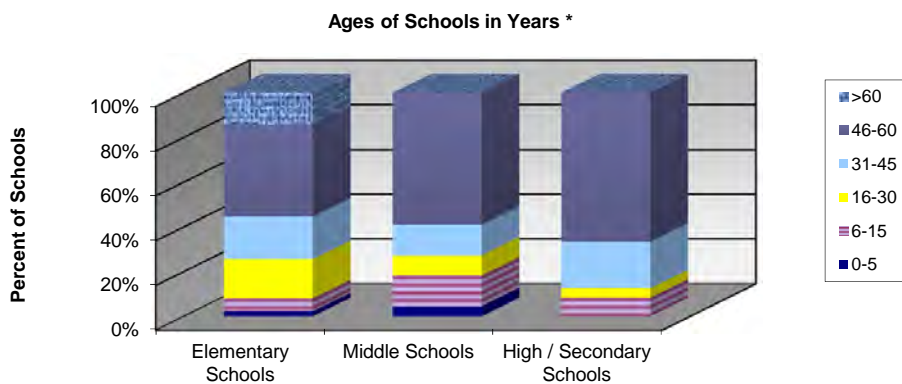
Technology Plan - outlines the multiyear strategic goals and demonstrates the effective use of technology throughout the school system. The technology plan supports the vision and mission for FCPS to provide a gifted-quality education to every child. The technology plan is aligned with the VDOE Educational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

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

Capital Improvement Program - using a five-year planning horizon (fiscal years 2015-2019), FCPS identifies capacity shortages that cannot be met by school boundary changes, program relocations, temporary facilities, or other more modest measures. The capacity shortages, because they are large and likely to persist over time, become candidates for new construction projects. Both the useful lives of school facilities and School Board policy require renovation of buildings on 20-25 year cycles. Given the number of schools in operation, this requires renovation on an average of six elementary schools, one middle school, and one high school per year. The fiscal year 2015-2019 Capital Improvement Plan proposes five new elementary schools and renovation of 26 elementary schools, six middle schools, and six high schools totaling \$866 million, or roughly \$173 million per year.

Funding approved in the 2013 School Bond Referendum and previous referenda will address approximately \$416 million of the five year requirement, leaving an unfunded balance of \$450 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, 2014:



* From the year that each school opened through June 30, 2014 (does not reflect renovation dates)
Source: FCPS - Office of Design and Construction Services

Awards

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

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to FCPS for its CAFR for the fiscal year ended June 30, 2013. 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, 2013.

Fiscal year 2013 was the twentieth consecutive year that FCPS received prestigious awards from both GFOA and ASBO. We believe that the current CAFR also conforms to the GFOA and ASBO certificate program requirements therefore; we are submitting it to them to confirm our compliance and to obtain another GFOA and ASBO certificate.

FCPS has won several awards for its budgeting reports, forecasting reports, and a separately issued CAFR for the Educational Employees' Supplementary Retirement System of Fairfax County pension plan. In addition, ASBO and GFOA awarded FCPS with the Meritorious Budget Award and the Distinguished Budget Presentation Award, respectively, for the fiscal year 2014 Approved Budget.

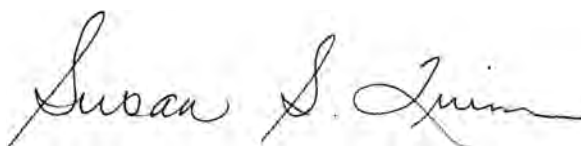
Acknowledgements

We would like to express our sincere gratitude to the personnel in the Department of Financial Services who participated in the preparation of this CAFR and to our independent auditors, 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 November 1, 2014

SCHOOL BOARD

Tammy Derenak Kaufax
Chairman
Lee District

Ted Velkoff
Vice Chairman
Member at Large

Sandy Evans
Mason District

Pat Hynes
Hunter Mill 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

Harris LaTeef
Student Representative

ADMINISTRATION

Karen K. Garza, Ph. D.
Superintendent

Steven Lockard
Deputy Superintendent

Kim P. Dockery
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

Phyllis Pajardo
Assistant Superintendent
Human Resources

Maribeth Luftglass
Assistant Superintendent
Information Technology

Barbara Hunter
Assistant Superintendent
Communications and Community Outreach

Christine Donohue
Director
Operations

John Foster
Division Counsel

Douglas Tyson
Assistant Superintendent
Region 1

Fabio Zuluaga
Assistant Superintendent
Region 2

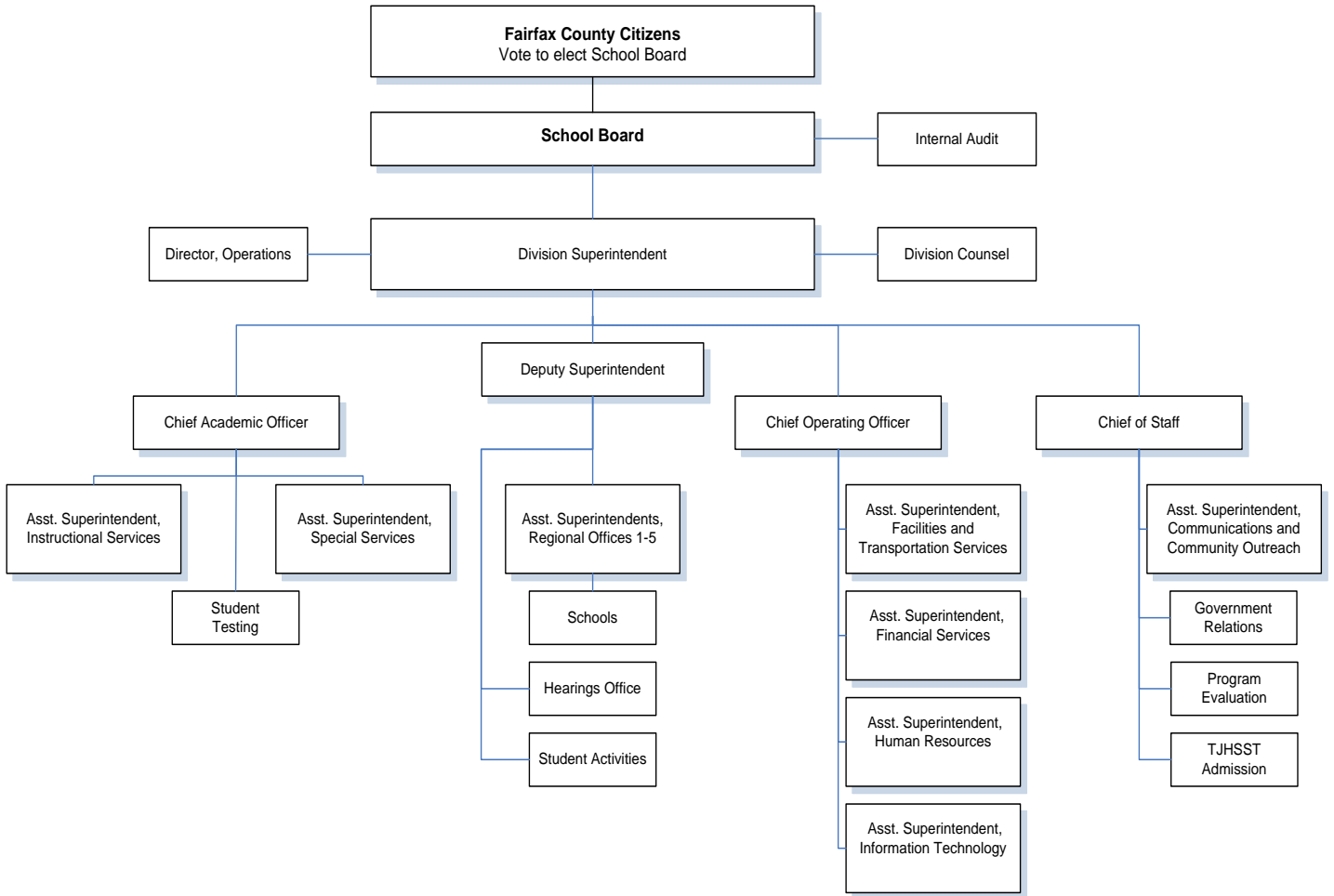
Deborah Tyler
Assistant Superintendent
Region 3

Angela Atwater
Assistant Superintendent
Region 4

Frances Ivey
Assistant Superintendent
Region 5

Organizational Chart

As of November 1, 2014



Awards for Excellence in Financial Reporting

GOVERNMENT FINANCE OFFICERS ASSOCIATION AWARD

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Fairfax County Public Schools (FCPS) for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2013. The Certificate of Achievement for Excellence in Financial Reporting is a prestigious, national award, which recognizes conformance with the highest standards for preparation of state and local government CAFRs.

In order to receive a Certificate of Achievement for Excellence in Financial Reporting, a governmental unit must publish a CAFR whose contents conform to program standards of creativity, presentation, understandability, and reader appeal. In addition, this report must satisfy both accounting principles generally accepted in the United States of America (GAAP) and applicable legal requirements. FCPS has received the Certificate of Achievement for Excellence in Financial Reporting for 20 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, 2013

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

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, 2013*

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



Terrie S. Simmons, RSBA, CSBO
President

John D. Musso, CAE, RSBA
Executive Director

ASSOCIATION OF SCHOOL BUSINESS OFFICIALS AWARD

The Association of School Business Officials International (ASBO) awarded a Certificate of Excellence in Financial Reporting to FCPS, for the nineteenth consecutive year, for its CAFR for the fiscal year ended June 30, 2013. This nationally recognized program was established by ASBO to encourage school business officials to achieve a high standard of financial reporting. The award is the highest recognition for school division financial operations offered by ASBO, and it is only conferred upon school systems that have met or exceeded the standards of the program. More than 400 school systems and educational institutions submit applications each year.

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



A low-angle photograph of three children climbing a bright yellow playground structure against a clear blue sky. The children are positioned at different heights on the structure, with one girl in a pink shirt at the top, a boy in a dark shirt in the middle, and a girl in a white shirt at the bottom. The structure consists of thick yellow bars and curved supports.

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 School Board
County of Fairfax, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Fairfax County Public Schools (FCPS), a component unit of the County of Fairfax, Virginia, as of and for the year ended June 30, 2014, 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, 2014, and the respective changes in financial position, and where

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("KPMG International"), a Swiss entity.



The School Board
County of Fairfax, Virginia
November 10, 2014
Page 2 of 2

applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 5-18, the budgetary comparison information on page 65, the schedule of funding progress and schedule of employee contributions – pensions and other post employment benefit trust funds on page 66, and the notes to the required supplementary information on page 67-68 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise FCPS' basic financial statements. The introductory section on pages vii-xix, the supplementary information on pages 69-90, and the statistical section on pages 91-115 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, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited)

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



Management's Discussion and Analysis (Unaudited)

This discussion and analysis, a section of the Fairfax County Public Schools' (FCPS) Comprehensive Annual Financial Report (CAFR), provides a narrative overview and analysis of the financial activities of FCPS for the fiscal year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with additional information furnished in our letter of transmittal also contained in this CAFR.

FINANCIAL HIGHLIGHTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

- FCPS assets exceeded liabilities (net position) by \$2,430.7 million at June 30, 2014. Of this amount, \$200.3 million was available to meet ongoing FCPS operational needs.
- Total revenues of \$2,676.4 million were generated in fiscal year 2014. Expenditures incurred were \$2,661.1 million, resulting in an increase in net position of \$15.3 million.
- General revenues, including the funds transferred from the County, totaled \$2,151.2 million and are available for all purposes. Such revenues were sufficient to fund the excess of total operating costs over program-specific revenues. For the fiscal year 2014, program-specific revenues amounted to \$525.2 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 \$263.7 million, a decrease of \$89.7 million over the prior fiscal year.
- On June 30, 2014, the General Fund, which accounts for the main operating activities of FCPS, reported an ending fund balance of \$157.2 million, a decrease of \$56.8 million from June 30, 2013. 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 2014 with a fund balance of \$75.3 million, a decrease of \$33.1 million over the 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 is comprised of five sections: 1) an independent auditors' report, 2) management's discussion and analysis, 3) basic financial statements, 4) required supplementary information, and 5) other supplementary information.

FCPS basic financial statements consist of two types of statements, each with a different perspective on FCPS' financial condition. First, the government-wide financial statements provide both long-term and short-term information about overall FCPS finances. On the other hand, the fund financial statements focus on the individual components of FCPS

operations, providing more detail than the government-wide financial statements. The basic financial statements also include notes providing additional explanation and detailed information essential for gaining a full understanding of the data presented in the financial statements.

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

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

FUND FINANCIAL STATEMENTS

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

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

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

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

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

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

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

FINANCIAL ANALYSIS OF GOVERNMENTAL ACTIVITIES

The statement of net position and the statement of activities provide the financial status and operating results of FCPS as a whole.

STATEMENT OF NET POSITION

The following table provides a summary of FCPS' net position as of June 30, 2014 and 2013:

SUMMARY OF NET POSITION				
As of June 30				
(Dollars in Millions)				
	Governmental Activities			Percent
	2014	2013	Variance	Variance
ASSETS				
Current and other assets	\$ 517.9	\$ 569.1	\$ (51.2)	(9.0) %
Capital assets, net	2,203.1	2,111.7	91.4	4.3
Total assets	<u>2,721.0</u>	<u>2,680.8</u>	<u>40.2</u>	1.5
DEFERRED OUTFLOWS OF RESOURCES				
Total deferred outflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	
LIABILITIES				
Current liabilities	114.8	92.0	22.8	24.8
Non-current liabilities	170.2	173.4	(3.2)	(1.8)
Total liabilities	<u>285.0</u>	<u>265.4</u>	<u>19.6</u>	7.4
DEFERRED INFLOWS OF RESOURCES				
Capital lease reduction	5.3	-	5.3	100.0
Total deferred inflows of resources	<u>5.3</u>	<u>-</u>	<u>5.3</u>	100.0
NET POSITION				
Net investment in capital assets	2,126.7	2,026.7	100.0	4.9
Restricted	103.7	137.4	(33.7)	(24.5)
Unrestricted	200.3	251.3	(51.0)	(20.3)
Total net position	<u>\$ 2,430.7</u>	<u>\$ 2,415.4</u>	<u>\$ 15.3</u>	0.6

FCPS' assets exceeded liabilities by \$2,430.7 million on June 30, 2014, representing an increase of \$15.3 million, or 0.6 percent, over net position at June 30, 2013.

By far, investments in capital assets comprises the largest portion of FCPS' net position, 87.5 percent, with an amount of \$2,126.7 million which is net of the outstanding debt for capital leases in the amount of \$76.4 million.

The unrestricted net position balance of \$200.3 million represents the amount of net position that can be used to operate FCPS' ongoing programs.

STATEMENT OF ACTIVITIES

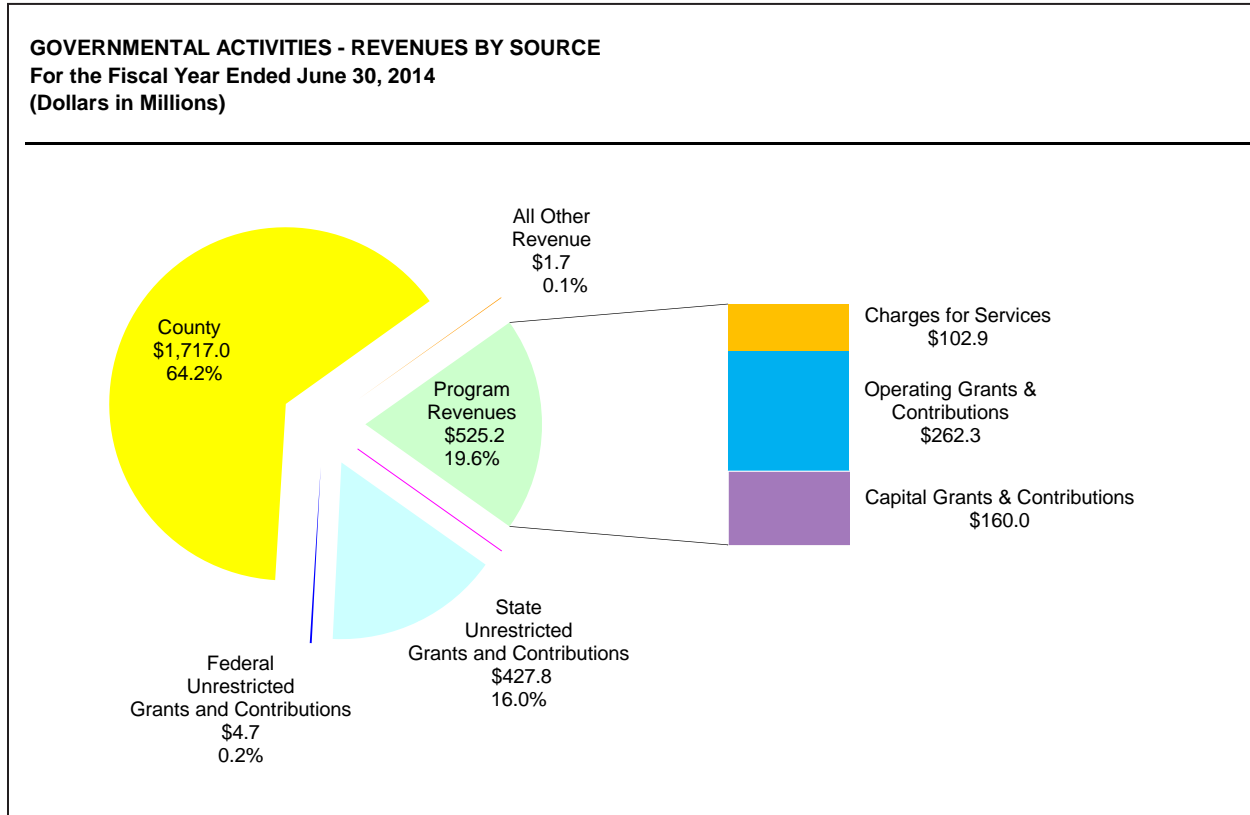
The following table provides a summary of the changes in FCPS' net position for the fiscal years ended June 30, 2014 and 2013:

SUMMARY OF CHANGES IN NET POSITION				
For the Fiscal Years Ended June 30				
(Dollars in Millions)				
	Governmental Activities			
	2014	2013	Variance	Percent Variance
REVENUES				
Program revenues:				
Charges for services	\$ 102.9	\$ 106.5	\$ (3.6)	(3.4) %
Operating grants and contributions	262.3	253.1	9.2	3.6
Capital grants and contributions	160.0	167.1	(7.1)	(4.2)
General revenues:				
Grants and contributions not restricted to specific purposes	2,149.5	2,116.4	33.1	1.6
Revenue from the use of money	-	0.1	(0.1)	(100.0)
Other	1.7	1.7	-	-
Total revenues	<u>2,676.4</u>	<u>2,644.9</u>	<u>31.5</u>	1.2
EXPENSES				
Instruction	2,216.2	2,201.6	14.6	0.7
Support programs	360.7	340.1	20.6	6.1
Food service	81.1	82.4	(1.3)	(1.6)
Interest on long-term debt	3.1	3.4	(0.3)	(8.8)
Total expenses	<u>2,661.1</u>	<u>2,627.5</u>	<u>33.6</u>	1.3
Increase in net position	15.3	17.4	(2.1)	(12.1)
Net position - July 1	<u>2,415.4</u>	<u>2,398.0</u>	<u>17.4</u>	0.7
Net position - June 30	<u>\$ 2,430.7</u>	<u>\$ 2,415.4</u>	<u>\$ 15.3</u>	0.6

Total revenues for FCPS' governmental activities were \$2,676.4 million in fiscal year 2014, representing an increase of \$31.5 million, or a 1.2 percent, over fiscal year 2013.

The total costs of FCPS' programs for fiscal year 2014 were \$2,661.1 million, representing an increase of \$33.6 million over fiscal year 2013. The increase is primarily due to \$49.7 million in salary expenditures for 302.8 new school based positions, 2.0 percent market scale adjustment for all employees effective January 1, 2014, and a 3.0 percent salary increase for all contracted employees as a result of the VRS contribution shift from employer to employees. There was a net decrease in employee benefits of \$18.1 million due to \$31.4 million decrease in retirement costs offset by \$13.3 million increase in health and life insurance costs.

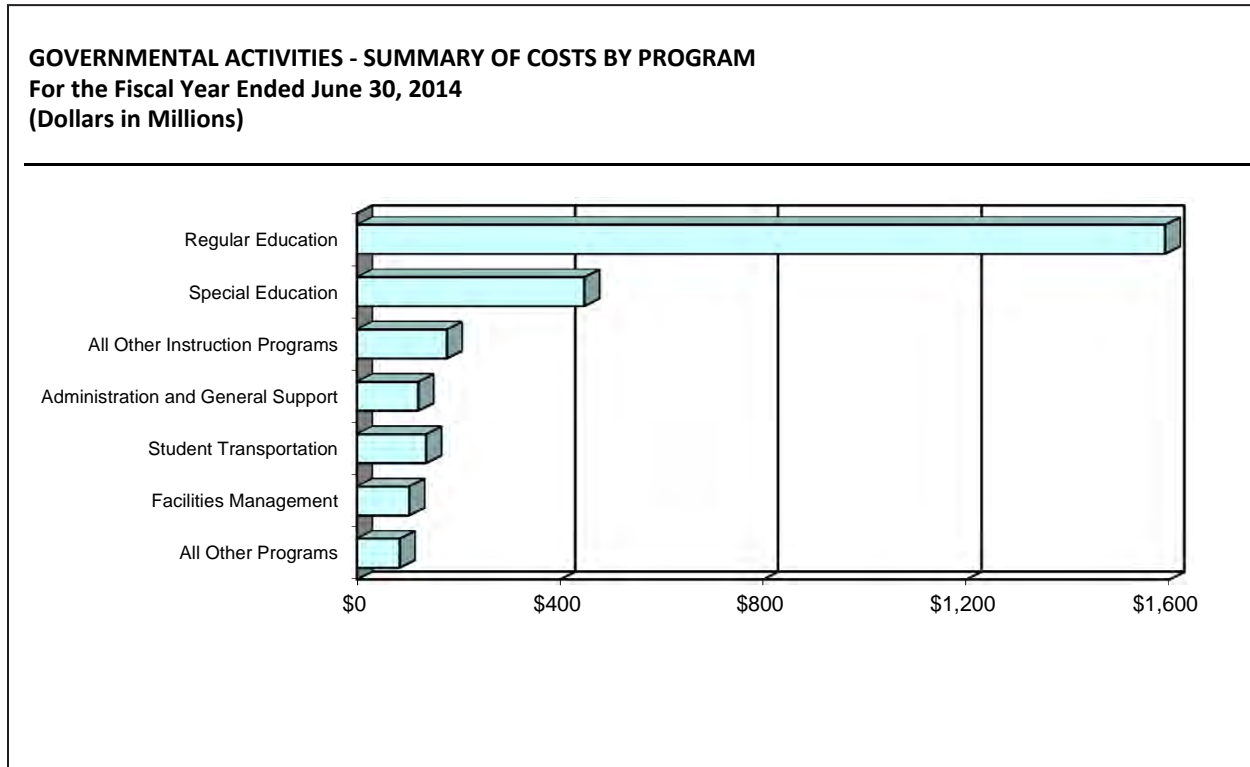
The following chart presents revenues by source for the fiscal year ended June 30, 2014:



The following items reflect the major increases in revenues during fiscal year 2014:

- \$33.7 million increase funding from the County
- \$6.2 million increase in state funding for a one-time compensation supplement
- \$4.5 million increase in state sales tax
- \$2.0 million increase in state lottery funds
- \$9.1 million decrease from other revenue sources for proffer-turf funding
- \$3.5 million decrease in state Basic Aid
- \$2.0 million decrease in school food services revenue
- \$1.1 million decrease in tuition

The following chart compares the total costs of each of FCPS' programs for the fiscal year ended June 30, 2014:



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, 2014 and 2013:

FUND BALANCES OF GOVERNMENTAL FUNDS				
As of June 30				
(Dollars in Millions)				
	<u>2014</u>	<u>2013</u>	<u>Variance</u>	<u>Percent Varianc</u>
General Fund				
Nonspendable	\$ 0.4	\$ 0.3	\$ 0.1	33.3 %
Committed	57.2	90.6	(33.4)	(36.9)
Assigned	97.5	119.8	(22.3)	(18.6)
Unassigned	2.1	3.3	(1.2)	(36.4)
Total General Fund	<u>157.2</u>	<u>214.0</u>	<u>(56.8)</u>	<u>(26.5)</u>
Capital Projects Fund				
Restricted	75.3	108.4	(33.1)	(30.5)
Total Capital Projects Fund	<u>75.3</u>	<u>108.4</u>	<u>(33.1)</u>	<u>(30.5)</u>
Nonmajor governmental funds				
Nonspendable	2.4	1.4	1.0	71.4
Restricted	28.8	29.6	(0.8)	(2.7)
Unassigned	-	-	-	-
Total nonmajor governmental	<u>31.2</u>	<u>31.0</u>	<u>0.2</u>	<u>0.6</u>
All governmental funds				
Nonspendable	2.8	1.7	1.1	64.7
Restricted	104.1	138.0	(33.9)	(24.6)
Committed	57.2	90.6	(33.4)	(36.9)
Assigned	97.5	119.8	(22.3)	(18.6)
Unassigned	2.1	3.3	(1.2)	(36.4)
Total governmental funds	<u>\$ 263.7</u>	<u>\$ 353.4</u>	<u>\$ (89.7)</u>	<u>(25.4)</u>

As of June 30, 2014, FCPS' governmental funds had a combined fund balance of \$263.7 million, compared with \$353.4 million at June 30, 2013, resulting in a decrease of \$89.7 million. The following represents the fiscal year 2014 fund balance classification:

- \$2.8 million is nonspendable for prepaid items and inventories
- \$104.1 million is restricted for capital construction and grants
- \$57.2 million is committed by the School Board to meet expenditures for the fiscal year 2015 operating budget requirements
- \$97.5 million is assigned for undelivered orders and fiscal year 2016 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 2014, general fund revenues, inclusive of other financing sources, totaled \$2,394.6 million, which represents an increase of \$43.8 million, or 1.9 percent, over the prior year. General fund expenditures, inclusive of other financing uses, totaled \$2,451.4 million, which represents an increase of \$55.5 million, or 2.3 percent, over fiscal year 2013. This resulted in a decrease in fund balance of \$56.7 million. From fiscal year 2013 to fiscal year 2014, actual student enrollment increased by 2,636. The per pupil funding decreased slightly by \$92, from \$13,564 in fiscal year 2013 to \$13,472 in fiscal year 2014.

The Capital Projects Fund reported a total fund balance of \$75.3 million, a decrease of \$33.1 million, or 30.5 percent, from fiscal year 2013. Other revenues in this fund for fiscal year 2014 totaled \$3.6 million, a decrease of \$9.3 million, or 72.3 percent less than last fiscal year, due primarily to one-time contributions received for the installation of various high school turf fields in 2013. Expenditures increased by \$55.2 million, or 36.0 percent from fiscal year 2013 due to the acquisition of a new elementary school and several major school renovations.

During fiscal year 2014, FCPS received \$155.0 million of bond proceeds from the County to fund capital projects. As of June 30, 2014, the unspent portion of this funding totaled \$101.0 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, 2014:

GENERAL FUND BUDGET AND ACTUAL COMPARISON				
For the Fiscal Year Ended June 30, 2014				
(Dollars in Millions)				
	Budget - Original	Budget - Final	Actual - Budget Basis	Variance from Final Budget
Total revenues	\$ 660.2	\$ 672.4	\$ 665.9	(6.5)
Total expenditures	2,423.3	2,511.3	2,399.6	(111.7)
Excess of expenditures over revenues	(1,763.1)	(1,838.9)	(1,733.7)	105.2
Total other financing sources, net of uses	1,683.0	1,676.9	1,677.0	0.1
Net change in fund balances	<u>\$ (80.1)</u>	<u>\$ (162.0)</u>	<u>\$ (56.7)</u>	<u>\$ 105.3</u>

During fiscal year 2014, the General Fund's final budget revenues exceeded the original budgeted by \$12.2 million; final appropriations were \$88.0 million, or 3.6 percent, higher than the original budgeted expenditures. The budgeted total for other financing sources was less than the original approved budget by \$6.1 million.

The key factors contributing to the increase in revenues from the original budget to the final budget is \$12.3 million from unspent multiyear federal grant awards and grant award adjustments.

The appropriation for expenditures increased by \$88.0 million over the original budget due to carryover of undelivered orders, school balance carryover, and reserve funding from fiscal year 2013.

Actual revenues were less than final budget revenues by \$6.5 million. Revenues did not meet projections as a result of \$8.7 million in unspent federal grant awards to be carried forward to fiscal year 2015 and \$0.6 million in reduced tuition. Revenues exceeded projections by \$2.8 million from various categories.

Actual expenditures came in under the final budget by \$111.7 million, or 4.4 percent, primarily due to the following:

- \$55.9 million in carryover and other commitments
- \$30.5 million as a result of higher compensation turnover and vacant positions
- \$8.7 million in unexpended multiyear federal grants
- \$2.5 million in utility savings
- \$2.5 million in vehicle service savings

CAPITAL ASSETS AND LONG-TERM OBLIGATIONS

CAPITAL ASSETS

As of June 30, 2014, FCPS' investment in capital assets for governmental activities totaled \$2,203.1 million, net of accumulated depreciation of \$1,586.8 million and amortization of \$3.3 million. This represents a net increase in capital assets of \$91.4 million, or 4.3 percent, over the prior year.

The following table summarizes capital assets as of June 30, 2014 and 2013:

NET CAPITAL ASSETS		
As of June 30		
(Dollars in Millions)		
Capital Asset Category	Book Value	
	(net of depreciation)	
	2014	2013
Land	\$ 46.8	\$ 44.9
Construction in progress	261.5	193.4
Equipment	89.6	89.2
Intangible Assets-Software/Licenses	1.5	2.4
Intangible Assets-Software in Development	7.6	6.3
Library collections	9.2	10.4
Buildings	702.2	689.2
Building improvements	1,050.7	1,052.4
Land improvements	34.0	23.5
Total	\$ 2,203.1	\$ 2,111.7

Net additions to capital assets during fiscal year 2014 include the following:

- \$51.8 million in multiyear major renovations
- \$13.6 million in other equipment and vehicles
- \$9.4 million to purchase land and building to convert into a new elementary school
- \$7.4 million to acquire 409 copiers
- \$5.6 million to acquire 50 school buses
- \$2.3 million for library collections and resource materials
- \$1.3 million in multiyear software projects

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, 2014, FCPS reported total long-term obligations in the amount of \$170.2 million, compared to \$173.4 million at June 30, 2013. The following table summarizes FCPS' long-term obligations as of June 30, 2014 and 2013:

LONG-TERM OBLIGATIONS		
As of June 30		
(Dollars in Millions)		
	2014	2013
Compensated absences	\$ 34.0	\$ 34.3
Capital leases	76.4	84.9
Actuarial claims payable	59.3	53.2
Accrued rent	0.5	1.0
Total	<u>\$ 170.2</u>	<u>\$ 173.4</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 FPCS comes from the County which in turn derives the majority of its revenue from real and personal property taxes. The County experienced a moderate increase in existing residential property values and new construction in fiscal year 2014. Existing residential property values have increased in each of the last four years indicating the continued stabilization of the residential housing market. Personal property tax revenue is projected to increase slightly in fiscal year 2015.

FISCAL YEAR 2015 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 2015 budget challenging. Projected enrollment for fiscal year 2015 is 186,785 students across 196 schools and centers.

The fiscal year 2015 Approved Expenditure Budget totals \$2.5 billion, an increase of \$39.9 million, or 1.6 percent, from the fiscal year 2014 Approved Budget. Student enrollment is expected to grow by 2,160 students, and FCPS continues to see

changes in student demographics that require additional services. To meet the demands of increased enrollment and demographic shifts, 264.9 positions at a cost of \$19.5 million are included in the 2015 budget.

The following are highlights of the fiscal year 2015 expenditure budget:

- \$38.9 million costs due to rate increases for the Virginia Retirement System (VRS), Educational Employees' Supplementary Retirement System of Fairfax County (ERFC) and Fairfax County Employees Retirement System (FCERS) retirement plans
- \$30.6 million for delayed step increases for all employees and salary scale adjustment for teachers and instructional assistants
- \$19.9 million cost increase for health insurance rate changes
- \$19.5 million to meet increased enrollment and 264.9 positions
- \$36.2 million classroom reductions or 2.0 percent of the classroom budget and include elimination of 470.7 positions. The classroom budget includes teachers, instructional assistants, textbooks and supplies
- \$16.0 million school support reductions or 3.0 percent of the school support budget and include elimination of 171.0 positions. The school support budget includes costs associated with assistant principals, school clerical support, custodial support, tuition reimbursement, professional development, and replacement equipment
- \$13.4 million central support reductions or 6.0 percent of the central support budget and include elimination of 82.0 positions. The central support budget includes costs associated with divisionwide support services for finance, human resources, instruction, information technology, purchasing, facilities, and administration
- \$5.6 million divisionwide support reductions or 2 percent of the divisionwide support budget. Divisionwide support includes items that affect all programs and departments, such as utilities, property insurance, and transportation

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, 2014

EXHIBIT A

	Governmental Activities
ASSETS	
Cash on deposit with County of Fairfax, VA	\$ 334,919,888
Receivables:	
Accounts	6,189,406
Accrued interest	107,968
Due from intergovernmental units:	
Federal government	29,003,220
Commonwealth of Virginia	20,200,311
County of Fairfax, VA	362,637
Other	296,169
Inventories	2,740,178
Prepaid items	997,560
Restricted cash and investments	100,961,681
Net OPEB asset	22,173,923
Nondepreciable capital assets:	
Land	46,837,095
Construction in progress	261,520,672
Depreciable capital assets:	
Equipment	284,978,864
Library collections	34,500,761
Buildings and improvements	3,152,923,022
Accumulated depreciation	(1,586,782,438)
Intangible capital assets:	
Software and licenses	4,865,424
Software under development	7,584,455
Accumulated amortization	(3,333,219)
Total assets	<u>2,721,047,577</u>
DEFERRED OUTFLOWS OF RESOURCES	
Total deferred outflows of resources	<u>-</u>
LIABILITIES	
Accounts payable	46,541,427
Accrued salaries and withholdings	38,783,956
Accrued interest payable	665,085
Unearned revenue	15,796,087
Contract retainages	9,954,278
Deposits	3,048,783
Non-current liabilities:	
Due within one year:	
Accrued rent	473,508
Compensated absences	23,771,094
Capital leases	14,280,773
Actuarial claims payable	29,358,911
Due beyond one year:	
Accrued rent	71,640
Compensated absences	10,187,611
Capital leases	62,132,128
Actuarial claims payable	29,970,642
Total liabilities	<u>285,035,923</u>
DEFERRED INFLOWS OF RESOURCES	
Capital lease reduction	5,275,817
Total deferred inflows of resources	<u>5,275,817</u>
NET POSITION	
Net investment in capital assets	2,126,681,735
Restricted for:	
Food and Nutrition Services	11,944,551
Grant programs	16,480,206
Capital Projects	75,274,527
Unrestricted	200,354,818
Total net position	<u>\$ 2,430,735,837</u>

See accompanying notes to the financial statements.

FAIRFAX COUNTY PUBLIC SCHOOLS
Statement of Activities
For the Fiscal Year Ended June 30, 2014

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	
Governmental activities:					
Instruction:					
Regular education:					
Elementary school	\$ 850,163,816	\$ 16,328,734	\$ 59,731,271	\$ -	\$ (774,103,811)
Middle school	227,032,227	8,065,900	1,771,719	-	(217,194,608)
High school	514,054,058	13,363,986	19,620,875	819,300	(480,249,897)
Special education	447,786,399	3,946,529	39,795,515	-	(404,044,355)
Adult and community education	8,620,428	5,739,297	1,616,733	-	(1,264,398)
Instructional support	168,571,441	2,308,787	24,244,132	-	(142,018,522)
Total instruction	<u>2,216,228,369</u>	<u>49,753,233</u>	<u>146,780,245</u>	<u>819,300</u>	<u>(2,018,875,591)</u>
Support programs:					
Administration and general support	121,169,500	5,125,559	81,378,730	-	(34,665,211)
Student transportation	136,493,625	1,830,504	-	-	(134,663,121)
Facilities management	<u>102,993,722</u>	<u>4,579,765</u>	<u>-</u>	<u>159,188,593</u>	<u>60,774,636</u>
Total support programs	<u>360,656,847</u>	<u>11,535,828</u>	<u>81,378,730</u>	<u>159,188,593</u>	<u>(108,553,696)</u>
Food service	<u>81,127,423</u>	<u>41,566,589</u>	<u>34,136,174</u>	<u>-</u>	<u>(5,424,660)</u>
Interest on long-term debt	<u>3,043,130</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,043,130)</u>
Total governmental activities	<u>\$ 2,661,055,769</u>	<u>\$ 102,855,650</u>	<u>\$ 262,295,149</u>	<u>\$ 160,007,893</u>	<u>(2,135,897,077)</u>
General revenues:					
Grants and contributions not restricted to specific purposes:					
Federal government					4,739,112
Commonwealth of Virginia					427,765,481
County of Fairfax, VA					1,716,988,731
Revenue from the use of money					19,555
Other					<u>1,702,513</u>
Total general revenues					<u>2,151,215,392</u>
Change in net position					15,318,315
Net position - July 1, 2013					<u>2,415,417,522</u>
Net position - June 30, 2014					<u>\$ 2,430,735,837</u>

See accompanying notes to the financial statements.

FAIRFAX COUNTY PUBLIC SCHOOLS
Balance Sheet
Governmental Funds
June 30, 2014

EXHIBIT C

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash on deposit with County of Fairfax, VA	\$ 176,957,850	\$ 6,490,385	\$ 20,562,327	\$ 204,010,562
Receivables:				
Accounts	9,088	51,157	258,689	318,934
Accrued interest	27	-	29,406	29,433
Due from intergovernmental units:				
Federal government	19,040,771	-	9,962,449	29,003,220
Commonwealth of Virginia	14,590,908	-	5,609,403	20,200,311
County of Fairfax, VA	93,024	-	269,613	362,637
Other	296,169	-	-	296,169
Inventories	-	-	1,782,053	1,782,053
Prepaid items	427,070	-	566,404	993,474
Interfund receivables	712,700	-	-	712,700
Restricted cash and investments	-	100,961,681	-	100,961,681
Total assets	<u>\$ 212,127,607</u>	<u>\$ 107,503,223</u>	<u>\$ 39,040,344</u>	<u>\$ 358,671,174</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 17,439,842	\$ 19,215,768	\$ 885,080	\$ 37,540,690
Accrued salaries and withholdings	37,135,824	9,867	1,638,265	38,783,956
Contract retainages	-	9,954,278	-	9,954,278
Deposits	-	3,048,783	-	3,048,783
Unearned revenue	283,995	-	5,377,261	5,661,256
Total liabilities	<u>54,859,661</u>	<u>32,228,696</u>	<u>7,900,606</u>	<u>94,988,963</u>
Fund balances:				
Nonspendable	427,070	-	2,348,457	2,775,527
Restricted	-	75,274,527	28,791,281	104,065,808
Committed	57,205,122	-	-	57,205,122
Assigned	97,549,572	-	-	97,549,572
Unassigned	2,086,182	-	-	2,086,182
Total fund balances	<u>157,267,946</u>	<u>75,274,527</u>	<u>31,139,738</u>	<u>263,682,211</u>
Total liabilities and fund balances	<u>\$ 212,127,607</u>	<u>\$ 107,503,223</u>	<u>\$ 39,040,344</u>	<u>\$ 358,671,174</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, 2014

EXHIBIT C-1

Fund balances - total governmental funds		\$ 263,682,211
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	\$ 308,357,767	
Depreciable capital assets	3,472,262,565	
Accumulated depreciation	<u>(1,586,648,829)</u>	
Total		2,193,971,503
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.		
		22,173,923
Intangible assets used in governmental fund activities are not financial resources and, therefore, are not reported in the funds.		
Software and licenses	\$ 4,865,424	
Software under development	7,584,455	
Accumulated amortization	<u>(3,333,219)</u>	
Total		9,116,660
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	\$ 137,782,844	
Capital assets	140,082	
Accumulated depreciation	(133,609)	
Liabilities	<u>(79,327,492)</u>	
Total		58,461,825
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	\$ (665,085)	
Accrued rent	(545,148)	
Compensated absences	(33,771,334)	
Capital leases	<u>(76,412,901)</u>	
Total		(111,394,468)
Revisions of capital lease agreement 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 report in the funds.		
		(5,275,817)
Net position of governmental activities		<u><u>\$ 2,430,735,837</u></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, 2014

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Intergovernmental:				
Federal government	\$ 44,692,417	\$ 40,925	\$ 65,296,706	\$ 110,030,048
Commonwealth of Virginia	558,872,800	-	12,089,113	570,961,913
County of Fairfax, VA	1,717,588,731	156,500,000	4,232,175	1,878,320,906
Charges for services:				
Tuition and fees	8,362,583	-	7,909,017	16,271,600
Food sales	-	-	41,566,590	41,566,590
Revenue from the use of money and property	3,154,172	-	28,777	3,182,949
Recovered costs	41,985,113	155,000	-	42,140,113
Other	8,849,763	3,574,995	1,475,208	13,899,966
Total revenues	<u>2,383,505,579</u>	<u>160,270,920</u>	<u>132,597,586</u>	<u>2,676,374,085</u>
EXPENDITURES				
Current:				
Instruction:				
Regular education:				
Elementary school	780,291,623	-	33,532,831	813,824,454
Middle school	215,546,262	-	1,779,399	217,325,661
High school	486,073,213	-	6,002,909	492,076,122
Special education	423,336,694	-	5,304,984	428,641,678
Adult and community education	69,098	-	8,182,772	8,251,870
Instructional support	143,912,150	-	17,452,164	161,364,314
Support programs:				
Administration and general support	115,343,930	-	645,074	115,989,004
Student transportation	127,226,228	-	3,431,730	130,657,958
Facilities management	79,299,743	19,693,146	-	98,992,889
Food service	-	-	77,986,816	77,986,816
Capital outlay	25,708,946	188,785,234	324,876	214,819,056
Debt service:				
Principal	14,400,347	-	6,390	14,406,737
Interest	3,272,775	-	596	3,273,371
Total expenditures	<u>2,414,481,009</u>	<u>208,478,380</u>	<u>154,650,541</u>	<u>2,777,609,930</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(30,975,430)</u>	<u>(48,207,460)</u>	<u>(22,052,955)</u>	<u>(101,235,845)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	15,096,706	21,776,992	36,873,698
Transfers out	(36,873,698)	-	-	(36,873,698)
Capital leases	11,128,753	-	18,768	11,147,521
Total other financing sources (uses)	<u>(25,744,945)</u>	<u>15,096,706</u>	<u>21,795,760</u>	<u>11,147,521</u>
Net change in fund balances	(56,720,375)	(33,110,754)	(257,195)	(90,088,324)
Fund balances - July 1, 2013	213,988,321	108,385,281	31,054,360	353,427,962
Increase in reserve for inventories	-	-	342,573	342,573
Fund balances - June 30, 2014	<u>\$ 157,267,946</u>	<u>\$ 75,274,527</u>	<u>\$ 31,139,738</u>	<u>\$ 263,682,211</u>

See accompanying notes to the financial statements

FAIRFAX COUNTY PUBLIC SCHOOLS
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
to the Statement of Activities
Governmental Funds
For the Fiscal Year Ended June 30, 2014

EXHIBIT D-1

Net change in fund balances - total governmental funds \$ (90,088,324)

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	\$ 214,819,056	
Depreciation expense	<u>(124,874,992)</u>	
Total		89,944,064

Donations of capital assets increase net assets in the statement of activities, but do not appear in the governmental funds because they are not financial resources. 1,841,915

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. (375,757)

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. 14,406,737

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. (11,147,521)

In the government-wide statements, rent abatement charges impact accrued rent. In the governmental funds, this is not considered a current year expenditure. 420,555

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. 342,573

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. 393,314

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. 569,580

Interest on capital leases and installment purchases is reported as expenditures in the governmental funds when it is due. However, in the statement of activities, interest is expensed as it accrues. This amount represents the net change in accrued interest on long-term debt. 230,241

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. 8,780,938

Change in net position of governmental activities \$ 15,318,315

See accompanying notes to the financial statements.

FAIRFAX COUNTY PUBLIC SCHOOLS
Statement of Net Position
Proprietary Funds
June 30, 2014

EXHIBIT E

	Governmental Activities - Internal Service Funds
ASSETS	
Current assets:	
Cash on deposit with County of Fairfax, VA	\$ 130,909,326
Receivables:	
Accounts	5,832,772
Accrued interest	78,535
Inventories	958,125
Prepaid items	4,086
Total current assets	<u>137,782,844</u>
Noncurrent assets:	
Capital assets:	
Equipment	140,082
Accumulated depreciation	<u>(133,609)</u>
Total noncurrent assets	<u>6,473</u>
Total assets	<u>137,789,317</u>
DEFERRED OUTFLOWS OF RESOURCES	
Total deferred outflows of resources	<u>-</u>
LIABILITIES	
Current liabilities:	
Accounts payable	9,000,737
Interfund payables	675,000
Unearned revenue	10,134,831
Compensated absences	131,160
Actuarial claims payable	<u>29,358,911</u>
Total current liabilities	<u>49,300,639</u>
Noncurrent liabilities:	
Compensated absences	56,211
Actuarial claims payable	<u>29,970,642</u>
Total noncurrent liabilities	<u>30,026,853</u>
Total liabilities	<u>79,327,492</u>
DEFERRED INFLOWS OF RESOURCES	
Total deferred inflows of resources	<u>-</u>
NET POSITION	
Invested in capital assets	6,473
Unrestricted	<u>58,455,352</u>
Total net position	<u>\$ 58,461,825</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, 2014

	Governmental Activities - Internal Service Funds
OPERATING REVENUES	
Charges for services	\$ 359,220,433
OPERATING EXPENSES	
Salaries and wages	3,274,583
Cost of goods sold	4,048,611
Claims and benefits	339,567,290
Professional consultant services	11,231,137
Other operating expenses	599,595
Depreciation	2,574
Total operating expenses	<u>358,723,790</u>
Operating income	496,643
NONOPERATING REVENUES	
Interest revenue	<u>72,937</u>
Change in net position	569,580
Total net position - July 1, 2013	57,892,245
Total net position - June 30, 2014	<u>\$ 58,461,825</u>

See accompanying notes to the financial statements.

FAIRFAX COUNTY PUBLIC SCHOOLS
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2014

EXHIBIT G

	Governmental Activities - Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from interfund services provided	\$ 357,384,069
Payments to employees	(3,274,583)
Payments to vendors for inventory	(3,835,301)
Payments for claims and health benefits	(333,403,720)
Payments for professional services	(6,972,533)
Payments for other operating expenses	(607,754)
Net cash provided by operating activities	<u>9,290,178</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Net advances from other fund	(156,100)
Net cash used in noncapital financing activities	<u>(156,100)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	126,957
Net cash provided by investing activities	<u>126,957</u>
Net increase in cash and cash equivalents	9,261,035
Cash and cash equivalents - July 1, 2013	121,648,291
Cash and cash equivalents - June 30, 2014	<u>\$ 130,909,326</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 496,643
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	2,574
(Increase) in accounts receivable	(2,517,097)
Decrease in inventories	336,605
(Increase) in prepaid items	(4,086)
Increase in accounts payable	4,126,150
Increase in unearned revenue	680,733
Increase in compensated absences	24,423
Increase in actuarial claims payable	6,144,233
Total adjustments to operating income	<u>8,793,535</u>
Net cash provided by operating activities	<u>\$ 9,290,178</u>

See accompanying notes to the financial statements.

FAIRFAX COUNTY PUBLIC SCHOOLS
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2014

EXHIBIT H

	Pension and Other Post Employment Benefit Trust Funds	Agency Fund - Student Activity
ASSETS		
Cash and cash equivalents	\$ 2,036,137	\$ -
Cash with fiscal agent	559,643	19,934,374
Cash collateral for securities on loan	175,405,588	-
Short-term investments	56,058,097	-
Receivables:		
Accounts	-	419,253
Accrued interest	3,419,057	-
Securities sold	3,522,810	-
Other	-	-
Investments, at fair value:		
U.S. government obligations	25,166,149	-
Mortgage-backed securities	3,437,784	-
Bonds	143,838,237	-
Stocks	690,921,308	-
Real estate	170,254,849	-
Global asset allocation	223,631,110	-
Better beta derivatives	112,865,754	-
Hedge funds	182,141,289	-
Private equity limited partnership	34,645,625	-
Mutual funds	648,838,216	-
Inventories	-	369,270
Prepaid items	5,004	-
Capital assets:		
Equipment	130,261	-
Accumulated depreciation	(104,475)	-
Total assets	<u>2,476,772,443</u>	<u>\$ 20,722,897</u>
DEFERRED OUTFLOWS OF RESOURCES		
Total deferred outflows of resources	<u>-</u>	
LIABILITIES		
Accounts payable	1,957,496	\$ 546,495
Interfund payables	37,700	-
Payable for purchase of investments	10,567,130	-
Liability for collateral received under securities lending agreements	175,405,588	-
Due to student groups	-	20,176,402
Total liabilities	<u>187,967,914</u>	<u>\$ 20,722,897</u>
DEFERRED INFLOWS OF RESOURCES		
Total deferred inflows of resources	<u>-</u>	
NET POSITION		
Held in trust for pension and other post-employment benefits	<u>\$ 2,288,804,529</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, 2014

EXHIBIT I

	Pension and Other Post- Employment Benefit Trust Funds
ADDITIONS	
Contributions:	
Employer	\$ 99,699,020
Plan members	40,018,590
Total contributions	<u>139,717,610</u>
Investment earnings:	
From investing activities:	
Net appreciation in fair value of investments	281,691,787
Interest and dividends	40,909,320
Real estate income	2,922,632
Other	54,967
Gain from investing activities	<u>325,578,706</u>
Less Investment expenses:	
Investment management fees	11,320,539
Investment consulting fees	459,232
Investment custodial fees	217,740
Investment salaries	216,853
Total investment expenses	<u>12,214,364</u>
Net gain from investing activities	<u>313,364,342</u>
From securities lending activities:	
Securities lending income	131,434
Securities lending borrower rebates	173,929
Securities lending management fees	(76,254)
Net income from securities lending activities	<u>229,109</u>
Net investment income	<u>313,593,451</u>
Total additions	<u>453,311,061</u>
DEDUCTIONS	
Benefit payments	176,801,769
Refund of contributions	5,772,959
Administrative expenses	3,629,320
Total deductions	<u>186,204,048</u>
Change in net position	267,107,013
Net position - July 1, 2013	<u>2,021,697,516</u>
Net position - June 30, 2014	<u>\$ 2,288,804,529</u>

See accompanying notes to the financial statements.

Notes to the Financial Statements

Fairfax County Public Schools
June 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fairfax County Public Schools (FCPS) is a corporate body operating under the constitution of the Commonwealth of Virginia (State) and the Code of Virginia (Code). The twelve voting members of the School Board are elected by the citizens of the County of Fairfax, Virginia (County) to serve four-year terms. Each of the County's nine magisterial districts has a member who represents its constituents. There are three at-large members and a non-voting student member selected by a countywide student advisory council to serve a one-year term. The School Board sets the educational policies of FCPS and appoints the Superintendent to implement them. In addition, the Superintendent administers operations, supervises personnel, and advises the School Board on all educational matters with a view toward enhancing students' learning, safety, and well-being.

A. REPORTING ENTITY

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

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

Discretely presented component units 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.

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

FCPS is a component unit of the County since the County issues and services general obligation debt to finance 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. Furthermore, the activities of the internal service funds are eliminated to avoid duplicate reporting of revenues and expenses. In accordance with GASB reporting requirements, activities are reported in these statements as either governmental or business-type. Primary activities of FCPS are categorized solely as governmental.

The statement of net position presents the overall financial condition of FCPS at June 30, 2014. 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, 2014, most programs were heavily dependent on general revenues. Facilities management was the only program where the revenue sources exceeded program expenses.

Program revenues include: 1) charges for services (such as tuition and fees), 2) operating grants and contributions, and 3) capital grants and contributions. Revenues that are not directly related to a program are reported as general revenues. These include funding provided by the County, as well as certain other unrestricted amounts received from the State and the Federal government.

2. FUND FINANCIAL STATEMENTS

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

FCPS reports the following nonmajor governmental fund type:

- Special Revenue Funds—used to account for proceeds of specific revenue sources, other than for capital projects, in which expenditures are restricted for a specified purpose. The Food and Nutrition Services Fund accounts for sales proceeds from the school cafeterias. The Grants and Self-Supporting Programs Fund accounts for transactions related to

grants and self-supporting programs, including the summer school program, that are not specifically reported in another fund. The Adult and Community Education Fund accounts for transactions arising from the programs and activities provided by the Office of Adult and Community Education.

FCPS reports the following additional fund types:

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

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

1. GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

2. FUND FINANCIAL STATEMENTS

Governmental funds are accounted for using a current financial resources measurement focus and the modified accrual basis of accounting. Only current assets and current liabilities are included in the balance sheet. Revenue is recorded when susceptible to accrual, that is, when measurable and available for funding of current appropriations. In applying the susceptible to accrual concept, revenue is considered available if it is received within 60 days after fiscal year-end.

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

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

Proprietary funds and pension and other post-employment benefit funds are reported using the economic resources measurement focus and the accrual basis of accounting. All assets and liabilities associated with the operation of these funds are included on the statement of net position.

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

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

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

D. UNAVAILABLE/UNEARNED REVENUE

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

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

E. CASH AND CASH EQUIVALENTS

Cash on deposit with the County of Fairfax, VA represents the majority of FCPS' available cash. Placing these funds in a fully insured or collateralized investment pool administered by the County enhances investment returns. At June 30, 2014, all of the County's deposits were covered by the Federal Deposit Insurance Corporation (FDIC) or collateralized in accordance with the Virginia Security for Public Deposits Act (Act). The Act establishes a single body of law applicable to the pledge of security as collateral for public funds on deposit in banking institutions. This ensures that the procedure for securing public deposits is uniform throughout the State. Under the Act, banks holding public deposits must pledge certain levels of collateral and make monthly filings with the State Treasury Board.

On a monthly basis, the County allocates interest, less an administrative charge, to the Food and Nutrition Services, Adult and Community Education, Health Benefits, and ERFC Funds based on their respective average balances in pooled cash and investments. In accordance with the County's legally adopted operating budget, interest earned on FCPS' remaining funds is assigned directly to the County's General Fund. For the fiscal year ended June 30, 2014, interest earned by the remaining funds and assigned directly to the County's General Fund totaled \$632,607.

Cash and cash equivalents in the statement of cash flows and the statement of fiduciary net position represent amounts in the investment pool administered by the County, as such they are considered to be demand deposits for the purpose

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

The figure reported for cash with fiscal agent in the statement of fiduciary net position stems from two sources:

- Receipts from ERFC pension investment sales occurring on the last day of the fiscal year, which could not be invested in the pooled cash fund until July 1, 2014
- Available cash in the Local School Activity Fund accounts, all of which are fully insured through the FDIC or are fully collateralized in accordance with the Act.

F. INVESTMENTS

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

Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Asset-backed securities are valued based on future principal and interest payments and are discounted at prevailing interest rates for similar investments. Investment purchases and sales are recorded as of the trade date. These transactions are not finalized until the settlement date, which is usually the trade date, but could be up to seven business days after the trade date.

G. INVENTORIES AND PREPAID ITEMS

Inventories in the Central Procurement Fund are valued and carried on a weighted average unit cost basis. Inventories in the Food and Nutrition Services Fund are valued at cost. The consumption method of accounting for inventory is used in the government-wide statements as well as in the proprietary fund statements. Under this method, inventory items are comprised of expendable supplies and are expensed as they are consumed. The purchase method of accounting for inventory is used in the governmental funds. Under this method, inventory items are expensed when purchased. The inventory of the Food and Nutrition Services Fund, which consists of food products, are classified as nonspendable in the fund balance.

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

H. CAPITAL ASSETS

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

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

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

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

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

Intangible assets lack physical substance, are nonfinancial in nature, and have an initial useful life greater than one year. The intangible assets recognized by FCPS are software products and licenses. Intangible assets are assigned useful lives in the range 5 to 12 years, depending on the nature of the intangible asset. The intangibles were valued at historic cost. No indirect costs were incorporated into the valuations for internally generated software. The cost threshold for individual asset recognition is \$100,000. The intangible assets are amortized on a straight-line basis over the useful life to reflect the expiration of useful value.

Preliminary cost of software development (Stage 1) is expensed. Software in the application development stage (Stage 2) amounted to \$7,584,455 at June 30, 2014. 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. DEFERRED INFLOWS OF RESOURCES

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources until that time. FCPS has only one type of item, which arises only under a full accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, capital lease reduction, is reported only in the statement of net position. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

L. FUND EQUITY

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

In the fiduciary fund financial statements, FCPS' net position 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.

M. 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 2014, reimbursements totaled \$41,985,113 for educational services, in addition to \$155,000 for construction projects performed on the City's behalf through the FCPS Capital Projects Fund.

N. 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.

O. 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.

P. 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, 2014, restricted cash and investments reported in the Capital Projects Fund totaled \$100,961,681.

Q. NEW PRONOUNCEMENTS

FCPS' Retirement System implemented GASB Statement No. 67, "Financial Reporting for Pension Plans - An Amendment of GASB Statement No. 25". The implementation of the new standard enhanced the information presented in their note disclosures and required supplementary information for fiscal year 2014. The implementation of the new standard did not have a material impact on FCPS' financial statements for fiscal year 2014.

FCPS implemented GASB Statement No. 69, "Government Combinations and Disposals of Government Operations". The implementation of the new standard did not have a material impact on FCPS' financial statements for fiscal year 2014.

FCPS implemented GASB Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees". The implementation of the new standard did not have a material impact on FCPS' financial statements for fiscal year 2014.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The following reconciliations accompany the governmental fund statements:

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

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

III. DETAILED NOTES TO ALL FUNDS

A. NONFIDUCIARY DEPOSITS AND INVESTMENTS

1. DEPOSIT AND INVESTMENT POLICIES

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

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

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

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

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

- Commercial paper
- U.S. Treasury and agency securities
- U.S. Treasury strips
- Negotiable certificates of deposit and bank notes
- Money market funds
- Banker's acceptances
- Repurchase agreements
- Medium term corporate notes

- Local government investment pools
- Asset-backed securities
- Hedged debt obligations of sovereign governments
- Securities lending programs
- Obligations of the Asian Development Bank
- Obligations of the African Development Bank
- Obligations of the International Bank for Reconstruction and Development
- Obligations of the State and its instrumentalities
- Obligations of counties, cities, towns, and other public bodies located within the State
- Obligations of State and local government units located within other states
- Savings accounts for time deposits in any bank or savings and loan association within the State that complies with the Code

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

2. INTEREST RATE RISK

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

As of June 30, 2014, the pooled investments allocated to the County's component units, of which FCPS is designated a majority share, is presented below:

Investment Type	Market Value	Weighted Average Maturity (Days)
Agency discount notes	\$ 34,608,005	9.64
Commercial paper	140,283,139	35.05
Corporate notes	40,289,956	40.86
Money market funds	11,566,124	0.02
Negotiable certificates of deposit	234,996,162	11.72
VA investment pool	12,818,116	0.35
Total market value	<u>\$ 474,561,502</u>	
Portfolio weighted average maturity		97.64

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:

- U.S. government sponsored enterprise instruments shall be rated by both Moody's and S&P with a minimum rating of Prime 1 and A-1, respectively.
- Prime quality commercial paper shall be rated by at least two of the following: Moody's, with a rating of P-1; S&P, A-1; Fitch Investor's Services, Inc. (Fitch), F-1; or Duff and Phelps, Inc., D-1.
- Mutual funds must have a rating of AAA or better by S&P, Moody's, or another nationally recognized rating agency.
- Bank deposit notes must have a rating of at least A-1 by S&P and P-1 by Moody's.
- 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, 2014, the County had investments in the following issuers with credit quality ratings as a percent of total investments in debt securities:

Investment Type	Credit Quality Rating *				
	AA	A-1	AAA-m	Aaf/S1	Unrated
Primary Government					
Pooled Investments:					
Commercial paper	- %	27.0 %	- %	- %	- %
Money market funds	-	-	2.0	-	-
Corporate notes	7.9	-	-	-	-
Virginia Investment Pool	-	-	-	2.5	-
Demand Deposit Accounts	-	-	-	-	5.7
Certificates of Deposit:					
Negotiable	-	45.0	-	-	-
Insured	-	-	-	-	3.2
U.S. Treasury and Agencies**	6.7	-	-	-	-
	<u>14.6 %</u>	<u>72.0 %</u>	<u>2.0 %</u>	<u>2.5 %</u>	<u>8.9 %</u>

* 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, 2014.

** 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. 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 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 U.S. government and U.S. government guaranteed obligations) in any one organization that represents five percent or more of net assets held in trust for pension benefits.

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, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 15.91 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, 2014, the fair value of the CMOs was \$534,020, 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 Emerging Markets Growth Fund, the Better Beta fund, one of the Emerging Market Debt funds, one Private Equity manager, two of the Real Estate 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 F/X rate and the forward F/X rate, and through investing the USD 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. At June 30, 2014, exposure to interest rate swaps was \$(5,509,290), exposure to interest rate caps was \$406,164, exposure to futures contracts was \$15,645,131, exposure to NDF's was \$(1,716,805), exposure to forward commodity contracts was \$165,839, exposure to currency forward contracts was \$(20,434,594) and exposure to options was \$344,017.

The Board's policy permits the fund to participate in a securities lending program. This program is administered by ERFC's custodian. Certain securities are loaned to approved broker/dealers who borrow the securities and provide collateral in the form of cash, U.S. Treasury or government agency securities, letters of credit issued by approved banks, and other securities as specified in the securities lending agreement. Collateral must be provided in the amount of 102 percent of the market value for domestic securities and 105 percent for international securities. ERFC did not impose any restrictions during the period on the amount of loans the custodian made on its behalf. The custodian provides for full indemnification to ERFC for any losses that might occur in the program due to the failure of a broker/dealer to return the borrowed security or a failure to pay ERFC for income earned by loaned securities. The market value of collateral is monitored daily by the custodian.

Cash collateral is invested in a fund maintained by the custodian or its affiliate. The custodian's stated policy is to maintain a weighted average maturity not to exceed 60 days. Investment income from the securities lending program is shared 75/25 by ERFC and the custodian, respectively. On June 30, 2014, 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, 2014, cash received as collateral and the related liability was \$175,405,588. The market value of securities on loan was \$169,172,788. 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, 2014, the array of securities ERFC had on loan for cash and non-cash collateral took this form:

Securities Lent	Cash Market Value	Cash Collateral
Lent for cash and non cash collateral:		
Domestic corporate bonds	\$ 21,634,017	\$ 22,153,379
International stock	5,783,060	7,498,751
Domestic stock	139,232,764	143,177,410
Government	2,522,947	2,576,048
Total	<u>\$ 169,172,788</u>	<u>\$ 175,405,588</u>

Interest Rate Risk

Three of ERFC's four fixed income managers use the modified duration method to control interest rate risk. 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. The fourth fixed income manager uses the effective duration method to control interest rate risk. This manager's duration is expected to be within 50 percent of the Barclays Capital Government/ Credit Index.

As of June 30, 2014, ERFC had the following fixed income investments, none of which are highly sensitive to changes in interest rates:

Investment Type	Amount	Modified Duration (Years)
U.S. treasuries	\$ 167,221,903	2.78
Agencies	12,463,884	1.74
Corporate bonds	168,907,871	6.14
Municipals	2,989,199	0.09
Mortgages	103,046,401	2.62
Asset-backed securities	3,172,387	6.15
CMBS	3,504,021	3.39
Emerging market	67,335,499	3.87
Foreign bonds	55,509,207	3.04
Convertible and preferred	14,982,013	6.96
Cash and cash equivalents	6,629,816	0.47
Total	<u>\$ 605,762,201</u>	
Weighted duration in years		3.91

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.

As of June 30, 2014, ERFC had three active fixed income managers and one passive fixed income manager. The schedule on the prior page lists the ratings of all of ERFC's fixed income investments according to Moody's Investment Services and Standard & Poor's.

The percentage mix of credit quality ratings in ERFC's portfolio as of June 30, 2014, is portrayed below:

Investment Type	Credit Quality Rating								Withdrawn Rating
	AAA	AA	A	BBB	BB	B	Below B	Unrated	
Mortgage-backed securities	0.4 %	7.3 %	0.1 %	0.1 %	- %	0.0 %	- %	- %	- %
Domestic bonds	0.1	0.7	5.7	8.6	3.6	0.9	0.9	31.2	0.1
Convertible bonds	-	-	0.5	0.7	0.7	0.3	-	0.1	-
International bonds	2.5	0.3	5.4	6.7	2.1	0.1	-	1.1	-
U.S. government obligations	3.0	9.8	-	-	-	-	-	1.2	-
Preferred stocks	-	-	-	0.0	0.0	0.1	-	-	-
Cash and cash equivalents	-	-	-	-	-	-	-	5.7	-

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

Concentration of Credit Risk

ERFC's policy limits the securities of any one issue to 10% at cost and 15% at market of each fixed income portfolio. The policy allows an exception for government securities and its agencies. At June 30, 2014, and as addressed previously, ERFC had three active fixed income managers and one passive fixed income manager. The active manager portfolios had values of \$62.2 million, \$218.2 million and \$176.4 million. The indexed portfolio had a value of \$148.9 million. The market value of the largest issue other than the U.S. Government in the portfolios of the active managers was only 7.64 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, 2014, was as follows:

Investment Type	Market Value
U.S. government obligations	\$ 25,166,149
Mortgage-backed securities	3,437,784
Domestic corporate bonds	87,407,536
Convertible bonds	14,027,290
International bonds	42,403,411
Common stock	661,110,417
Real estate	170,254,849
Preferred stock	1,187,335
Global asset allocation	223,631,110
Better beta	112,865,754
Hedge fund of funds	174,498,284
Private equity limited partnership	34,645,625
Mutual funds	601,339,353
Sub-total investments	2,151,974,897
Cash collateral for securities on loan	175,405,588
Total	\$ 2,327,380,485

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, 2014:

Currency	Cash and Cash Equivalents	Equity	Fixed Income Securities	Preferred Securities	Total U.S. Dollars
Australian dollar	\$ 186,651	\$ 3,858,751	\$ 3,857,797	\$ -	\$ 7,903,199
Brazil real	82,427	243,566	12,745,782	208,172	13,279,947
Canadian dollar	81,519	22,477,478	6,242,494	-	28,801,491
Chilean peso	1,817,416	-	-	-	1,817,416
Columbian peso	58,636	-	4,298,940	-	4,357,576
Danish krone	-	3,292,175	-	-	3,292,175
Euro currency unit	621,786	83,069,504	894,937	295,146	84,881,373
Hong Kong dollar	130,863	8,667,366	-	-	8,798,229
Hungarian forint	-	-	1,202,602	-	1,202,602
Indonesian rupiah	71,073	415,835	3,616,486	-	4,103,394
Israeli shekel	945	24,069	-	-	25,014
Japanese yen	214,488	42,816,774	-	-	43,031,262
Malaysian ringgit	93,749	1,928,694	4,310,316	-	6,332,759
Mexican new peso	257,243	1,101,080	13,202,366	-	14,560,689
New Taiwan dollar	46,095	6,029,766	-	-	6,075,861
New Turkish lira	-	1,448,833	-	-	1,448,833
New Zealand dollar	42,969	683,805	8,305,230	-	9,032,004
Norwegian krone	74,753	3,098,520	2,661,290	-	5,834,563
Peruvian nuevo sol	95,859	-	3,114,600	-	3,210,459
Philippines peso	137	118,147	-	-	118,284
Polish zloty	28,253	1,545,265	6,826,363	-	8,399,881
Pound sterling	104,322	44,540,055	316,433	1,101	44,961,911
Russian rouble	-	-	5,111,637	-	5,111,637
S. African common rand	77,912	2,933,515	5,495,434	25,371	8,532,232
Singapore dollar	19,252	3,866,129	-	-	3,885,381
South Korea won	59,390	13,082,812	-	-	13,142,202
Swedish krona	226	9,554,564	-	-	9,554,790
Swiss franc	84,454	20,105,482	-	-	20,189,936
Thailand baht	-	1,388,311	1,225,248	-	2,613,559
Turkish Lira	-	-	3,717,303	-	3,717,303
Total	\$ 4,250,418	\$ 276,290,496	\$ 87,145,258	\$ 529,790	\$ 368,215,962

2. SCHOOL OPEB TRUST FUND

Deposit and Investment Policies

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

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

The Board adopted an investment policy to establish investment objectives, risk tolerance levels, and asset allocation

parameters. The investment objective is to maximize the total long-term rate of return consistent with reasonable risk by seeking capital appreciation and, secondarily, principal protection in a prudent manner. The investment policy authorizes such instruments as certificates of deposit, repurchase agreements, banker's acceptances, money market funds, commercial paper, common and preferred stocks, U.S. Treasury and agency securities, structured notes, and derivatives.

The investment policy restricts the purchase of:

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

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

On June 30, 2014, the School OPEB Trust Fund had the following investments in the Pooled Trust:

Investment Type	Fair Value
Short term investments	\$ 11
Mutual funds	47,498,863
Stocks	28,623,556
Hedge funds	7,643,005
Receivable from sale of investment	149,103
Total Investment	<u>\$ 83,914,538</u>

Concentration of Credit Risk

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

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

C. DUE FROM INTERGOVERNMENTAL UNITS

Amounts due from the Federal government are attributed primarily to the Individuals with Disabilities Education Act (IDEA) grant in the General Fund and to the Title I and II grants and federal reimbursement for the National School Lunch Program in the nonmajor governmental funds. IDEA is designed to ensure that all school-age handicapped children are provided a free, appropriate public education. Title I and II programs enhance the instruction for disadvantaged children. The National School Lunch Program makes lunch available to school children and encourages the consumption of domestic nutritious agricultural commodities.

A significant portion of the receivable from the State in the General Fund is attributed to State sales taxes due to FCPS. The Virginia Retail Sales and Use Tax Act requires one and one-eighth cent of every five cents collected in State sales tax to be distributed to school divisions based on school-age population. The receivable from the State in the nonmajor governmental funds represents FCPS' allocation of the Virginia Public School Authority Educational Technology Note proceeds for qualified technology expenditures and the Virginia Department of Education grant for the Juvenile Detention Center.

FCPS provides special education services for eligible students, including those who reside outside of FCPS' school boundaries. These services are provided on a fee-based system. The receivables from other jurisdictions are related to outstanding invoices for services provided to other localities within the Washington Metropolitan area as well as those from out-of-state public school systems. The receivable from the County represents 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 other governments as of June 30, 2014, were as follows:

Fund	Federal Government	State	County	Other Jurisdictions	Total
General Fund	\$ 19,040,771	\$ 14,590,908	\$ 93,024	\$ 296,169	\$ 34,020,872
Nonmajor governmental	9,962,449	5,609,403	269,613	-	15,841,465
Total	<u>\$ 29,003,220</u>	<u>\$ 20,200,311</u>	<u>\$ 362,637</u>	<u>\$ 296,169</u>	<u>\$ 49,862,337</u>

D. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund transactions occur only at year-end for financial statement presentations. FCPS' General Fund advances money to other funds as needed to offset year-end cash deficits. The deficits occur due to timing differences between payments for expenditures and the receipt of cash to cover them. A \$675,000 advance to the Central Procurement Fund resulted from an inventory buildup in anticipation of the start of the 2014-2015 school year. The \$37,700 advance to the fiduciary funds, specifically the OPEB Fund, results from temporary cash shortages in the fund. This balance is expected to be repaid by June 30, 2015.

The composition of interfund receivables and payables balances as of June 30, 2014, was as follows:

Fund	Interfund Receivables	Interfund Payables
General Fund	\$ 712,700	\$ -
Fiduciary funds	-	37,700
Internal service funds	-	675,000
Total	<u>\$ 712,700</u>	<u>\$ 712,700</u>

The primary purpose for interfund transfers is to provide funding for FCPS' operations, and capital projects. The breakdown of interfund transfers for the fiscal year ended June 30, 2014, was as follows:

Fund	Transfers In	Transfers Out
General Fund	\$ -	\$ 36,873,698
Capital Projects	15,096,706	-
Nonmajor governmental funds	21,776,992	-
Total	<u>\$ 36,873,698</u>	<u>\$ 36,873,698</u>

E. CAPITAL ASSETS

A summary of capital asset activity for fiscal year 2014 is shown below:

Governmental Activities	Balance June 30, 2013	Increases	Decreases	Balance June 30, 2014
Non-depreciable/non-amortizable capital assets:				
Land	\$ 44,869,395	\$ 1,967,700	\$ -	\$ 46,837,095
Construction in progress	193,374,318	155,072,769	(86,926,415)	261,520,672
Equipment under construction	-	-	-	-
Software in development	6,265,521	1,318,934	-	7,584,455
Total non-depreciable/non-amortizable capital assets	<u>244,509,234</u>	<u>158,359,403</u>	<u>(86,926,415)</u>	<u>315,942,222</u>
Depreciable/amortizable capital assets:				
Equipment	267,744,446	26,629,307	(9,394,889)	284,978,864
Library materials/collections	34,769,180	2,320,280	(2,588,699)	34,500,761
Buildings	1,199,466,196	37,218,518	-	1,236,684,714
Building improvements	1,797,170,588	67,313,314	-	1,864,483,902
Land improvements	38,966,271	12,788,135	-	51,754,406
Software/licenses	4,865,424	-	-	4,865,424
Total depreciable/amortizable capital assets	<u>3,342,982,105</u>	<u>146,269,554</u>	<u>(11,983,588)</u>	<u>3,477,268,071</u>
Accumulated depreciation/amortization:				
Equipment	(178,512,709)	(24,859,388)	7,977,562	(195,394,535)
Library collections	(24,310,839)	(3,549,255)	2,588,699	(25,271,395)
Buildings	(510,235,429)	(24,253,216)	-	(534,488,645)
Building improvements	(744,796,926)	(69,053,508)	-	(813,850,434)
Land improvements	(15,473,947)	(2,303,482)	-	(17,777,429)
Software/licenses	(2,474,501)	(858,718)	-	(3,333,219)
Total accumulated depreciation/amortization	<u>(1,475,804,351)</u>	<u>(124,877,567)</u>	<u>10,566,261</u>	<u>(1,590,115,657)</u>
Depreciable/amortizable capital assets, net	<u>1,867,177,754</u>	<u>21,391,987</u>	<u>(1,417,327)</u>	<u>1,887,152,414</u>
Total capital assets, net	<u>\$ 2,111,686,988</u>	<u>\$ 179,751,390</u>	<u>\$ (88,343,742)</u>	<u>\$ 2,203,094,636</u>

Depreciation was charged to governmental programs during fiscal year 2014 as shown:

<u>Governmental Activities</u>	<u>Depreciation Expense</u>
Instruction:	
Regular education:	
Elementary school	\$ 39,930,020
Middle school	10,663,009
High school	24,143,547
Special education	21,031,158
Adult and community education	404,875
Instructional support	7,917,285
Support programs:	
Administration and general support	5,690,961
Student transportation	6,410,688
Facilities management	4,857,053
Food service	3,826,397
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.	2,574
Total	<u>\$ 124,877,567</u>

F. LONG-TERM OBLIGATIONS

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

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

The table below summarizes the changes in the long-term obligations of FCPS for the year ended June 30, 2014:

<u>Governmental Activities</u>	<u>Balance</u>			<u>Balance</u> <u>June 30, 2014</u>	<u>Due within</u> <u>One Year</u>
	<u>June 30, 2013</u>	<u>Additions</u>	<u>Reductions</u>		
Accrued rent	\$ 965,703	\$ -	\$ (420,555)	\$ 545,148	\$ 473,508
Compensated absences	34,327,596	23,660,427	(24,029,318)	33,958,705	23,771,094
Capital leases	84,947,934	11,147,521	(19,682,554)	76,412,901	14,280,773
Actuarial claims payable	53,185,320	30,951,797	(24,807,564)	59,329,553	29,358,911
Total	<u>\$ 173,426,553</u>	<u>\$ 65,759,745</u>	<u>\$(68,939,991)</u>	<u>\$ 170,246,307</u>	<u>\$ 67,884,286</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 2019, 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, 2014, were as follows:

Fiscal Year	Total
2015	\$ 16,717,241
2016	11,833,586
2017	10,309,980
2018	6,645,824
2019	3,990,041
2020-2024	17,349,000
2025-2029	17,343,500
2030-2034	17,338,375
2035	3,444,289
Total Minimum Obligations	104,971,836
Portion representing interest	(28,558,935)
Present value of minimum lease payments	<u>\$ 76,412,901</u>

The following schedule lists the capital assets that were acquired under the capital leases that remained outstanding on June 30, 2014:

Asset Class	Acquisition Cost	Accumulated Depreciation	Net
Capital assets:			
Land	\$ 6,000,000	\$ -	\$ 6,000,000
Equipment:			
Buses	14,888,154	(5,420,213)	\$ 9,467,941
Computers	18,902,266	(10,317,765)	\$ 8,584,501
Copiers	24,983,467	(13,314,748)	\$ 11,668,719
Other vehicles	269,860	(151,796)	\$ 118,064
Buildings	56,910,185	(9,890,080)	\$ 47,020,105
Total	<u>\$ 121,953,932</u>	<u>\$ (39,094,602)</u>	<u>\$ 82,859,330</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 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 2014, \$420,555 was recognized as rent reduction with respect to this lease. During fiscal year 2014, the total expenditures for real estate operating leases amounted to \$4,470,823. In addition, FCPS has equipment leases for copiers. The expenditures on these leases totaled \$12,331.

On June 30, 2014, the future minimum operating lease commitments were as follows:

Fiscal Year	Real Estate	Equipment	Total
2015	4,078,463	5,997	4,084,460
2016	4,351,287	3,053	4,354,340
2017	4,926,938	-	4,926,938
2018	5,072,378	-	5,072,378
2019	5,222,125	-	5,222,125
2020-beyond	5,376,304	-	5,376,304
Total	\$ 29,027,495	\$ 9,050	\$ 29,036,545

H. CONSTRUCTION COMMITMENTS

On June 30, 2014, FCPS had contractual commitments of \$187,190,086 in the Capital Projects Fund for the construction of various projects.

I. FUND BALANCE

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

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

- Restricted: Fund balances that are constrained by external parties, constitutional provisions or enabling legislation.
- Committed: Fund balances that impose constraints by the action of the School Board.
- Assigned: Fund balances that are resources set aside for particular purposes 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: Included in this classification are prepaid items and inventories totaling \$993,474 and \$1,782,053, respectively, among all governmental funds.

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

Committed: In 2014 the School Board committed \$8.0 million from fund balance to address revenue shortages in the next fiscal year as part of the Flexibility Reserve. For fiscal year 2015, \$49,205,122 was appropriated for operations.

Assigned: The assigned fund balance of \$97,549,572 for school operations includes \$3,469,044 to reserve for textbook replacement; \$7,639,300 for full-day Mondays; \$3,550,970 for major maintenance; \$2,420,000 for bus replacement; \$1,500,000 for the synthetic turf initiative; \$214,608 for world languages; and \$55,917,055 for outstanding encumbrances and other fiscal

year balance carryovers for materials and supplies, additional equipment, staff training, field trips, facility modifications, and police security for schools and centers. For fiscal year 2016, \$22,838,595 was set aside for operations.

Unassigned: The unassigned fund balance totals \$2,086,182, which will be utilized by the School Board during future budget development.

	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
FUND BALANCES:				
Nonspendable:				
Prepaid Items	\$ 427,070	\$ -	\$ 566,404	\$ 993,474
Inventories	-	-	1,782,053	1,782,053
Restricted:				
Capital Projects	-	75,274,527	-	75,274,527
Adult and Community Education	-	-	366,524	366,524
Food Service	-	-	11,944,551	11,944,551
Grant Programs, Summer Fund and Remediation	-	-	16,480,206	16,480,206
Committed:				
Flexibility Reserve	8,000,000	-	-	8,000,000
Subsequent Fiscal Year's Budget	49,205,122	-	-	49,205,122
Assigned:				
Other Schools Operations	55,917,055	-	-	55,917,055
Set Aside for FY 2016 Budget	22,838,595	-	-	22,838,595
Full-Day Mondays	7,639,300	-	-	7,639,300
Major Maintenance	3,550,970	-	-	3,550,970
Bus Replacement - Purchase	2,420,000	-	-	2,420,000
Set Aside for FY 2015 Initiatives	5,183,652	-	-	5,183,652
Unassigned	2,086,182	-	-	2,086,182
Total Fund Balance	<u>\$ 157,267,946</u>	<u>\$ 75,274,527</u>	<u>\$ 31,139,738</u>	<u>\$ 263,682,211</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 2014.

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 2014, there were no significant reductions in insurance coverage from the prior year.

Changes in the balances of liability claims during fiscal years 2013 and 2014 are as follows:

	Health Benefits	Insurance	Total
July 1, 2012 - liability balance	19,660,000	31,750,079	51,410,079
Claims and changes in estimates	306,977,640	11,831,316	318,808,956
Claims Payments	(307,743,640)	(9,290,075)	(317,033,715)
June 30, 2013 - liability balance	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	(323,085,454)	(10,318,266)	(333,403,720)
June 30, 2014 - liability balance	23,324,000	36,005,553	59,329,553

C. CONTINGENT LIABILITIES

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

FCPS receives grant funds, principally from the Federal government, for various educational programs. Certain expenditures of these funds are subject to audit by the grantor. FCPS is contingently liable to refund amounts received in excess of allowable expenditures. In the opinion of FCPS management, no material refunds will be required as a result of expenditures disallowed by the grantors.

D. RETIREMENT PLANS

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

1. ERFC

Plan Description

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

Benefit provisions for ERFC and ERFC 2001 are established and may be amended by ERFC's Board of Trustees (Board) subject to approval by the School Board. All members are vested for benefits after five years of service. The ERFC benefit formula was revised effective July 1, 1988, following changes to VRS, which ERFC has historically supplemented. The benefit structure is designed to supplement VRS and Social Security benefits to provide a level retirement benefit throughout retirement. 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. 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	<u>21,643</u>
Total	<u><u>35,308</u></u>

Contribution Requirements

The contribution requirements for ERFC and ERFC 2001 members are established and may be amended by the System's Board of Trustees 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, the System has actuarial valuations prepared annually. The contribution requirements of members and the employer are established and may be amended by the ERFC Board of Trustees, 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 5.60 percent.

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.

Annual Pension Cost

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

Fiscal Year Ended June 30	Annual Pension Cost	Percentage Contributed	Net Pension Obligation
2012	52,934,245	104.00	-
2013	67,734,634	100.00	-
2014	74,174,082	100.68	-

Funded Status and Funding Progress

As of the December 31, 2013 actuarial valuation, the plan was 76.7 percent funded. The actuarial accrued liabilities (AAL), for benefits was \$2.6 billion and the actuarial value of assets (AVA) was \$2.0 billion, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.6 billion. The covered payroll (annual payroll of active participating employees on which contributions are based) was \$1.3 billion and the ratio of the UAAL to covered payroll was 46.7 percent.

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

Actuarial Methods and Assumptions

In preparing the December 31, 2013 actuarial valuation, significant actuarial assumptions used in the valuation include:

- Entry age actuarial cost method
- Amortization as a level percentage of closed payrolls
- A remaining amortization period of 25 years from July 1, 2016
- A five-year smoothed market asset valuation method with a 25% corridor
- An approximate inflation component of 3.0 percent
- Projected salary increases of 3.75 to 9.05 percent, including inflation
- A rate of return on the investment of present and future assets of 7.5 percent per year

Basis of Accounting

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

Investment Valuation

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

The values of the commingled funds and limited partnerships are provided to ERFC's master custodian by the managers. These commingled funds and limited partnerships include private real estate, global asset allocation, better beta, hedge fund of funds, emerging market equity, emerging market debt, and private equity. The fair value of these investments is determined in different ways. For private real estate, the values of the actual property holdings are determined periodically but usually annually and subject to independent appraisal. However, since these holdings are relatively illiquid, there is not a ready market for these assets and it's possible that fair value can differ from the assessed value. For global asset allocation, better beta, hedge fund of funds, emerging market equity, emerging market debt and private equity—depending on the actual contents of these separate portfolios—the assets are either reported at fair value as determined by the markets for those assets, or, if market quotes are not readily available, they are determined by the manager, subject to annual audits.

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

1. FCERS

Plan Description

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

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

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

The FCERS issues a publicly available annual financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Employees' Retirement System, 10680 Main Street, Suite 280, Fairfax, VA 22030, or by calling (703) 279-8200.

Funding Policy

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

FCPS is required to contribute at an actuarially determined rate; the rate for the year ended June 30, 2014, was 18.70 percent of annual covered payroll. The decision was made to commit additional funding and a rate of 19.30 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. FCPS' contributions to FCERS for fiscal years 2014, 2013, and 2012 were \$37,653,901, \$35,800,628, and \$31,391,314, respectively, equal to the statutorily required contribution for each year.

Concentrations

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

2. 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. Employees hired prior to January 1, 2014 were eligible to opt into the plan until April 30, 2014. Contributions made by members and participating VRS employers are invested to provide future retirement and disability benefits, annual cost of

living adjustments, and death benefits to plan members and beneficiaries. FCPS contributes to VRS on behalf of its covered professional employees.

Benefit provisions are established and governed by Section 51.1 of the Code. Changes to the Code can be made only by an act of the General Assembly. 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.

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

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

Funding Policy

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

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

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

In fiscal year 2013, the General Assembly adopted a higher VRS employer contribution rate of 11.66 percent compared to the prior year rate of 6.33 percent. This rate is effective for fiscal years 2013 and 2014. In addition, the General Assembly approved an employer rate increase from 0.6 percent in fiscal year 2012 to 1.11 percent in fiscal years 2013 and 2014 for the VRS Retiree Health Insurance Credit.

The combined FCPS employer and member contributions to VRS, including the Retiree Health Insurance Credit, for the fiscal years ended 2014, 2013, and 2012 were \$251,681,672, \$242,343,488, and \$146,454,888, respectively, equal to the statutorily required contribution for each year.

E. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

1. PLAN DESCRIPTION

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

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

As of July 1, 2013, the date of the most recent actuarial valuation, plan membership consisted of:

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

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 2014, FCPS contributed \$25,524,938 to the School OPEB Trust Fund, which included \$15,524,938 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 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 2014 and the two preceding fiscal years are below:

Fiscal Year Ended June 30	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation (Asset)
2012	30,663,000	138.4	(10,054,877)
2013	31,133,000	110.7	(13,392,985)
2014	16,744,000	152.4	(22,173,923)

The changes in the net OPEB obligation during the year ended June 30, 2014, were as follows

	School OPEB Trust Fund
Annual required contribution	\$ 17,003,000
Interest on net OPEB asset from prior year	(1,004,000)
Adjustment to annual required contribution	745,000
Annual OPEB cost	16,744,000
Contributions made	(25,524,938)
Decrease in net OPEB obligation	(8,780,938)
Net OPEB asset - July 1, 2013	(13,392,985)
Net OPEB asset - June 30, 2014	<u>\$ (22,173,923)</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 \$274.0 million and the projected Actuarial Value of Assets (AVA) was \$65.0 million, resulting in an Unfunded Actuarial Accrued Liability (UAAL) of \$209.0 million. The covered payroll of active participating employees was \$1,109.0 million and the ratio of the UAAL to covered payroll was 18.85 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, 2014, as well as the fiscal year 2014 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 1) contributions to the plan are irrevocable, 2) assets are dedicated to providing benefits to retirees and beneficiaries, and 3) assets are legally protected from creditors of the employer or plan administrator. The assets are dedicated to the payment of benefits in accordance with the terms of the plan. Further information, including financial statements, can be obtained by writing to VML/VACo Finance Program, 919 East Main Street, Richmond, VA 23219.

F. TERMINATION BENEFITS

1. COBRA

FCPS provides health care benefits as required by Federal law under the Public Health Service Act (PHSA). This benefit was previously required by the Consolidated Omnibus Budget Reconciliation Act COBRA. PHSA requires employers that sponsor group health plans to provide a continuation of group coverage to terminated employees and their dependents in qualifying circumstances where coverage would normally end. FCPS provides 18 to 36 months of optional post-employment healthcare to employees and their dependents that elect to continue healthcare coverage. The election to be covered is at the request of the employees. The employees are required to pay 102 percent of the premium costs for themselves and their dependents, which include a two percent administrative fee. The premium costs to the employees and their dependents are the established premium equivalent rates for each respective plan year; accordingly, no liability is recorded for PHSA benefits. On June 30, 2013, there were 109 participants receiving benefits under PHSA.





REQUIRED SUPPLEMENTARY INFORMATION (unaudited)

The Required Supplementary Information subsection includes:

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



FAIRFAX COUNTY PUBLIC SCHOOLS
Budgetary Comparison Schedule - Budget and Actual
General Fund
For the Fiscal Year Ended June 30, 2014

EXHIBIT J

	<u>Budget - Original</u>	<u>Budget - Final</u>	<u>Actual - Budget Basis</u>	<u>Variance from Final Budget</u>
REVENUES				
Intergovernmental:				
Federal government	\$ 42,489,699	\$ 54,806,855	\$ 44,692,417	\$ (10,114,438)
Commonwealth of Virginia	557,058,694	556,983,694	558,872,800	1,889,106
Charges for services:				
Tuition and fees	7,919,212	7,919,212	8,362,583	443,371
Revenue from the use of money and property	2,773,923	2,773,923	3,154,172	380,249
Recovered costs	43,036,416	43,036,416	41,985,113	(1,051,303)
Other	6,877,014	6,877,014	8,849,763	1,972,749
Total revenues	<u>660,154,958</u>	<u>672,397,114</u>	<u>665,916,848</u>	<u>(6,480,266)</u>
EXPENDITURES				
Current:				
Instruction:				
Regular education:				
Elementary school	797,410,555	809,303,797	789,412,738	(19,891,059)
Middle school	223,457,329	225,278,210	215,614,999	(9,663,211)
High school	503,861,562	513,413,081	491,856,506	(21,556,575)
Special education	429,253,354	444,993,940	425,401,261	(19,592,679)
Adult and community education	227,055	151,167	69,098	(82,069)
Instructional support	144,383,600	153,478,180	146,429,197	(7,048,983)
Support programs:				
Administration and general support	114,686,063	132,617,861	116,814,632	(15,803,229)
Student transportation	133,754,950	139,593,145	135,315,263	(4,277,882)
Facilities management	76,255,782	92,465,258	78,661,639	(13,803,619)
Total expenditures	<u>2,423,290,250</u>	<u>2,511,294,639</u>	<u>2,399,575,333</u>	<u>(111,719,306)</u>
Deficiency of revenues under expenditures	<u>(1,763,135,292)</u>	<u>(1,838,897,525)</u>	<u>(1,733,658,485)</u>	<u>105,239,040</u>
OTHER FINANCING SOURCES (USES)				
Transfers in from County of Fairfax, VA	1,717,588,731	1,717,588,731	1,717,588,731	-
Transfers out to other governmental funds	(30,765,014)	(36,873,698)	(36,873,698)	-
Transfers out to County of Fairfax, VA	<u>(3,776,923)</u>	<u>(3,776,923)</u>	<u>(3,776,923)</u>	-
Total other financing sources (uses)	<u>1,683,046,794</u>	<u>1,676,938,110</u>	<u>1,676,938,110</u>	-
Net change in fund balances	<u>\$ (80,088,498)</u>	<u>\$ (161,959,415)</u>	<u>\$ (56,720,375)</u>	<u>\$ 105,239,040</u>

See accompanying notes to the required supplementary information.

FAIRFAX COUNTY PUBLIC SCHOOLS							EXHIBIT K
Schedule of Funding Progress							
Pension and Other Post-Employment Benefit Trust Funds							
For the Fiscal Year Ended June 30, 2014							
(Dollars in Thousands)							
Actuarial Valuation Date	Actuarial Value of Assets {a}	Actuarial Liability (AAL) - Entry Age {b}	(Excess of Assets) Unfunded AAL (UAAL) {b-a}	Funded Ratio {a/b}	Covered Payroll {c}	(Excess of Assets) UAAL as a Percentage of Covered Payroll {(b-a)/c}	
Educational Employees' Supplementary Retirement System of Fairfax County (ERFC)							
12/31/2006	1,818,930	2,105,552	286,622	86.39	1,111,828	25.78	
12/31/2007	1,924,886	2,186,801	261,915	88.02	1,161,432	22.55	
12/31/2008	1,733,946	2,255,298	521,352	76.88	1,211,140	43.05	
12/31/2009	1,769,540	2,339,869	570,329	75.63	1,208,093	47.21	
12/31/2010	1,822,603	2,384,061	561,458	76.45	1,191,290	47.13	
12/31/2011	1,866,952	2,470,964	604,012	75.56	1,246,973	48.44	
12/31/2012	1,935,292	2,566,128	630,836	75.42	1,297,537	48.62	
12/31/2013	2,029,005	2,645,500	616,495	76.70	1,320,309	46.69	
School Other Post-Employment Benefits Trust *							
7/1/2007	\$ -	\$ 299,668	\$ 299,668	- %	\$ 1,302,665	23.00 %	
7/1/2008	7,996	458,067	450,071	1.75	1,352,321	33.28	
7/1/2009	17,520	466,324	448,804	3.76	1,377,000	32.59	
7/1/2010	19,563	491,180	471,617	3.98	1,432,000	32.93	
7/1/2011	40,051	431,303	391,252	9.27	1,005,000	38.93	
7/1/2012	53,423	448,849	395,426	11.90	1,045,000	37.84	
7/1/2013	64,925	273,983	209,058	23.70	1,109,000	18.85	
* 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						
Pension and Other Post-Employment Benefit Trust Funds						
For the Fiscal Year Ended June 30, 2014						
Fiscal Year Ended June 30	Educational Employees' Supplementary Retirement System of Fairfax County		School Other Post-Employment Benefits Trust *			
	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed		
2006	\$ 34,648,918	100.00 %	\$ -	-	%	
2007	36,644,001	100.00	-	-		
2008	38,334,140	100.00	25,302,000	103.21		
2009	37,281,658	107.33	37,522,000	97.65		
2010	35,146,816	107.75	35,954,000	75.48		
2011	47,118,111	100.00	38,163,000	119.21		
2012	50,738,815	104.00	30,630,000	138.51		
2013	67,734,634	100.00	31,142,000	110.69		
2014	73,673,215	100.68	17,003,000	150.12		
* School Other Post-Employment Benefits Trust Fund was established during fiscal year 2008.						
See accompanying notes to the required supplementary information.						

Notes to the Required Supplementary Information

Fairfax County Public Schools
June 30, 2014

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 (GAAP), with the following exceptions:

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

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

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

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, 2014:

General Fund	Actual - GAAP Basis (Exhibit D)	Basis Differences		Actual - Budget Basis (Exhibit J)
		Capital Leases	Transactions between FCPS and the County	
Total revenues	\$ 2,383,505,579	\$ -	\$ (1,717,588,731)	665,916,848
Total expenditures	(2,414,481,009)	11,128,753	3,776,923	(2,399,575,333)
Total other financing sources (uses)	(25,744,945)	(11,128,753)	1,713,811,808	1,676,938,110
Net change in fund balances	<u>\$ (56,720,375)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (56,720,375)</u>

II. PENSION AND OTHER EMPLOYEE

BENEFITS TREND DATA

Eight year historical trend information about the Educational Employees' Supplementary Retirement System of Fairfax County (ERFC) is presented as required supplementary information. Seven 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.

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



OTHER SUPPLEMENTARY INFORMATION (unaudited)

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, 2014

EXHIBIT M

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Food and Nutrition Services	Grants and Self-Supporting Programs	Adult and Community Education	
ASSETS				
Cash on deposit with County of Fairfax, VA	\$ 12,271,064	\$ 7,484,347	\$ 806,916	\$ 20,562,327
Receivables:				
Accounts	143,299	114,526	864	258,689
Accrued interest	13,944	10,282	5,180	29,406
Due from intergovernmental units:				
Federal government	2,554,409	6,897,919	510,121	9,962,449
Commonwealth of Virginia	-	5,609,403	-	5,609,403
County of Fairfax, VA	269,613	-	-	269,613
Other	-	-	-	-
Inventories	1,782,053	-	-	1,782,053
Prepaid items	28,821	537,583	-	566,404
Total assets	<u>\$ 17,063,203</u>	<u>\$ 20,654,060</u>	<u>\$ 1,323,081</u>	<u>\$ 39,040,344</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 150,999	\$ 686,945	\$ 47,136	\$ 885,080
Accrued salaries and withholdings	1,041,039	144,717	452,509	1,638,265
Interfund payables	-	-	-	-
Unearned revenue	2,115,740	2,804,609	456,912	5,377,261
Total liabilities	<u>3,307,778</u>	<u>3,636,271</u>	<u>956,557</u>	<u>7,900,606</u>
Fund balances:				
Nonspendable	1,810,874	537,583	-	2,348,457
Restricted	11,944,551	16,480,206	366,524	28,791,281
Total fund balances	<u>13,755,425</u>	<u>17,017,789</u>	<u>366,524</u>	<u>31,139,738</u>
Total liabilities and fund balances	<u>\$ 17,063,203</u>	<u>\$ 20,654,060</u>	<u>\$ 1,323,081</u>	<u>\$ 39,040,344</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, 2014

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Food and Nutrition Services	Grants and Self-Supporting Programs	Adult and Community Education	
REVENUES				
Intergovernmental:				
Federal government	\$ 33,136,499	\$ 31,244,846	\$ 915,361	\$ 65,296,706
Commonwealth of Virginia	1,041,918	10,208,869	838,326	12,089,113
County of Fairfax, VA	-	4,232,175	-	4,232,175
Charges for services:				
Tuition and fees	-	2,280,940	5,628,077	7,909,017
Food sales	41,566,590	-	-	41,566,590
Revenue from the use of money and property	17,763	6,054	4,960	28,777
Other	-	1,063,848	411,360	1,475,208
Total revenues	<u>75,762,770</u>	<u>49,036,732</u>	<u>7,798,084</u>	<u>132,597,586</u>
EXPENDITURES				
Current:				
Instruction:				
Regular education:				
Elementary school	-	33,532,831	-	33,532,831
Middle school	-	1,779,399	-	1,779,399
High school	-	5,845,406	157,503	6,002,909
Special education	-	5,304,984	-	5,304,984
Adult and community education	-	-	8,182,772	8,182,772
Instructional support	-	17,452,164	-	17,452,164
Support programs:				
Administration and general support	-	645,074	-	645,074
Student transportation	-	3,431,730	-	3,431,730
Facilities management	-	-	-	-
Food service	77,986,816	-	-	77,986,816
Capital outlay	66,869	182,567	75,440	324,876
Debt service:				
Principal	3,742	2,648	-	6,390
Interest	392	204	-	596
Total expenditures	<u>78,057,819</u>	<u>68,177,007</u>	<u>8,415,715</u>	<u>154,650,541</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,295,049)</u>	<u>(19,140,275)</u>	<u>(617,631)</u>	<u>(22,052,955)</u>
OTHER FINANCING SOURCES				
Transfers in	-	21,376,992	400,000	21,776,992
Capital leases	18,768	-	-	18,768
Total other financing sources	<u>18,768</u>	<u>21,376,992</u>	<u>400,000</u>	<u>21,795,760</u>
Net change in fund balances	<u>(2,276,281)</u>	<u>2,236,717</u>	<u>(217,631)</u>	<u>(257,195)</u>
Fund balances - July 1, 2013	15,689,133	14,781,072	584,155	31,054,360
Increase in reserve for inventories	342,573	-	-	342,573
Fund balances - June 30, 2014	<u>\$ 13,755,425</u>	<u>\$ 17,017,789</u>	<u>\$ 366,524</u>	<u>\$ 31,139,738</u>

FAIRFAX COUNTY PUBLIC SCHOOLS
 Budgetary Comparison Schedule - Budget and Actual
 Food and Nutrition Services Fund
 For the Fiscal Year Ended June 30, 2014

EXHIBIT O

	<u>Budget - Original</u>	<u>Budget - Final</u>	<u>Actual - Budget Basis</u>	<u>Variance from Final Budget</u>
REVENUES				
Intergovernmental:				
Federal government	\$ 31,517,587	\$ 31,889,901	\$ 33,136,499	\$ 1,246,598
Commonwealth of Virginia	892,202	991,214	1,041,918	50,704
Charges for services:				
Food sales	48,233,348	43,998,145	41,566,590	(2,431,555)
Revenue from the use of money and property	54,950	54,950	17,763	(37,187)
Total revenues	<u>80,698,087</u>	<u>76,934,210</u>	<u>75,762,770</u>	<u>(1,171,440)</u>
EXPENDITURES				
Current:				
Food service	<u>96,388,598</u>	<u>92,623,343</u>	<u>78,039,051</u>	<u>(14,584,292)</u>
Total expenditures	<u>96,388,598</u>	<u>92,623,343</u>	<u>78,039,051</u>	<u>(14,584,292)</u>
Net change in fund balances	<u>\$ (15,690,511)</u>	<u>\$ (15,689,133)</u>	<u>\$ (2,276,281)</u>	<u>\$ 13,412,852</u>

FAIRFAX COUNTY PUBLIC SCHOOLS
Budgetary Comparison Schedule - Budget and Actual
Grants and Self-Supporting Programs Fund
For the Fiscal Year Ended June 30, 2014

EXHIBIT P

	Budget - Original	Budget - Final	Actual - Budget Basis	Variance from Final Budget
REVENUES				
Intergovernmental:				
Federal government	\$ 33,043,248	\$ 40,153,727	\$ 31,244,846	\$ (8,908,881)
Commonwealth of Virginia	10,045,156	10,687,617	10,208,869	(478,748)
Charges for services:				
Tuition and fees	2,010,330	2,010,330	2,280,940	270,610
Revenue from the use of money and property	-	-	6,054	6,054
Other	380,107	1,353,885	1,063,848	(290,037)
Total revenues	<u>45,478,841</u>	<u>54,205,559</u>	<u>44,804,557</u>	<u>(9,401,002)</u>
EXPENDITURES				
Current:				
Instruction:				
Regular education:				
Elementary school	30,379,372	37,146,280	33,548,716	(3,597,564)
Middle school	1,483,867	2,171,081	1,779,399	(391,682)
High school	6,126,736	8,277,641	5,848,258	(2,429,383)
Special education	5,353,801	6,668,841	5,304,984	(1,363,857)
Instructional support	18,595,490	27,296,122	17,618,846	(9,677,276)
Support programs:				
Administration and general support	6,563,419	9,598,157	645,074	(8,953,083)
Student transportation	3,330,038	3,330,038	3,431,730	101,692
Total expenditures	<u>71,832,723</u>	<u>94,488,160</u>	<u>68,177,007</u>	<u>(26,311,153)</u>
Deficiency of revenues under expenditures	<u>(26,353,882)</u>	<u>(40,282,601)</u>	<u>(23,372,450)</u>	<u>16,910,151</u>
OTHER FINANCING SOURCES				
Transfers in from other governmental funds	21,376,992	21,376,993	21,376,992	(1)
Transfers in from County of Fairfax, VA	4,132,175	4,132,175	4,232,175	100,000
Total other financing sources	<u>25,509,167</u>	<u>25,509,168</u>	<u>25,609,167</u>	<u>99,999</u>
Net change in fund balances	<u>\$ (844,715)</u>	<u>\$ (14,773,433)</u>	<u>\$ 2,236,717</u>	<u>\$ 17,010,150</u>

FAIRFAX COUNTY PUBLIC SCHOOLS
Budgetary Comparison Schedule - Budget and Actual
Adult and Community Education Fund
For the Fiscal Year Ended June 30, 2014

EXHIBIT Q

	<u>Budget - Original</u>	<u>Budget - Final</u>	<u>Actual - Budget Basis</u>	<u>Variance from Final Budget</u>
REVENUES				
Intergovernmental:				
Federal government	\$ 1,781,117	\$ 1,941,271	\$ 915,361	\$ (1,025,910)
Commonwealth of Virginia	923,731	923,731	838,326	(85,405)
Charges for services:				
Tuition and fees	5,464,964	5,464,965	5,628,077	163,112
Revenue from the use of money and property	3,062	3,062	4,960	1,898
Other	436,625	436,625	411,360	(25,265)
Total revenues	<u>8,609,499</u>	<u>8,769,654</u>	<u>7,798,084</u>	<u>(971,570)</u>
EXPENDITURES				
Current:				
Instruction:				
Regular education:				
High school	160,681	136,094	157,503	21,409
Adult and community education	8,848,818	9,617,716	8,258,212	(1,359,504)
Total expenditures	<u>9,009,499</u>	<u>9,753,810</u>	<u>8,415,715</u>	<u>(1,338,095)</u>
Deficiency of revenues under expenditures	<u>(400,000)</u>	<u>(984,156)</u>	<u>(617,631)</u>	<u>366,525</u>
OTHER FINANCING SOURCES				
Transfers in from other governmental funds	400,000	400,000	400,000	-
Net change in fund balances	<u>\$ -</u>	<u>\$ (584,156)</u>	<u>\$ (217,631)</u>	<u>\$ 366,525</u>





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.

- Central Procurement Fund—used to account for the centrally procured orders of textbooks, supplies, and equipment and their issuance to individual schools and offices.
- Health Benefits Fund—a self-insurance fund used to account for the transactions associated with the comprehensive health benefits self-insurance program. This fund also provides for payment of eligible health care and dependent care expenses for employees participating in the flexible spending account program.

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



FAIRFAX COUNTY PUBLIC SCHOOLS
Combining Statement of Net Position
Internal Service Funds
June 30, 2014

EXHIBIT R

	Central Procurement	Health Benefits	Insurance	Total Internal Service Funds
ASSETS				
Current assets:				
Cash on deposit with County of Fairfax, VA	\$ 19	\$ 80,727,540	\$ 50,181,767	\$ 130,909,326
Receivables:				
Accounts	-	5,832,772	-	5,832,772
Accrued interest	-	78,535	-	78,535
Inventories	958,125	-	-	958,125
Prepaid items	-	-	4,086	4,086
Interfund receivables	-	-	-	-
Total current assets	<u>958,144</u>	<u>86,638,847</u>	<u>50,185,853</u>	<u>137,782,844</u>
Non-current assets:				
Capital assets:				
Equipment	100,053	-	40,029	140,082
Accumulated depreciation	<u>(94,573)</u>	<u>-</u>	<u>(39,036)</u>	<u>(133,609)</u>
Total non-current assets	<u>5,480</u>	<u>-</u>	<u>993</u>	<u>6,473</u>
Total assets	<u>963,624</u>	<u>86,638,847</u>	<u>50,186,846</u>	<u>137,789,317</u>
DEFERRED OUTFLOWS OF RESOURCES				
Total deferred outflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
LIABILITIES				
Current liabilities:				
Accounts payable	2,066	8,035,804	962,867	9,000,737
Interfund payables	675,000	-	-	675,000
Unearned revenue	-	10,134,831	-	10,134,831
Compensated absences	5,681	84,376	41,103	131,160
Actuarial claims payable	<u>-</u>	<u>22,157,800</u>	<u>7,201,111</u>	<u>29,358,911</u>
Total current liabilities	<u>682,747</u>	<u>40,412,811</u>	<u>8,205,081</u>	<u>49,300,639</u>
Non-current liabilities:				
Compensated absences	2,435	36,161	17,615	56,211
Actuarial claims payable	<u>-</u>	<u>1,166,200</u>	<u>28,804,442</u>	<u>29,970,642</u>
Total non-current liabilities	<u>2,435</u>	<u>1,202,361</u>	<u>28,822,057</u>	<u>30,026,853</u>
Total liabilities	<u>685,182</u>	<u>41,615,172</u>	<u>37,027,138</u>	<u>79,327,492</u>
DEFERRED INFLOWS OF RESOURCES				
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET POSITION				
Invested in capital assets	5,480	-	993	6,473
Unrestricted	<u>272,962</u>	<u>45,023,675</u>	<u>13,158,715</u>	<u>58,455,352</u>
Total net assets	<u>\$ 278,442</u>	<u>\$ 45,023,675</u>	<u>\$ 13,159,708</u>	<u>\$ 58,461,825</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, 2014

	Central Procurement	Health Benefits	Insurance	Total Internal Service Funds
OPERATING REVENUES				
Charges for services	\$ 4,375,594	\$ 340,022,577	\$ 14,822,262	\$ 359,220,433
OPERATING EXPENSES				
Salaries and wages	133,637	2,162,178	978,768	3,274,583
Cost of goods sold	4,048,611	-	-	4,048,611
Claims and benefits	-	327,526,517	12,040,773	339,567,290
Professional consultant services	-	10,324,192	906,945	11,231,137
Other operating expenses	248,543	31,037	320,015	599,595
Depreciation	1,251	-	1,323	2,574
Total operating expenses	<u>4,432,042</u>	<u>340,043,924</u>	<u>14,247,824</u>	<u>358,723,790</u>
Operating income (loss)	(56,448)	(21,347)	574,438	496,643
NONOPERATING REVENUES				
Interest revenue	-	72,937	-	72,937
Change in net position	(56,448)	51,590	574,438	569,580
Total net position - July 1, 2013	334,890	44,972,085	12,585,270	57,892,245
Total net position - June 30, 2014	<u>\$ 278,442</u>	<u>\$ 45,023,675</u>	<u>\$ 13,159,708</u>	<u>\$ 58,461,825</u>

FAIRFAX COUNTY PUBLIC SCHOOLS
Combining Statement of Cash Flows
Internal Service Funds
For the Fiscal Year Ended June 30, 2014

EXHIBIT T

	Central Procurement	Health Benefits	Insurance	Total Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from interfund services provided	\$ 4,375,594	\$ 338,186,213	\$ 14,822,262	\$ 357,384,069
Payments to employees	(133,637)	(2,162,178)	(978,768)	(3,274,583)
Payments to vendors for inventory	(3,835,301)	-	-	(3,835,301)
Payments for claims and health benefits	-	(323,085,454)	(10,318,266)	(333,403,720)
Payments for professional services	-	(6,849,752)	(122,781)	(6,972,533)
Payments for other operating expenses	(251,030)	(36,709)	(320,015)	(607,754)
Net cash provided by operating activities	<u>155,626</u>	<u>6,052,120</u>	<u>3,082,432</u>	<u>9,290,178</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Net advances from other funds	(156,100)	-	-	(156,100)
Net cash used in noncapital financing activities	<u>(156,100)</u>	<u>-</u>	<u>-</u>	<u>(156,100)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	-	126,957	-	126,957
Net cash provided by investing activities	<u>-</u>	<u>126,957</u>	<u>-</u>	<u>126,957</u>
Net (decrease) increase in cash and cash equivalents	(474)	6,179,077	3,082,432	9,261,035
Cash and cash equivalents - July 1, 2013	493	74,548,463	47,099,335	121,648,291
Cash and cash equivalents - June 30, 2014	<u>\$ 19</u>	<u>\$ 80,727,540</u>	<u>\$ 50,181,767</u>	<u>\$ 130,909,326</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ (56,448)	\$ (21,347)	\$ 574,438	\$ 496,643
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation expense	1,251	-	1,323	2,574
(Increase) in accounts receivable	-	(2,517,097)	-	(2,517,097)
Decrease in inventories	336,605	-	-	336,605
(Increase) in prepaid items	-	-	(4,086)	(4,086)
(Decrease) Increase in accounts payable	(130,868)	3,468,768	788,250	4,126,150
Increase in unearned revenue	-	680,733	-	680,733
Increase in compensated absences	5,086	11,063	8,274	24,423
Increase in actuarial claims payable	-	4,430,000	1,714,233	6,144,233
Total adjustments to operating income	<u>212,074</u>	<u>6,073,467</u>	<u>2,507,994</u>	<u>8,793,535</u>
Net cash provided by operating activities	<u>\$ 155,626</u>	<u>\$ 6,052,120</u>	<u>\$ 3,082,432</u>	<u>\$ 9,290,178</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, 2014

EXHIBIT U

	Educational Employees' Supplementary Retirement System	School Other Post- Employment Benefits Trust	Total Pension and Other Post- Employment Benefit Trust Funds
ASSETS			
Cash and cash equivalents	\$ 2,035,637	\$ 500	\$ 2,036,137
Cash with fiscal agent	559,643	-	559,643
Cash collateral for securities on loan	175,405,588	-	175,405,588
Short-term investments	56,058,086	11	56,058,097
Receivables:			
Accrued interest	3,419,057	-	3,419,057
Securities sold	3,373,707	149,103	3,522,810
Investments, at fair value:			
U.S. government obligations	25,166,149	-	25,166,149
Mortgage-backed securities	3,437,784	-	3,437,784
Bonds	143,838,237	-	143,838,237
Stocks	662,297,752	28,623,556	690,921,308
Real estate	170,254,849	-	170,254,849
Global asset allocation	223,631,110	-	223,631,110
Better beta derivatives	112,865,754	-	112,865,754
Hedge funds	174,498,284	7,643,005	182,141,289
Private equity mutual partnership	34,645,625	-	34,645,625
Mutual funds	601,339,353	47,498,863	648,838,216
Prepaid items	5,004	-	5,004
Capital assets:			
Equipment	130,261	-	130,261
Accumulated depreciation	(104,475)	-	(104,475)
Total assets	<u>2,392,857,405</u>	<u>83,915,038</u>	<u>2,476,772,443</u>
DEFERRED OUTFLOWS OF RESOURCES			
Total deferred outflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
LIABILITIES			
Accounts payable	1,957,496	-	1,957,496
Interfund payables	-	37,700	37,700
Payable for purchase of investments	10,567,130	-	10,567,130
Liability for collateral received under securities lending agreements	<u>175,405,588</u>	<u>-</u>	<u>175,405,588</u>
Total liabilities	<u>187,930,214</u>	<u>37,700</u>	<u>187,967,914</u>
DEFERRED INFLOWS OF RESOURCES			
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
NET POSITION			
Held in trust for pension and other post-employment benefits	<u>\$ 2,204,927,191</u>	<u>\$ 83,877,338</u>	<u>\$ 2,288,804,529</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, 2014

EXHIBIT V

	Educational Employees' Supplementary Retirement System	School Other Post- Employment Benefits Trust	Total Pension and Other Post- Employment Benefit Trust Funds
ADDITIONS			
Contributions:			
Employer	\$ 74,174,082	\$ 25,524,938	\$ 99,699,020
Plan members	40,018,590	-	40,018,590
Total contributions	<u>114,192,672</u>	<u>25,524,938</u>	<u>139,717,610</u>
Investment earnings:			
From investing activities:			
Net appreciation in fair value of investments	272,689,846	9,001,941	281,691,787
Interest and dividends	40,909,308	12	40,909,320
Real estate income	2,922,632	-	2,922,632
Other	54,967	-	54,967
Gain from investing activities	<u>316,576,753</u>	<u>9,001,953</u>	<u>325,578,706</u>
Less investment expenses:			
Investment management fees	11,271,734	48,805	11,320,539
Investment consulting fees	459,232	-	459,232
Investment custodial fees	217,240	500	217,740
Investment salaries	216,853	-	216,853
Total investment expenses	<u>12,165,059</u>	<u>49,305</u>	<u>12,214,364</u>
Net gain from investing activities	<u>304,411,694</u>	<u>8,952,648</u>	<u>313,364,342</u>
From securities lending activities:			
Securities lending	131,434	-	131,434
Securities lending borrower rebates	173,929	-	173,929
Securities lending management fees	(76,254)	-	(76,254)
Net income from securities lending activities	<u>229,109</u>	<u>-</u>	<u>229,109</u>
Net investment gain	<u>304,640,803</u>	<u>8,952,648</u>	<u>313,593,451</u>
Total additions	<u>418,833,475</u>	<u>34,477,586</u>	<u>453,311,061</u>
DEDUCTIONS			
Benefit payments	161,276,831	15,524,938	176,801,769
Refund of contributions	5,772,959	-	5,772,959
Administrative expenses	3,629,320	-	3,629,320
Total deductions	<u>170,679,110</u>	<u>15,524,938</u>	<u>186,204,048</u>
Change in net position	248,154,365	18,952,648	267,107,013
Net position - July 1, 2013	1,956,772,826	64,924,690	2,021,697,516
Net position - June 30, 2014	<u>\$ 2,204,927,191</u>	<u>\$ 83,877,338</u>	<u>\$ 2,288,804,529</u>

FAIRFAX COUNTY PUBLIC SCHOOLS
Statement of Changes in Assets and Liabilities
Student Activity Fund
For the Fiscal Year Ended June 30, 2014

EXHIBIT W

	Balance June 30, 2013	Additions	Deductions	Balance June 30, 2014
ASSETS				
Cash with fiscal agent	\$ 19,298,822	\$ 116,560,273	\$ (115,924,721)	\$ 19,934,374
Accounts receivable	453,285	134,763	(168,795)	419,253
Inventories	372,982	106,567	(110,279)	369,270
Total assets	<u>\$ 20,125,089</u>	<u>\$ 116,801,603</u>	<u>\$ (116,203,795)</u>	<u>\$ 20,722,897</u>
LIABILITIES				
Accounts payable	\$ 586,691	\$ 261,897	\$ (302,093)	\$ 546,495
Due to student groups	19,538,398	116,539,706	(115,901,702)	20,176,402
Total liabilities	<u>\$ 20,125,089</u>	<u>\$ 116,801,603</u>	<u>\$ (116,203,795)</u>	<u>\$ 20,722,897</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

Governmental Activities	Fiscal Year				
	2014	2013	2012	2011	2010
Net investment in capital assets	\$ 2,126,682	\$ 2,026,739	\$ 1,986,758	\$ 1,941,947	\$ 1,866,973
Restricted (1)	103,699	137,390	-	8,940	71,568
Unrestricted	200,355	251,288	411,291	388,234	255,695
Total net position	<u>\$ 2,430,736</u>	<u>\$ 2,415,417</u>	<u>\$ 2,398,049</u>	<u>\$ 2,339,121</u>	<u>\$ 2,194,236</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 2005-2014

TABLE 1

Fiscal Year					Governmental Activities
2009	2008	2007	2006	2005	
\$ 1,851,436	\$ 1,788,593	\$ 1,736,800	\$ 1,695,698	\$ 1,630,224	Net investment in capital assets
28,520	21,647	-	-	-	Restricted (1)
172,741	149,557	166,902	117,930	147,736	Unrestricted
<u>\$ 2,052,697</u>	<u>\$ 1,959,797</u>	<u>\$ 1,903,702</u>	<u>\$ 1,813,628</u>	<u>\$ 1,777,960</u>	Total net position

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

Governmental Activities	Fiscal Year				
	2014	2013	2012	2011	2010
Expenses (5)					
Instruction	\$ 2,216,228	\$ 2,201,593	\$ 2,034,780	\$ 1,902,838	\$ 1,884,182
Support programs	360,657	340,158	328,736	332,906	322,682
Food service	81,128	82,418	79,303	73,756	68,957
Technology (5)	-	-	-	-	-
Interest on long-term debt (4)	3,043	3,372	3,390	4,088	3,942
Total expenses	<u>2,661,056</u>	<u>2,627,541</u>	<u>2,446,209</u>	<u>2,313,588</u>	<u>2,279,763</u>
Program Revenues					
Charges for services:					
Instruction	49,753	51,495	49,918	43,188	21,413
Support programs (5)	11,536	11,489	9,322	11,106	7,698
Food service (5)	41,567	43,563	47,547	47,458	47,207
Operating grants and contributions	262,295	253,061	235,073	229,644	225,774
Capital grants and contributions (1)	160,008	167,136	161,268	141,171	162,727
Total program revenues	<u>525,159</u>	<u>526,744</u>	<u>503,128</u>	<u>472,567</u>	<u>464,819</u>
Total net (expense) revenue	<u>(2,135,897)</u>	<u>(2,100,797)</u>	<u>(1,943,081)</u>	<u>(1,841,021)</u>	<u>(1,814,944)</u>
General Revenues and Other Changes in Net Position					
Grants and contributions not restricted to specific purposes:					
Federal government (6)	4,739	6,324	6,224	7,574	6,506
Commonwealth of Virginia	427,765	426,778	383,205	365,912	319,350
County of Fairfax, VA	1,716,989	1,683,322	1,610,835	1,611,591	1,626,601
Revenue for the use of money (2)	19	74	60	692	957
Other	1,703	1,668	1,685	137	3,069
Insurance recoveries (3)	-	-	-	-	-
Special items (4)	-	-	-	-	-
Total general revenues and other changes in net position	<u>2,151,215</u>	<u>2,118,166</u>	<u>2,002,009</u>	<u>1,985,906</u>	<u>1,956,483</u>
Change in Net Position	<u>\$ 15,318</u>	<u>\$ 17,369</u>	<u>\$ 58,928</u>	<u>\$ 144,885</u>	<u>\$ 141,539</u>

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

TABLE 2

Fiscal Year					
2009	2008	2007	2006	2005	
\$ 1,962,020	\$ 1,925,025	\$ 1,627,142	\$ 1,529,004	\$ 1,479,824	Governmental Activities
333,639	347,875	469,971	443,187	460,612	Expenses (5)
71,118	67,872	-	-	-	Instruction
-	-	125,341	118,127	-	Support programs
4,238	4,611	6,030	1,974	1,240	Food service
<u>2,371,015</u>	<u>2,345,383</u>	<u>2,228,484</u>	<u>2,092,292</u>	<u>1,941,676</u>	Technology (5)
					Interest on long-term debt (7)
					Total expenses
					Program Revenues
46,984	48,122	52,114	49,159	45,114	Charges for services:
8,175	6,535	45,166	43,578	40,234	Instruction
49,280	45,794	-	-	-	Support programs (5)
179,396	167,889	165,195	152,119	144,150	Food service (5)
170,736	165,578	145,185	121,934	201,405	Operating grants and contributions
454,571	433,918	407,660	366,790	430,903	Capital grants and contributions (1)
<u>(1,916,444)</u>	<u>(1,911,465)</u>	<u>(1,820,824)</u>	<u>(1,725,502)</u>	<u>(1,510,773)</u>	Total program revenues
					Total net (expense) revenue
					General Revenues and Other Changes
					in Net Position
					Grants and contributions not restricted to specific purposes:
8,828	7,099	10,343	4,343	4,303	Federal government (6)
365,932	364,021	364,978	318,843	316,510	Commonwealth of Virginia
1,626,601	1,586,601	1,533,218	1,429,717	1,321,225	County of Fairfax, VA
1,839	4,404	4,586	3,594	1,272	Revenue for the use of money (2)
6,144	5,435	5,436	4,673	3,523	Other
-	-	-	-	300	Insurance recoveries (3)
-	-	(7,663)	-	9,562	Special items (4)
<u>2,009,344</u>	<u>1,967,560</u>	<u>1,910,898</u>	<u>1,761,170</u>	<u>1,656,695</u>	Total general revenues and other changes in net position
<u>\$ 92,900</u>	<u>\$ 56,095</u>	<u>\$ 90,074</u>	<u>\$ 35,668</u>	<u>\$ 145,922</u>	Change in Net Position

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

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

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

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

Source: FCPS Comprehensive Annual Financial Reports 2005-2014

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

	Fiscal Year				
	2014	2013	2012	2011	2010
General Fund:					
Nonspendable	\$ 427	\$ 259	\$ 26,937	\$ 23,246	\$ 19,652
Restricted	-	-	-	-	-
Committed	57,205	90,651	126,092	47,993	-
Assigned	97,550	119,806	83,565	140,890	136,247
Unassigned	2,086	3,272	22,493	48,607	33,858
Total General Fund	\$ 157,268	\$ 213,988	\$ 259,087	\$ 260,736	\$ 189,757
All other governmental funds:					
Nonspendable	\$ 2,348	\$ 1,466	\$ 3,633	\$ 2,253	\$ 2,459
Restricted	104,066	137,974	114,292	31,461	27,598
Committed	-	-	-	-	-
Assigned	-	-	-	75,009	94,276
Unassigned	-	-	(975)	-	-
Total all other governmental funds	\$ 106,414	\$ 139,440	\$ 116,950	\$ 108,723	\$ 124,333

Source: FCPS Comprehensive Annual Financial Reports from 2005-2014 and FCPS Final Budget Review Reports from 2005-2014.

TABLE 3

Fiscal Year						
2009	2008	2007	2006	2005		
\$ 18,128	\$ 17,507	\$ 298	\$ -	\$ -		General Fund:
-	-	-	-	-		Nonspendable
-	-	-	-	-		Restricted
75,569	63,528	76,505	74,746	87,596		Committed
24,447	27,776	52,099	15,540	27,427		Assigned
<u>\$ 118,144</u>	<u>\$ 108,811</u>	<u>\$ 128,902</u>	<u>\$ 90,286</u>	<u>\$ 115,023</u>		Unassigned
						Total General Fund
\$ 2,248	\$ 2,191	\$ 1,160	\$ 1,545	\$ 1,745		All other governmental funds:
15,365	13,957	11,789	16,725	33,569		Nonspendable
-	-	-	-	-		Restricted
36,466	12,922	-	-	10,951		Committed
-	-	-	-	-		Assigned
<u>\$ 54,079</u>	<u>\$ 29,070</u>	<u>\$ 12,949</u>	<u>\$ 18,270</u>	<u>\$ 46,265</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				
	2014	2013	2012	2011	2010
Revenues					
Intergovernmental	\$ 2,559,313	\$ 2,514,854	\$ 2,384,966	\$ 2,343,575	\$ 2,349,368
Charges for services	57,838	60,184	64,672	64,862	63,733
Revenue from the use of money and property (7)	3,183	3,170	3,232	3,518	3,614
Recovered costs (1)	42,140	43,523	39,262	35,795	34,852
Other	13,900	23,179	15,600	11,136	12,919
Total revenues	<u>2,676,374</u>	<u>2,644,910</u>	<u>2,507,732</u>	<u>2,458,886</u>	<u>2,464,486</u>
Expenditures					
Current (5):					
Instruction	2,121,484	2,102,979	1,940,659	1,826,700	1,820,542
Support programs	345,640	325,273	313,294	311,628	311,695
Food service (5)	77,987	78,635	75,782	70,522	66,917
Technology (5)	-	-	-	-	-
Capital outlay (3), (6)	214,819	154,625	174,390	174,358	127,979
Debt service: (3)					
Principal	14,407	12,834	13,474	22,759	13,210
Interest (6)	3,273	3,372	3,390	4,317	3,950
Total expenditures	<u>2,777,610</u>	<u>2,677,718</u>	<u>2,520,989</u>	<u>2,410,284</u>	<u>2,344,293</u>
Excess (deficiency) of revenues over (under) expenditures	(101,236)	(32,808)	(13,257)	48,602	120,193
Other financing sources (uses)					
Transfers in	36,874	30,393	22,206	24,684	30,445
Transfers out	(36,874)	(30,393)	(22,206)	(24,684)	(30,445)
Capital leases and installment purchases (2)	11,148	10,294	19,680	7,058	21,496
Total other financing sources (uses)	<u>11,148</u>	<u>10,294</u>	<u>19,680</u>	<u>7,058</u>	<u>21,496</u>
Special items (4)	-	-	-	-	-
Net change in fund balances (8)	<u>\$ (90,088)</u>	<u>\$ (22,514)</u>	<u>\$ 6,423</u>	<u>\$ 55,660</u>	<u>\$ 141,689</u>
Debt service as a percentage of noncapital expenditures (3)	0.7%	0.6%	0.7%	1.2%	0.8%

- (1) FCPS provides educational services to the City of Fairfax's schools on a cost reimbursement basis. These revenues are reported as recovered costs.
- (2) The items acquired by capital leases and installment purchases include computers, vehicles, buses, and energy saving packages. The amount of funding available for these purchases may vary dramatically over time depending on needs. The large spike in fiscal year 2005 was related to the acquisition of the central administrative building. The substantial increase in fiscal year 2010 was due to the fact fiscal year 2009 leases were postponed because the master lease agreement expired in fiscal year 2009.
- (3) Prior to fiscal year 2007, capital outlays relating to capital leases and installment purchases were reported separately in expenditures. Annual debt service payments on capital leases and installment purchases were included in various functions in current expenditures. In fiscal year 2007, FCPS began reporting these outlays as part of capital outlay and separately reporting debt service payments. Amounts for capital outlays and debt service as a percentage of noncapital expenditures were restated in prior years.

TABLE 4

Fiscal Year					
2009	2008	2007	2006	2005	
\$ 2,336,434	\$ 2,277,965	\$ 2,206,411	\$ 2,024,051	\$ 1,917,509	Revenues
65,021	62,077	58,742	56,138	54,511	Intergovernmental
3,371	3,365	3,326	3,859	232	Charges for services
37,344	36,472	33,946	32,129	29,059	Revenue from the use of money and property (7)
12,776	17,021	15,707	10,704	7,624	Recovered costs (1)
<u>2,454,946</u>	<u>2,396,900</u>	<u>2,318,132</u>	<u>2,126,881</u>	<u>2,008,935</u>	Other
					Total revenues
					Expenditures
					Current (5):
1,882,672	1,854,380	1,568,179	1,463,219	1,428,744	Instruction
313,837	334,251	451,946	433,847	435,013	Support programs
68,282	65,704	-	-	-	Food service (5)
-	-	120,840	110,777	-	Technology (5)
148,604	138,534	138,588	161,774	205,055	Capital outlay (3), (6)
15,487	20,119	19,739	20,624	15,369	Debt service: (3)
4,448	4,620	4,776	5,149	1,241	Principal
<u>2,433,330</u>	<u>2,417,608</u>	<u>2,304,068</u>	<u>2,195,390</u>	<u>2,085,422</u>	Interest (6)
					Total expenditures
21,616	(20,708)	14,064	(68,509)	(76,487)	Excess (deficiency) of revenues over (under) expenditures
45,227	38,998	43,807	38,992	30,412	Other financing sources (uses)
(34,527)	(38,998)	(43,807)	(38,992)	(30,778)	Transfers in
1,996	16,404	15,618	15,960	95,211	Transfers out
<u>12,696</u>	<u>16,404</u>	<u>15,618</u>	<u>15,960</u>	<u>94,845</u>	Capital leases and installment purchases (2)
-	-	4,000	-	11,700	Total other financing sources (uses)
<u>\$ 34,312</u>	<u>\$ (4,304)</u>	<u>\$ 33,682</u>	<u>\$ (52,549)</u>	<u>\$ 30,058</u>	Special items (4)
					Net change in fund balances (8)
0.9%	1.1%	1.1%	1.3%	0.9%	Debt service as a percentage of noncapital expenditures (3)

(4) In fiscal year 2005, FCPS sold a parcel of land for \$11,700,000, which was purchased in 1989 for \$2,137,500, resulting in a gain. In fiscal year 2007, FCPS sold the Eleven Oaks Administrative Center, originally purchased in 1952 for \$789,200, for \$4,000,000, which resulted in a gain. Also, in fiscal year 2007, FCPS transferred land and associated property, which had a net book value of \$10,874,069, to the County.

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

(6) The increase in interest in fiscal year 2006 related to the interest on the central administrative building acquired by capital lease in fiscal year 2005.

(7) In fiscal year 2005, this line item only included revenue from the use of money; revenue from the use of property was inadvertently excluded.

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

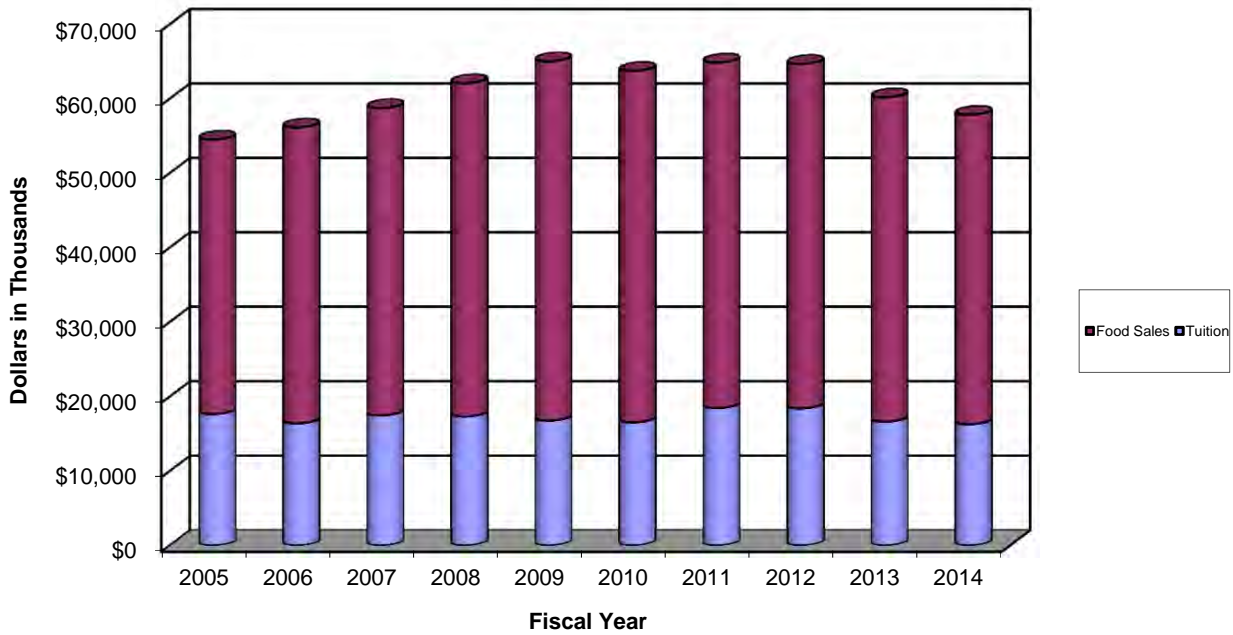
Source: FCPS

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>
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
2005	17,645	32.4	36,866	67.6	54,511

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 2005-2014

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

TABLE 6

Fiscal Year	Student Breakfast	Student Lunch			Adult Lunch
		Elementary	Middle	High	
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 (2)	1.50	2.65	2.75	2.75	3.65
2009 (2)	1.50	2.40	2.50	2.50	3.40
2008 (2)	1.25	2.15	2.25	2.25	3.15
2007 (2)	1.10	2.00	2.10	2.10	3.00
2006 (2)	1.00	1.90	2.00	2.00	2.75
2005	1.00	1.70	1.80	1.80	2.50

- (1) These prices are based on the normal costs of the meals and do not include the costs charged to students who qualify for reduced-price meals.
(2) The sales price increases, starting in fiscal year 2006, are a result of increased food cost, primarily from transportation cost increases passed on by vendors.

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 2014			Fiscal Year 2005 (1)		
	Sales	Rank	Percentage of Total Sales	Sales	Rank	Percentage of Total Sales
Student	\$ 32,698	1	78.67 %	\$ 23,380	1	59.35 %
Vending	2,678	2	6.44	4,772	3	12.12
School-age child care (SACC)	2,574	3	6.19	1,836	5	4.66
Daycare	1,577	4	3.79	932	6	2.37
Senior nutrition	806	5	1.94	684	7	1.74
Catering/other	733	6	1.76	5,456	2	13.85
Adult	501	7	1.21	2,326	4	5.91
Total:	<u>\$ 41,567</u>		<u>100.00 %</u>	<u>\$ 39,386</u>		<u>100.00 %</u>

- (1) Sales for fiscal year 2005 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 2005 CAFR.

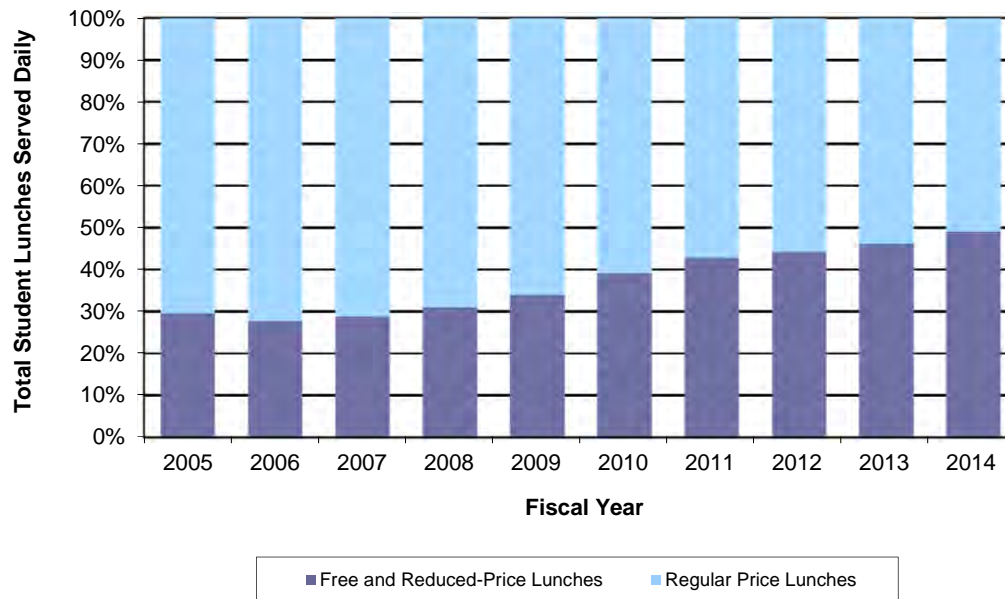
Source: FCPS - Office of Food and Nutrition Services

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	
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
2005	10,830	81,672	24,134	4,476

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

Fiscal Year	Governmental Activities (2)			Percent of Personal Income (3)	Debt Per Capita (3)
	Capital Leases	Installment Purchases	Total		
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
2005 (4)	100,079	14,965	115,044	0.20	113

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

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

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

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

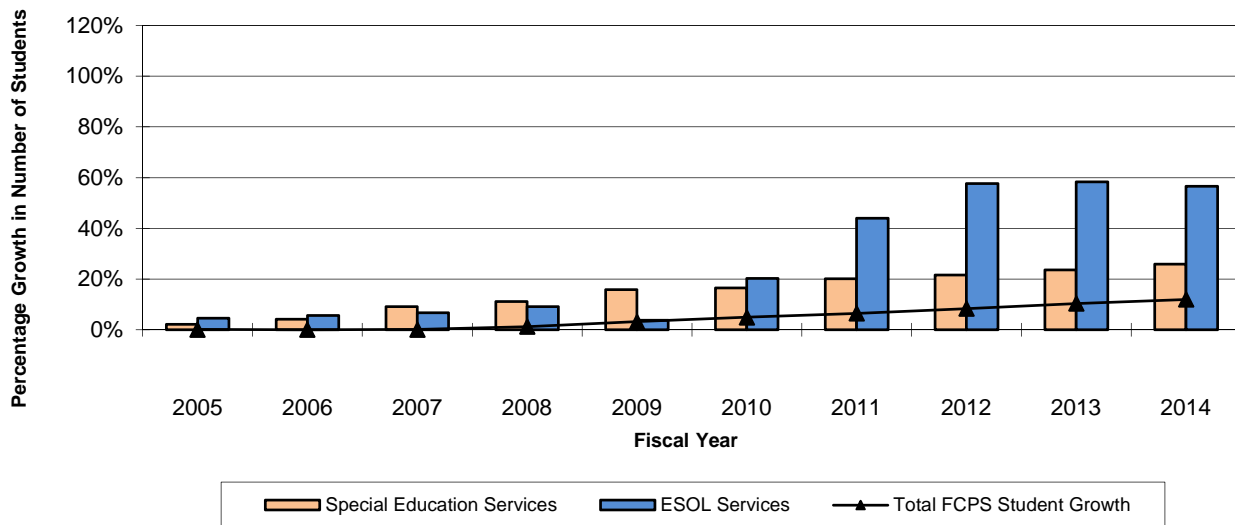
Source: FCPS Comprehensive Annual Financial Reports 2005-2014

FAIRFAX COUNTY PUBLIC SCHOOLS
Enrollment Trend
Last Ten Fiscal Years
Unaudited

TABLE 10

Fiscal Year	Grades K-6 (1)	Grades 7-8	Grades 9-12 (2)	Special Education (3)	Total
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
2005	80,736	23,087	48,165	12,420	164,408

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 school-age services and preschool services.

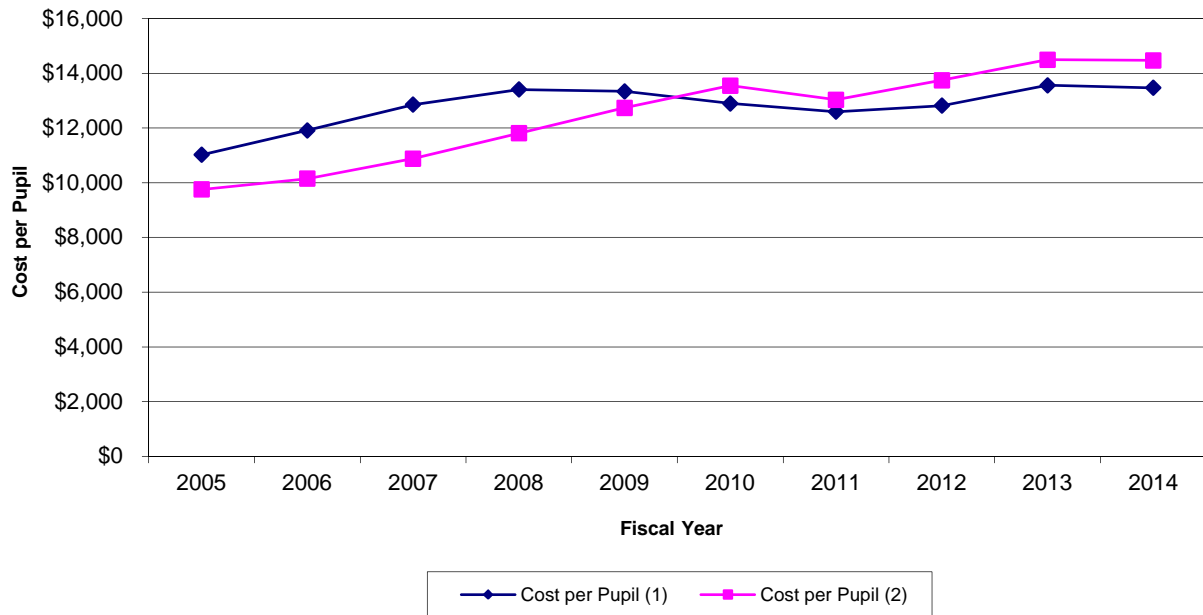
Source: FCPS Approved Budgets 2006-2015

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

TABLE 11

Fiscal Year	Cost per Pupil (1)	Cost per Pupil (2)
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
2005	11,022	11,810

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 2005-2014
 FCPS Comprehensive Annual Financial Reports 2005-2014

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

TABLE 12

Calendar Year	Population (1)	Personal Income (000s) (2)	Per Capita Personal Income (2)	Median Age (years) (3)	Percent of People ≥ 25 Years Old with a Bachelor's Degree (3)	Public School Enrollment (4)	Unemployment Rate (5)
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
2004	1,022,298	58,830,183	57,547	37.6	57.4	164,195	2.7

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 2013 is estimated using percent change in per capita personal income from 2011 to 2012.
- (3) Median age and educational attainment information are obtained from the U.S. Census Bureau's American Community Survey.
- (4) Public school enrollment is obtained from FCPS Approved Budgets 2005-2014.
- (5) Unemployment rates are obtained from the Virginia Employment Commission, Annual Unemployment Statistics for the calendar year, not seasonally adjusted.

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

TABLE 13

Employer	Fiscal Year 2014 (1)			Fiscal Year 2005 (1)		
	Number of Employees (2)	Rank	Percent of Total County Employment (3)	Number of Employees (2)	Rank	Percent of Total County Employment (3)
Fairfax County Public Schools	24,590	1	4.27 %	21,564	1	3.96 %
Federal Government	23,586	2	4.09	17,667	2	3.25
Fairfax County Government	12,240	3	2.12	11,547	3	2.12
Inova Health System	7,000-10,000	4	1.47	9,000-10,000	4	1.75
George Mason University	5,000-10,000	5	1.30			
Booz-Allen Hamilton	4,000-6,999	6	0.95	6,000-7,000	6	1.19
Federal Home Loan Mortgage	4,000-6,999	7	0.95	3,000-4,000	8	0.64
General Dynamics	4,000-6,999	8	0.95	2,000-3,000	-	0.46
Northrup Grumman	4,000-6,999	9	0.95	6,000-7,000	5	1.19
Science Applications International Corporation (4)	4,000-6,999	10	0.95	6,000-7,000	7	1.19
Lockheed Martin	1,000-3,999	-	0.43	2,000-3,000	-	0.46
Computer Science Corporation	1,000-3,999	-	0.43	3,000-4,000	9	0.64
Navy Federal Credit Union	1,000-3,999	-	0.43	3,000-4,000	10	0.64
Totals			<u>19.29 %</u>			<u>17.49 %</u>

- (1) Employment information for fiscal year 2014 excluding data for Fairfax County Government and FCPS, is from the first quarter of calendar year 2014 VEC. Employment information for fiscal year 2005 is from the fiscal year 2005 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 2014 is estimated at 576,368, based on Bureau Labor Statistics report for first quarter 2014. Average total County employment for fiscal year 2005 was estimated at 544,206.
- (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				
	2014	2013	2012	2011	2010
School Based:					
Principals	196.0	196.0	195.0	194.0	195.0
Assistant principals	454.0	450.0	439.0	437.0	438.0
Teachers	15,221.3	14,986.0	14,574.2	14,230.4	13,979.5
Instructional assistants	2,719.6	2,678.5	2,537.6	2,419.2	2,334.9
Custodian	1,345.0	1,338.0	1,267.0	1,251.5	1,327.5
Other school based personnel	2,690.8	2,667.3	2,609.5	2,536.1	2,569.4
Non-School Based:					
Administration	1,158.1	1,120.6	1,044.2	1,014.7	1,054.7
Teachers (1)	38.0	40.5	40.0	30.0	54.5
Office assistants	274.1	274.6	282.9	279.9	311.1
Trades personnel	493.0	480.0	545.0	546.0	587.0
Total	<u>24,589.9</u>	<u>24,231.5</u>	<u>23,534.4</u>	<u>22,938.8</u>	<u>22,851.6</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
2009	2008	2007	2006	2005	
196.0	195.0	196.0	197.0	198.0	School Based:
444.0	439.0	436.0	427.0	412.0	Principals
13,945.1	13,941.7	13,821.3	13,796.2	13,728.1	Assistant principals
2,228.0	2,243.2	2,154.9	2,121.3	2,097.5	Teachers
1,432.0	1,410.5	1,396.5	1,384.0	1,364.5	Instructional assistants
2,711.9	2,687.4	2,674.4	2,618.2	2,425.7	Custodian
					Other school based personnel
1,092.0	1,094.1	1,076.6	1,064.4	1,027.3	Non-School Based:
27.5	28.0	37.7	36.6	30.5	Administration
343.8	358.3	355.2	369.2	376.9	Teachers (1)
594.0	597.0	595.0	586.6	586.0	Office assistants
					Trades personnel
23,014.3	22,994.2	22,743.6	22,600.5	22,246.5	Total

FAIRFAX COUNTY PUBLIC SCHOOLS

TABLE 15

SAT Scores

Comparison of County of Fairfax, Virginia, Commonwealth of Virginia, and National Averages

Last Ten Fiscal Years

Unaudited

Fiscal Year	Combined SAT Scores - Critical Reading, Math and Writing (1)		
	County of Fairfax, VA	Commonwealth of Virginia	National
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
2005	1114	1030	1028

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

Source: FCPS - Office of Student Testing

FAIRFAX COUNTY PUBLIC SCHOOLS

TABLE 16

Average Class Size - Students per Classroom Teacher

Last Ten Fiscal Years

Unaudited

Fiscal Year	Elementary	Middle	Secondary/ High
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
2005	20.8	23.9	24.0

Source: Metropolitan/Washington Area Boards of Education Guides 2005-2014

FAIRFAX COUNTY PUBLIC SCHOOLS
Teacher Salary
Last Ten Fiscal Years
Unaudited

TABLE 17

Fiscal Year	Contract Length	Salary		
		Beginning Teacher	Maximum Teacher	Average Teacher
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
2005	194 days	36,887	83,276	57,258

Source: Metropolitan/Washington Area Boards of Education Guides 2005-2014

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

TABLE 18

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Elementary schools	139	139	138	139	139	137	137	137	136	136
Middle schools	23	23	22	22	22	22	22	22	22	22
High/Secondary schools	25	25	25	25	25	25	25	25	25	24
Special education centers (1)	7	7	7	8	8	9	10	11	13	15
Alternative high schools	2	2	2	2	3	3	3	3	3	3
Central administrative centers	22	22	22	21	21	23	23	24	28	27
Buses (2)	1,586	1,541	1,588	1,534	1,633	1,658	1,691	1,664	1,667	1,677

(1) The decreases for fiscal years 2005 through 2010 are a result of a decision by FCPS to make certain centers part of their respective school rather than a separate unit within the school.

(2) The bus count for fiscal year 2006 has been corrected to reflect the disposal of buses.

Source: FCPS - Office of the Comptroller

FAIRFAX COUNTY PUBLIC SCHOOLS
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	<u>Year Opened</u>	<u>Site Acreage</u>	<u>Building Size (2)</u>	<u>Student Population (2)</u>	<u>Square Foot Per Population</u>
Elementary Schools:					
ALDRIN ES	1994	14	97,436	701	139
ANNANDALE TERRACE ES	1964	12	75,252	709	106
ARMSTRONG ES	1986	14	80,000	496	161
BAILEYS ES	1952	10	119,968	1331	90
BEECH TREE ES	1968	10	70,331	382	184
BELLE VIEW ES	1952	11	75,779	543	140
BELVEDERE ES	1954	11	76,611	674	114
BONNIE BRAE ES	1988	13	88,778	701	127
BRADDOCK ES	1959	12	83,283	814	102
BREN MAR PARK ES	1957	10	62,999	502	125
BROOKFIELD ES	1967	13	107,827	808	133
BUCKNELL ES	1954	10	65,470	256	256
BULL RUN ES	1999	41	98,590	856	115
BUSH HILL ES	1954	11	70,939	495	143
CAMELOT ES	1969	10	89,938	600	150
CAMERON ES	1952	8	86,626	540	160
CANTERBURY WOODS ES	1965	12	89,744	733	122
CARDINAL FOREST ES	1966	13	80,214	616	130
CENTRE RIDGE ES	1990	14	93,981	813	116
CENTREVILLE ES	1994	13	110,450	906	122
CHERRY RUN ES	1983	11	69,604	500	139
CHESTERBROOK ES	1926	14	76,713	690	111
CHURCHILL ROAD ES	1958	10	79,538	870	91
CLEARVIEW ES	1979	14	85,609	679	126
CLERMONT ES	1968	13	50,800	530	96
COATES ES	2009	14	89,439	809	111
COLIN L. POWELL ES	2003	17	110,220	999	110
COLUMBIA ES	1967	10	54,993	478	115
COLVIN RUN ES	2003	13	98,590	894	110
CRESTWOOD ES	1955	11	86,587	652	133
CROSSFIELD ES	1988	14	89,134	699	128
CUB RUN ES	1986	16	77,850	610	128
CUNNINGHAM PARK ES	1967	10	69,842	484	144
DEER PARK ES	1995	10	98,740	673	147
DOGWOOD ES	2001	14	98,900	841	118
DRANESVILLE ES	1988	13	88,778	757	117
EAGLE VIEW ES	2006	13	98,590	710	139
FAIRFAX VILLA ES	1965	12	70,248	596	118
FAIRHILL ES	1965	10	73,174	586	125
FAIRVIEW ES	1938	14	80,415	661	122
FLINT HILL ES	1954	10	73,532	707	104
FLORIS ES	1955	10	83,560	703	119
FOREST EDGE ES	1971	13	96,624	789	122
FORESTDALE ES	1964	10	69,535	597	116
FORESTVILLE ES	1980	8	82,972	617	134
FORT BELVOIR ES	1994	20	134,939	1112	121
FORT HUNT ES	1969	13	87,481	607	144

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	Year Opened	Site Acreage	Building Size (2)	Student Population (3)	Square Foot Per Population
Elementary Schools:					
FOX MILL ES	1979	14	75,784	632	120
FRANCONIA ES	1931	7	71,658	566	127
FRANKLIN SHERMAN ES	1952	11	65,965	409	161
FREEDOM HILL ES	1949	12	81,500	626	130
GARFIELD ES	1952	8	60,776	369	165
GLEN FOREST ES	1957	10	106,919	1043	103
GRAHAM ROAD ES	1950	4	81,354	491	166
GREAT FALLS ES	1952	10	87,447	571	153
GREENBRIAR EAST ES	1968	10	90,547	1005	90
GREENBRIAR WEST ES	1971	10	93,203	1062	88
GROVETON ES	1972	13	103,281	782	132
GUNSTON ES	1954	10	80,736	551	147
HALLEY ES	1995	20	98,900	723	137
HAYCOCK ES	1954	10	72,853	905	81
HAYFIELD ES	1966	13	80,149	677	118
HERNDON ES	1961	14	97,146	918	106
HOLLIN MEADOWS ES	1965	10	73,353	642	114
HUNT VALLEY ES	1968	13	90,187	621	145
HUNTERS WOODS ES	1969	11	99,787	1114	90
HUTCHISON ES	1975	39	106,408	957	111
HYBLA VALLEY ES	1964	10	92,489	921	100
ISLAND CREEK ES	2003	19	98,590	745	132
KEENE MILL ES	1961	11	66,087	722	92
KENT GARDENS ES	1957	11	77,900	919	85
KINGS GLEN ES	1969	8	72,702	472	154
KINGS PARK ES	1964	10	80,019	677	118
LAKE ANNE ES	1967	10	86,200	652	132
LANE ES	1995	20	98,625	789	125
LAUREL HILL ES	2009	15	98,950	935	106
LAUREL RIDGE ES	1970	13	112,320	814	138
LEES CORNER ES	1987	11	81,843	742	110
LEMON ROAD ES	1955	12	61,943	482	129
LITTLE RUN ES	1963	10	55,085	351	157
LONDON TOWNE ES	1969	13	104,620	909	115
LORTON STATION ES	2003	13	98,900	1030	96
LOUISE ARCHER ES	1939	8	65,434	761	86
LYNBROOK ES	1956	11	85,553	636	135
MANTUA ES	1961	12	97,631	967	101
MARSHALL ROAD ES	1961	11	76,597	683	112
MASON CREST ES	2012	7	98,590	569	173
MCNAIR ES	2001	15	98,900	1093	90
MOSBY WOODS ES	1963	12	102,129	964	106
MOUNT EAGLE ES	1949	6	68,721	380	181
MOUNT VERNON WOODS ES	1965	10	79,490	680	117
NAVY ES	1955	10	91,013	855	106
NEWINGTON FOREST ES	1983	13	77,850	617	126
NORTH SPRINGFIELD ES	1956	12	83,256	539	154
OAK HILL ES	1983	12	86,000	879	98

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	<u>Year Opened</u>	<u>Site Acreage</u>	<u>Building Size (2)</u>	<u>Student Population (3)</u>	<u>Square Foot Per Population</u>
Elementary Schools:					
OAK VIEW ES	1968	10	88,815	754	118
OAKTON ES	1945	9	70,881	840	109
OLDE CREEK ES	1966	11	69,330	439	158
ORANGE HUNT ES	1974	14	92,049	823	112
PARKLAWN ES	1958	10	92,330	774	119
PINE SPRING ES	1955	11	65,941	586	113
POPLAR TREE ES	1990	11	94,664	631	150
RAVENSWORTH ES	1963	10	62,061	537	116
RIVERSIDE ES	1968	11	81,025	732	111
ROLLING VALLEY ES	1967	10	77,801	560	139
ROSE HILL ES	1957	11	100,132	747	134
SANGSTER ES	1988	14	88,552	929	95
SARATOGA ES	1989	14	103,570	757	137
SHREVEWOOD ES	1966	13	71,610	686	104
SILVERBROOK ES	1988	14	82,675	783	106
SLEEPY HOLLOW ES	1954	10	70,174	456	154
SPRING HILL ES	1965	13	108,607	950	114
SPRINGFIELD ESTATES ES	1957	11	78,947	745	106
STENWOOD ES	1963	10	71,213	537	133
STRATFORD LANDING ES	1963	10	71,785	901	80
SUNRISE VALLEY ES	1979	15	71,123	580	123
TERRA CENTRE ES	1980	12	69,000	550	125
TERRASET ES	1977	14	70,200	514	137
TIMBER LANE ES	1955	10	80,591	599	135
UNION MILL ES	1986	13	93,420	980	95
VIENNA ES	1921	15	51,494	394	131
VIRGINIA RUN ES	1990	21	90,800	778	117
WAKEFIELD FOREST ES	1955	14	65,062	515	126
WAPLES MILL ES	1991	14	92,470	861	107
WASHINGTON MILL ES	1963	12	73,331	664	110
WAYNEWOOD ES	1959	10	69,051	733	94
WEST SPRINGFIELD ES	1964	10	66,320	460	144
WESTBRIAR ES	1965	10	59,192	623	95
WESTGATE ES	1968	10	49,740	603	82
WESTLAWN ES	1951	9	95,743	763	125
WEYANOKE ES	1949	10	80,633	594	136
WHITE OAKS ES	1980	16	87,534	827	106
WILLOW SPRINGS ES	1990	21	90,014	997	90
WOLFTRAP ES	1968	10	70,670	573	123
WOODBURN ES	1952	10	64,735	501	129
WOODLAWN ES	1937	11	66,793	768	87
WOODLEY HILLS ES	1951	10	78,268	735	106
Middle Schools:					
CARSON MS	1998	33	178,723	1341	133
COOPER MS	1962	20	125,310	753	166
FRANKLIN MS	1984	35	150,481	856	176
FROST MS	1964	21	139,806	1105	127

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	Year Opened	Site Acreage	Building Size (2)	Student Population (3)	Square Foot Per Population
Middle Schools (Cont'd):					
GLASGOW MS	2008	22	197,000	1,517	130
HERNDON MS	1927	27	200,388	969	207
HOLMES MS	1966	28	158,849	959	166
HUGHES MS	1980	25	130,400	1,001	130
IRVING MS	1960	21	156,838	973	161
KEY MS	1971	21	174,232	829	210
KILMER MS	1967	23	165,000	1,293	128
LIBERTY MS	2002	80	178,723	1,108	161
LONGFELLOW MS	1960	18	175,793	1,332	132
LUTHER JACKSON MS	1954	20	179,467	1,257	143
POE MS	1954	20	176,089	902	195
ROCKY RUN MS	1980	25	130,400	1,098	119
SANDBURG MS	1963	35	263,940	1,309	202
SOUTH COUNTY MS	2012	69	176,900	1,095	162
STONE MS	1991	25	157,263	819	192
THOREAU MS	1960	20	115,702	843	137
TWAIN MS	1961	24	156,225	888	176
WHITMAN MS	1965	20	166,633	973	171
High and Secondary Schools (3):					
ANNANDALE HS	1954	28	345,994	2,246	161
CENTREVILLE HS	1988	36	337,003	2,392	141
CHANTILLY HS	1972	35	402,996	2,687	150
EDISON HS	1962	43	351,000	1,776	198
FALLS CHURCH HS	1967	40	306,487	1,675	183
HAYFIELD SEC	1968	58	344,640	1,905	181
HERNDON HS	1967	40	292,442	2,170	141
JEFFERSON HS	1964	39	264,506	1,843	144
LAKE BRADDOCK SEC	1971	60	430,000	2,657	162
LANGLEY HS	1965	43	261,365	1,999	131
LEE HS	1959	25	336,068	1,747	192
MADISON HS	1959	31	314,342	1,984	158
MARSHALL HS	1962	47	241,559	1,822	133
MCLEAN HS	1955	31	282,767	2,073	136
MOUNT VERNON HS	1960	41	458,517	1,969	233
OAKTON HS	1967	59	304,777	2,198	139
ROBINSON SEC	1971	78	380,000	2,709	140
SOUTH COUNTY HS	2005	69	378,000	2,080	182
SOUTH LAKES HS	1978	60	345,000	2,347	147
STUART HS	1959	21	300,491	1,823	165
WEST POTOMAC HS	1960	45	389,012	2,325	167
WEST SPRINGFIELD HS	1966	39	289,770	2,265	128
WESTFIELD HS	2000	76	422,298	2,750	154
WOODSON HS	1962	95	354,000	2,223	159

(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 2014 Approved Budget.
(3) Does not include Bryant and Mountain View Alternative High Schools.



Fairfax County Public Schools
2014 Comprehensive Annual Financial Report

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