

How to Read The Budget

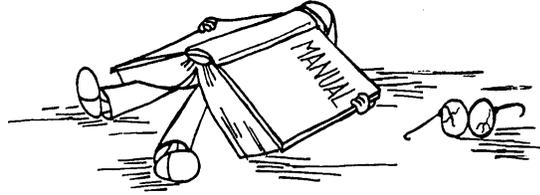
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REVIEWING THE BUDGET

A budget can be quite intimidating and overwhelming at first glance. This section is intended to simplify the budget and make it easier to understand.



COMMONLY REQUESTED INFORMATION

General Fund Statement	Overview, Page 83,194
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ORGANIZATION OF BUDGET VOLUMES

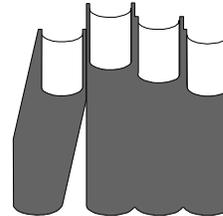
The Fairfax County Budget Plan is presented in several volumes:

FY 2001 Advertised Budget

Budget Overview Volume
General Fund, Volume 1
Capital Construction and Other Operating Funds, Volume 2
Capital Projects Appendix Volume

FY 2001 Adopted Budget (once adopted in April)

Budget Overview Volume
General Fund, Volume 1
Capital Construction and Other Operating Funds, Volume 2



Together, these volumes provide a comprehensive discussion of both the advertised and adopted Fairfax County budgets.

A *Citizen's Guide to the Budget* and an *Information Technology Plan* are also published in conjunction with the budget. The *Citizen's Guide* includes a summary of the key facts, figures and highlights of the budget. The *Information Technology Plan* is a document which includes strategic information technology directions, multi-year planning for information technology initiatives, and projections of the current technical environment. The *Citizen's Guide* is published for the advertised and adopted budgets, whereas the *Information Technology Plan* is only published for the advertised budget.

Overview Volume

The Overview Volume provides a general summary of the County's budget and includes the County Executive's budget message; the Chairman's Letter (once the budget is adopted in April); and summary information on General Fund revenues and expenditures, proposed General Fund transfers to support other funds, and proposed non-General Fund and capital expenditures. Other information presented in the Overview Volume includes historical tax and demographic trends, a financial forecast, schedules of receipts and expenditures, and various financial, statistical, and historical data.

General Fund – Volume 1

This volume is organized into Budget Schedules and Summary of General Fund Expenditures by Program Area. The Budget Schedules section includes Financial Schedules, Personnel Services and Fringe Benefits Schedules, Position Schedules, Compensation Schedules, Operating Expenses and Capital Equipment Schedules, and Contributory Schedules. The General Fund Expenditures by Program Area section contains General Fund agency budgets grouped by program area.

Capital Construction and Other Operating Funds – Volume 2

This volume provides detailed information on County departments, agencies, construction projects and programs funded from non-General Fund revenue sources, or from a mix of General Fund and non-General Fund sources, such as Federal or State grants, proceeds from the sale of bonds, user fees, and special tax districts. Included are detailed budget schedules (tables) broken down by specific accounting categories and summaries of budgets by fund groups. Included are the following fund categories:

- ▶ Special Revenue Funds
- ▶ Capital Project Funds
- ▶ Internal Service Funds
- ▶ Housing and Community Development Programs
- ▶ Alcohol Safety Action Program
- ▶ Debt Service Funds
- ▶ Enterprise Funds
- ▶ Trust and Agency Funds
- ▶ Fairfax County Park Authority Trust Funds

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This volume also details information associated with Fairfax County funding for Contributory Agencies. Contributory Agencies are not a part of Fairfax County's governmental structure, but when they are considered to be effective in carrying out County objectives, they may be approved by the Board of Supervisors as having Contributory status and receive support in the County budget. Prior to FY 2001, this information was published in a separate volume.

Capital Projects Appendix Volume

The Capital Projects Appendix Volume details the capital construction budget by project. Each project that has actual expenditures in FY 1999, a Revised Budget in FY 2000, or proposed funding in FY 2001 is included in this volume. Each project is outlined in a Project Detail Sheet, including location, Supervisory District, project description, completion dates and sources of funding. It should be noted that this volume is published only as part of the Advertised Budget Plan.

BASIS OF ACCOUNTING AND BUDGETING

A budget is a formal document that enables the County to plan for the future, measure the performance of County services, and help the public to understand where revenues come from and how they are spent on County services. The budget serves many purposes and addresses different needs depending on the "audience" – County residents, Federal and State regulatory authorities, elected officials, other local governments, taxpayers or County staff.

The budget must comply with the *Code of Virginia* and regulatory requirements. According to the *Code of Virginia*, Fairfax County is required to have a balanced budget and to undergo an annual financial audit by independent auditors. Thus, the budget outlines the required information to serve legal and financial reporting requirements. As discussed in more detail in the following sections, the budget is prepared and organized within a defined basis of budgeting and financial structure to meet regulatory and managerial reporting categories of expenditures and revenues.

The Commonwealth of Virginia requires that the County budget be based on fund accounting, which is a system that matches the sources of revenue (such as taxes or service fees) with the uses (program costs) of that revenue. Therefore, the County budgets and accounts for its revenues and expenditures in various funds (see Financial Structure section).

Accounting Basis

Each fund is considered a separate accounting entity, with operations accounted for in a separate set of self-balancing accounts that comprise assets, liabilities, fund equity, revenues and expenditures, or expenses as appropriate.

Governmental and agency funds are accounted for on the modified accrual basis of accounting. Revenue is considered available and recorded if it is collectible within the current period or within 45 days thereafter, to be used to pay liabilities of the current period. Expenditures are generally recorded when the related fund liability is incurred, with the exception of certain liabilities recorded in the General Long-Term Obligations Account Group.

Proprietary, pension and non-expendable trust funds utilize the accrual basis of accounting. Revenue is recognized when earned and expenses are recognized when incurred.

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Budgetary Basis

Annual budgets spanning the fiscal year (July 1 – June 30) are prepared on an accounting basis, with certain exceptions. For Governmental Funds, the value of donated food is not budgeted, but is reported in financial statements. In addition, while the full value of capital lease transactions is recorded when initiated for financial purposes, only the lease payment due in a given year is included in the budget. For Proprietary Funds, depreciation expenses are not budgeted, but are recorded and reported for financial purposes.

The County's basis of budgeting is consistent with generally accepted accounting principles.

The budget is controlled at certain legal and managerial/administrative levels. The *Code of Virginia* requires that the County adopt a balanced budget. The adopted Fiscal Planning Resolution places legal restrictions on expenditures at the agency or fund level. Managerial budgetary control is maintained and controlled at the fund, department, and character (i.e., Personnel Services, Operating Expenses, Recovered Costs and Capital Equipment) or project level. Personnel Services include regular pay, fringe benefits and extra compensation. Operating Expenses are the day-to-day costs involved in the administration of an agency. Capital Equipment reflects items that have a value of more than \$500 and an expected lifetime of more than one year, and Recovered Costs are reimbursements from other County agencies for specific services that have been provided. The Board of Supervisors currently approves any revisions that alter the total expenditures of any agency or fund.

During the fiscal year, budget reviews held on a quarterly basis (quarterly reviews) are the primary mechanism for revising appropriations. State law requires that a public hearing be held prior to the adoption of amendments to the current year budget when the adjustments exceed \$500,000. In addition, any amendment of \$500,000 or more requires that the Board advertise a synopsis of the proposed changes.

All annual appropriations lapse at the end of the fiscal year. Under the County's budgetary process, outstanding encumbrances are reported as reservations of fund balances and do not constitute expenditures or liabilities since the commitments will be reappropriated and honored the subsequent fiscal year.

The County's Department of Management and Budget is authorized to transfer budgeted amounts between characters or projects within any agency or fund. The budget process is controlled at the character or project level by an appropriations system within the automated financial accounting system. Purchase orders are encumbered prior to release to vendors and those that exceed character level appropriations, are not released until additional appropriations are available.

It should also be noted that additional accounting and budgetary requirements will be placed on the County due to Governmental Accounting Standards Board's (GASB) Statement Number 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments, otherwise known as GASB-34. The new standards will change the entire reporting process for local governments, and perhaps even the presentation of the budget. While the exact requirements have not yet been released, it is apparent that new entity-wide financial statements must be developed and completed in addition to those already produced. Infrastructure values will have to be determined and reported, and various accounting changes will need to be implemented. Full implementation of the defined GASB-34 components is expected by July 1, 2001, with the exception of the requirement to capitalize and depreciate general governmental infrastructure assets for which an additional three-year, phase-in period is permitted.

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FINANCIAL STRUCTURE

<u>Fund Type</u>	<u>Fund Title</u>	<u>Purpose</u>	<u>Revenue</u>
GOVERNMENTAL FUNDS			
G00	General Fund	Accounts for the cost of general County government.	Primarily from general property taxes, other local taxes, revenue from the use of money and property, license and permit fees, and State shared taxes.
G00	Revenue Stabilization Fund	Established by the Board of Supervisors in FY 2000 to provide a mechanism for maintaining a balanced budget without resorting to tax increases and/or expenditure reductions that aggravate the stresses imposed by the cyclical nature of the economy.	Minimum of 40 percent of non-recurring balances identified at the Carryover and Third Quarter Reviews transferred to the Fund until a maximum balance of 3 percent of General Fund Disbursements is attained.
G10 H14 P17	Special Revenue Funds	Account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.	A variety of sources including fees for service, General Fund transfers, Federal and State grant funding, cable franchise fees and special assessments.
G20	Debt Service Funds	Account for the accumulation of resources for and the payments of general obligation bond principal, interest and related expenses	General Fund transfers and special assessment bond principal and interest from special assessment levies.
G30 H34 P37	Capital Project Funds	Account for financial resources used for all general County and School construction projects other than Enterprise Fund construction.	General Fund transfers, bond proceeds and miscellaneous contributions.
PROPRIETARY FUNDS			
G40	Enterprise Funds (Wastewater Management Program)	Account for operations financed and operated in a manner similar to the private sector. The County utilizes Enterprise Funds for the Wastewater Management Program, which provides construction, maintenance and operation of the Countywide sewer system.	User charges to existing customers for continuing sewer service and availability fees charged to new customers for initial access to the system.
G50	Internal Service Funds	Account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other government units on a reimbursement basis.	Reimbursement via various inter-governmental payments, including the General Fund, for services and goods provided.
FIDUCIARY FUNDS			
G60 G70 H74 P77	Trust and Agency Funds	Account for assets held by the County in a trustee or agency capacity. Trust funds are usually established by a formal trust agreement. Agency funds are custodial in nature and are maintained to account for funds received and disbursed by the County for various governmental agencies and other organizations.	Various inter-governmental payments, including from the General Fund, and contributions by participants.

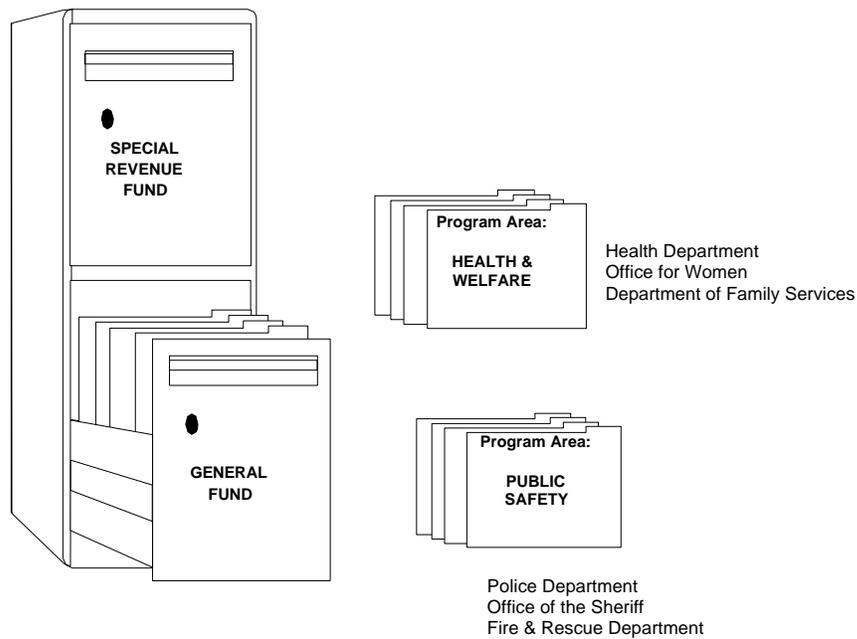
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DEPARTMENTS AND PROGRAM AREAS

The County's departments and program areas are easiest to understand if compared to a filing cabinet. Each drawer of the filing cabinet is a separate type of fund, such as Special Revenue, and within each drawer or fund there are many file folders which represent County agencies, departments or funds. County organizations in the General Fund are called agencies or departments, while organizations in the other funds are called funds. For example, the Health Department, which is a General Fund agency, is one agency or folder in the General Fund drawer.

For reporting purposes, all agencies and departments in the General Fund are grouped into "program areas." A program area is a grouping of County agencies or departments with related Countywide goals. Under each program area, individual agencies and departments participate in activities to support the program area goals. The Public Safety Program Area, for example, includes the Police Department, and the Fire and Rescue Department, among others.

While most of the information in the budget is focused on an agency or fund, there are several schedules that combine different sources of information such as General Fund receipts and expenditures, County position schedules, and other summary schedules.



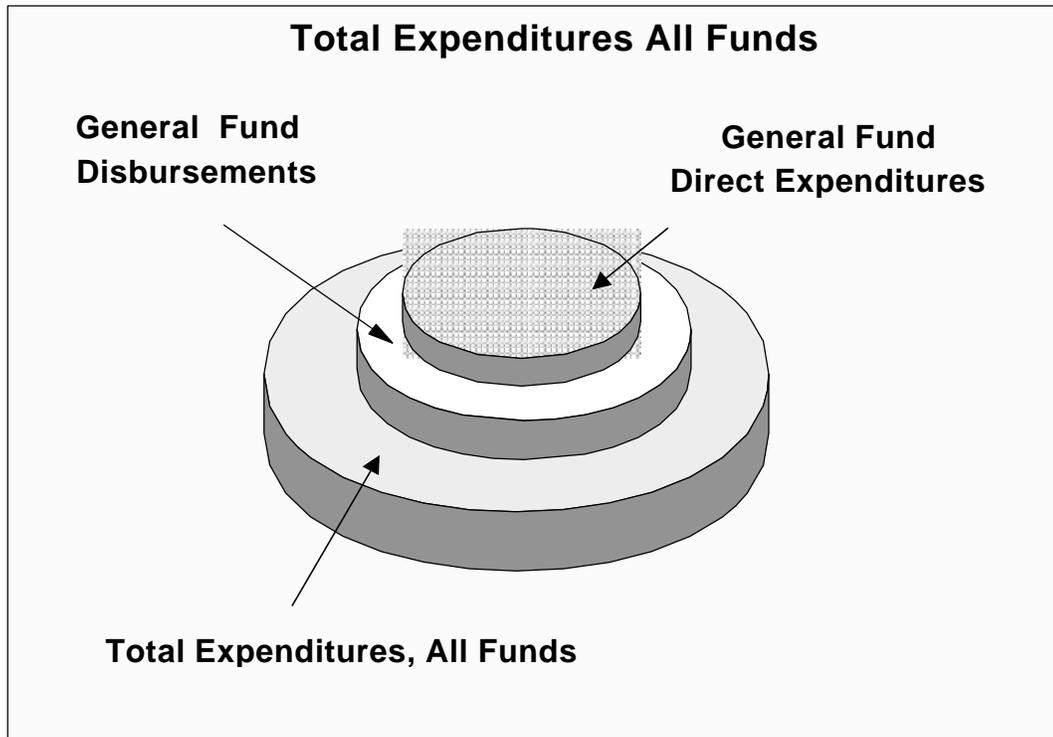
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COUNTY EXPENDITURES AND REVENUES

County Expenditures

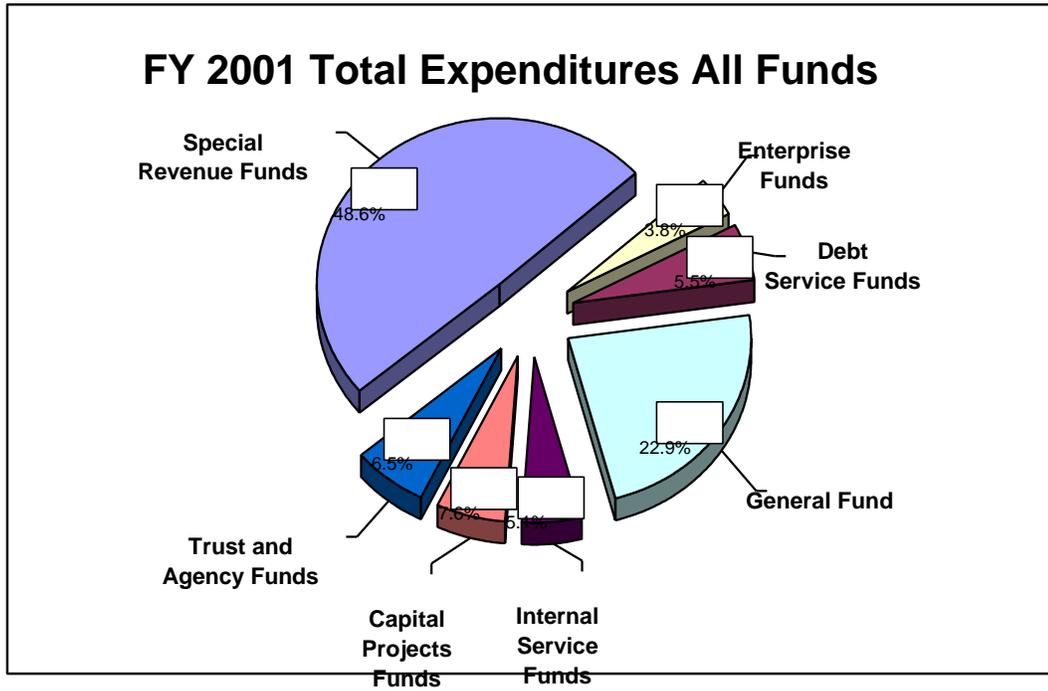
Expenditures for Fairfax County services and programs can be categorized as three concentric circles. Each circle encompasses the funds inside it:

- In the smallest circle are the General Fund Direct Expenditures that are used to run the day-to-day operations of most County agencies.
- The second largest circle is General Fund Disbursements. This circle includes General Fund Direct Expenditures and General Fund transfers to other funds, such as the Fairfax County Public Schools and Metro transportation system, and the County's debt service. The transfer of funding to the County Public Schools, including debt service, accounts for 50.1 percent of the County's disbursements in FY 2001.
- The largest circle is Total Expenditures. It represents expenditures from all appropriated funds.



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- The composition of Total Expenditures in FY 2001 is shown in the following chart:



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County Revenues

The revenue Fairfax County uses to fund its services and programs is generated from a variety of sources:

- The General Fund portion of Total Revenues consists of several major components, the two largest being Real Estate Tax revenues and Personal Property Tax revenues. In FY 2001, these categories are estimated to account for approximately 51.3 percent and 19.8 percent of the total General Fund revenues, respectively. Please note that a portion of the Personal Property Taxes are paid to the County by the State. These funds are included in the aforementioned Personal Property Tax total, rather than in Revenue from the Commonwealth. Other Local Taxes, which includes Local Sales Tax receipts, Consumer Utility Taxes, and Business Professional and Occupational License Taxes comprise approximately 17.1 percent of General Fund revenues in FY 2001. The remaining revenue categories, including Revenue from the Federal Government, Fines and Forfeitures, Revenue from the Use of Money and Property, Revenue from the Commonwealth, Recovered Costs, Charges for Services, and Permits, Fees and Regulatory Licenses make up 12.2 percent of the total.
- Total Revenues consist of all revenues received by all appropriated funds in the County. Total Revenues include all General Fund revenues, as well as sewer bond revenue, refuse collection and disposal fees, and revenue from the sale of bonds.

